

Electronic Arts

3FQ24 Preview: FY24 mostly de-risked, FY25 outlook to drive next move

Reiterate Rating: BUY | PO: 150.00 USD | Price: 137.86 USD

4CQ PC/Console industry spend likely above expectations

Our BAC aggregated US credit & debit card data suggest US household PC/Console game spending (incl. hardware) likely grew 10% Y/Y in the Dec Q, while 3P data from Circana and GSD (Games Sales Data) indicate flattish software-only spending Y/Y in both the US and Europe. Overall, industry spending trends still appear better than [Street consensus expectations, which imply -4% Y/Y \(see report\)](#). Microsoft and Sony have not reported results, but management guidance implies roughly HSD game software growth Y/Y in 4CQ.

FC strength could raise F24 Guide, Apex better than feared

We expect continued strength in the FC franchise to give management confidence to raise FY24 guidance (or at least tighten the range), as >80% of FC 24 lifetime units have likely been sold. Newzoo's tracking data as of October '23 suggests higher player engagement (average hours +MSD) on FC 24 vs its predecessor, boding well for FUT revenue. We expect the FC franchise to grow +MSD (vs LSD target) like for like. We see less 3FQ seasonal weakness for *Apex Legends* (BofA est. flat Y/Y) this year due to less intense competition from COD MW 3, as several data points suggest the sequel likely undersold MW 2. Our 3FQ mobile gaming estimate (+2% Q/Q) is consistent with 3P tracking, and we fine-tune 4FQ estimates based on 3P mobile data trends.

FY25 growth indication could raise Street models

We see several reasons management could provide 1st indication of FY25 growth above Street expectations (MSD): (1) a mature console installed base could mean higher game software spending and ASP; (2) FC successfully navigated through a year of tough comps and rebranding; (3) early contribution from EA's multi-year game pipeline could come in; and (4) Newzoo expects video game market (incl. mobile) growth to accelerate in 2024. Meanwhile, half of Street analysts do not model meaningful growth acceleration in FY25. We see potential for low- to mid-teens bottom-line growth indication given EA's focus on investment discipline implies de-emphasizing smaller and casual mobile titles.

Reiterate Buy & PO; valuation higher but still below peers

Our \$150 PO is based on 19x FY25E P/E (slightly higher estimates). We expect valuation discount vs peers to close with *Sports FC* rebranding risk largely in the rear view.

Estimates (Mar) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	7.05	6.48	7.27	8.07	9.00
GAAP EPS	2.98	2.87	4.84	3.76	4.40
EPS Change (YoY)	22.6%	-8.1%	12.2%	11.0%	11.5%
Consensus EPS (Bloomberg)			7.18	7.81	8.53
DPS	0.67	0.76	0.77	0.78	0.80
Valuation (Mar)					
P/E	19.6x	21.3x	19.0x	17.1x	15.3x
GAAP P/E	46.3x	48.0x	28.5x	36.7x	31.3x
Dividend Yield	0.5%	0.5%	0.6%	0.6%	0.6%
EV / EBITDA*	13.8x	14.8x	15.0x	13.5x	12.9x
Free Cash Flow Yield*	4.2%	3.3%	4.8%	5.1%	5.1%

* For full definitions of *IQmethod*SM measures, see page 12.

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Timestamp: 24 January 2024 04:25PM EST

24 January 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E Rev (m)	7,700.6	7,698.0
2025E Rev (m)	8,278.9	8,276.3
2026E Rev (m)	8,858.5	8,855.7
2024E EPS	7.21	7.27
2025E EPS	7.91	8.07
2026E EPS	8.70	9.00
2024E DPS	0.76	0.77

Omar Dessouky, CFA

Research Analyst
BofAS
+1 646 855 0686
omar.dessouky@bofa.com

Arthur Chu, CFA

Research Analyst
BofAS
+1 646 855 1131
arthur.chu@bofa.com

Stock Data

Price	137.86 USD
Price Objective	150.00 USD
Date Established	10-Oct-2023
Investment Opinion	B-1-7
52-Week Range	108.53 USD - 143.47 USD
Mkt Val (mn) / Shares Out (mn)	41,220 USD / 299.0
Free Float	99.7%
Average Daily Value (mn)	217.01 USD
BofA Ticker / Exchange	EA / NAS
Bloomberg / Reuters	EA US / EA.OQ
ROE (2024E)	26.1%
Net Dbt to Eqty (Mar-2023A)	-7.5%
ESGMeter TM	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

Acronyms:

FUT: FIFA Ultimate Team

L/

M/HSD: low-/mid-/high-single digit

iQprofileSM Electronic Arts

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	19.1%	13.2%	18.4%	17.7%	19.3%
Return on Equity	26.1%	24.1%	26.1%	27.6%	30.2%
Operating Margin	33.2%	30.4%	31.1%	32.4%	33.1%
Free Cash Flow	1,711	1,343	1,966	2,085	2,122

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.9x	0.9x	1.1x	1.1x	1.0x
Asset Replacement Ratio	0.4x	0.4x	0.4x	0.7x	1.1x
Tax Rate	21.3%	39.5%	21.8%	30.0%	30.0%
Net Debt-to-Equity Ratio	-11.2%	-7.5%	-13.5%	-18.4%	-23.5%
Interest Cover	43.8x	NM	NA	NA	NA

Income Statement Data (Mar)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	7,515	7,341	7,698	8,276	8,856
% Change	21.4%	-2.3%	4.9%	7.5%	7.0%
Gross Profit	5,795	5,676	6,009	6,492	6,952
% Change	23.2%	-2.1%	5.9%	8.0%	7.1%
EBITDA	2,983	2,764	2,742	3,051	3,184
% Change	32.2%	-7.3%	-0.8%	11.3%	4.4%
Net Interest & Other Income	(57)	(6)	56	9	9
Net Income (Adjusted)	2,017	1,800	1,987	2,181	2,384
% Change	20.2%	-10.8%	10.4%	9.8%	9.3%

Free Cash Flow Data (Mar)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	851	802	1,323	1,015	1,165
Depreciation & Amortization	486	536	345	367	250
Change in Working Capital	96	(336)	(152)	333	301
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	466	548	596	640	675
Capital Expenditure	(188)	(207)	(146)	(270)	(270)
Free Cash Flow	1,711	1,343	1,966	2,085	2,122
% Change	-5.5%	-21.5%	46.4%	6.0%	1.8%
Share / Issue Repurchase	(1,223)	(1,215)	(1,088)	(1,500)	(1,500)
Cost of Dividends Paid	(193)	(210)	(209)	(211)	(211)
Change in Debt	0	0	0	0	0

Balance Sheet Data (Mar)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	2,732	2,424	2,953	3,327	3,737
Trade Receivables	650	684	787	786	755
Other Current Assets	769	861	855	906	956
Property, Plant & Equipment	550	549	606	693	745
Other Non-Current Assets	9,099	8,941	8,767	8,834	8,959
Total Assets	13,800	13,459	13,968	14,544	15,153
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	3,513	3,285	3,264	3,896	4,467
Long-Term Debt	1,878	1,880	1,881	1,881	1,881
Other Non-Current Liabilities	784	1,001	895	895	895
Total Liabilities	6,175	6,166	6,040	6,672	7,243
Total Equity	7,625	7,293	7,928	7,873	7,910
Total Equity & Liabilities	13,800	13,459	13,968	14,544	15,153

* For full definitions of iQmethodSM measures, see page 12.

Company Sector

Interactive Media

Company Description

EA is one of the largest independent publishers of interactive games for all platforms, including game consoles, PC's and mobile devices. The company is realizing a greater percentage of revenues from digital platforms, which may enhance margins and lead to more sustainable revenue growth. Key franchises for the company include Madden, FIFA, Apex Legends, Need for Speed, Battlefield, Star Wars Battlefront, Mass Effect, Dragon's Age, and The Sims.

Investment Rationale

EA franchises have deep moats making share retention in an expanding TAM environment highly likely. 72% of EA's sales come from franchises with large, loyal followings. Because of rising fixed costs, competition is falling within EA's core competency of creating AAA games. Valuation is attractive given its discount to peers and significant competitive advantages.

Stock Data

Average Daily Volume 1,574,149

Quarterly Earnings Estimates

	2023	2024
Q1	0.47A	NAA
Q2	1.45A	NAA
Q3	2.80A	NAE
Q4	1.77A	NAE

BofA financial estimates vs Street

Exhibit 1: BofA forecasts vs. Street consensus and company guidance

We leave our top-line estimates mostly unchanged and model higher operating margin in FY25 on management's increasing focus on cost control

	FY23	1Q24	2Q24	3Q24E	4Q24E	FY24E	FY25E	FY26E
Net Bookings								
B of A (After)	7,341	1,578	1,820	2,385	1,915	7,698	8,276	8,856
B of A (Before)				2,380	1,923	7,701	8,279	8,858
STREET				2,383	1,814	7,596	8,050	8,381
Delta vs. STREET				0.1%	5.6%	1.3%	2.8%	5.7%
GUIDE (Midpoint)				2,350	1,752	7,500		
Net Bookings YoY Growth %								
B of A (After)	(2.3%)	21.5%	3.8%	1.8%	(1.6%)	4.9%	7.5%	7.0%
B of A (Before)				1.6%	(1.2%)	4.9%	7.5%	7.0%
STREET				1.8%	(6.8%)	3.5%	4.6%	4.1%
Delta vs. STREET				0.1%	5.2%	1.4%	2.9%	2.9%
GUIDE (Midpoint)				0.3%	(10.0%)	2.2%		
Net Bookings - Full Game								
B of A (After)	1,811	401	691	745	290	2,127	2,307	2,491
B of A (Before)				745	283	2,120	2,307	2,491
STREET				711	278	2,096	2,325	2,337
Delta vs. STREET				4.8%	4.4%	1.5%	(0.8%)	6.6%
GUIDE Implied (Midpoint)						-	-	-
Net Bookings - Full Game YoY Growth %								
B of A (After)	(15.6%)	143.0%	8.8%	8.4%	(10.5%)	17.4%	8.5%	8.0%
B of A (Before)				8.4%	(12.8%)	17.0%	8.8%	8.0%
STREET				3.5%	(14.3%)	15.7%	10.9%	0.5%
Delta vs. STREET				5.0%	3.8%	1.7%	(2.5%)	7.5%
GUIDE Implied (Midpoint)								
Net Bookings - Live Services								
B of A (After)	5,530	1,177	1,129	1,640	1,625	5,571	5,972	6,364
B of A (Before)				1,635	1,640	5,581	5,972	6,367
STREET				1,670	1,524	5,485	5,712	6,016
Delta vs. STREET				(1.8%)	6.6%	1.6%	4.6%	5.8%
GUIDE Implied (Midpoint)								
Net Bookings - Live Services YoY Growth %								
B of A (After)	3.0%	3.8%	0.9%	(0.9%)	0.2%	0.7%	7.2%	6.6%
B of A (Before)				(1.2%)	1.1%	0.9%	7.0%	6.6%
STREET				0.9%	(6.0%)	(0.8%)	4.1%	5.3%
Delta vs. STREET				(1.8%)	6.2%	1.6%	3.1%	1.2%
GUIDE Implied (Midpoint)								
of which Net Bookings - Live Services PC/Console								
B of A (After)	4,246	864	840	1,345	1,320	4,369	4,652	4,954
B of A (Before)				1,335	1,320	4,359	4,652	4,957
STREET				1,382	1,198	4,289	4,451	4,668
Delta vs. STREET				(2.7%)	10.1%	1.9%	4.5%	6.1%
GUIDE Implied (Midpoint)				-	-	-	-	-
of which Net Bookings - Live Services PC/Console YoY Growth %								
B of A (After)	2.6%	6.7%	3.3%	0.2%	3.0%	2.9%	6.5%	6.5%
B of A (Before)				(0.5%)	3.0%	2.7%	6.7%	6.6%
STREET				2.2%	(7.2%)	0.1%	3.8%	4.9%
Delta vs. STREET				(2.0%)	10.2%	2.8%	2.7%	1.6%
GUIDE Implied (Midpoint)								
of which Net Bookings - Mobile								
B of A (After)	1,244	303	279	285	295	1,162	1,280	1,370
B of A (Before)				290	310	1,182	1,280	1,370
STREET				288	326	1,196	1,261	1,348

Exhibit 1: BofA forecasts vs. Street consensus and company guidance

We leave our top-line estimates mostly unchanged and model higher operating margin in FY25 on management's increasing focus on cost control

	FY23	1Q24	2Q24	3Q24E	4Q24E	FY24E	FY25E	FY26E
Delta vs. STREET				(1.1%)	(9.5%)	(2.9%)	1.5%	1.6%
GUIDE Implied (Midpoint)								
of which Net Bookings - Mobile YoY Growth %								
B of A (After)	4%	(4%)	(6%)	(6%)	(11%)	(7%)	10%	7%
B of A (Before)				(4%)	(6%)	(5%)	8%	7%
STREET				(5%)	(2%)	(4%)	5%	7%
Delta vs. STREET				(1%)	(9%)	(3%)	5%	0%
GUIDE Implied (Midpoint)								
EBIT Non-GAAP								
B of A (After)	2,228	370	477	960	590	2,397	2,684	2,934
B of A (Before)				933	596	2,376	2,632	2,835
STREET				970	520	2,337	2,588	2,758
Delta vs. STREET				(1.0%)	13.3%	2.5%	3.7%	6.4%
GUIDE (Midpoint)				950	483	2,280		
EBIT Margin % Non-GAAP								
B of A (After)	30.4%	23.4%	26.2%	40.2%	30.8%	31.1%	32.4%	33.1%
B of A (Before)				39.2%	31.0%	30.9%	31.8%	32.0%
STREET				40.7%	28.7%	30.8%	32.2%	32.9%
Delta vs. STREET				(0.5%)	2.1%	0.4%	0.3%	0.2%
GUIDE (Midpoint)				40.4%	27.6%	30.4%		
Diluted EPS Non-GAAP								
B of A (After)	\$6.48	\$1.14	\$1.46	\$2.89	\$1.79	\$7.27	\$8.07	\$9.00
B of A (Before)				\$2.81	\$1.80	\$7.21	\$7.91	\$8.70
STREET				\$2.93	\$1.58	\$7.10	\$7.86	\$8.55
Delta vs. STREET				(1.2%)	13.0%	2.4%	2.7%	5.3%
GUIDE (Midpoint)				\$2.85	\$1.45	\$6.90		

Source: BofA Global Research estimates, company reports, Visible Alpha

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Exhibit 2: EA revenue forecast breakdown by product, FY24E to FY26E

We expect Full Game to drive PC/Console growth in FY24E, with the launch of Star Wars Jedi Survivor the biggest growth contributor; we model -7% Y/Y in mobile bookings with continued strength in FC Mobile partially offsetting the loss of Apex Legends Mobile revenue

	FY23	FY24E	FY25E	FY26E
Full Game	1,811	2,127	2,307	2,491
Of Which Digital	1,189	1,381	1,543	1,694
Of Which Packaged (BofA Est.)	622	676	764	797
Live + Other	5,530	5,571	5,972	6,364
Of Which Other (BofA Est.)	40	40	40	40
Of Which Live Services PC/Console (BofA Est.)	4,246	4,369	4,652	4,954
Of Which Mobile Gross (BofA Est.)	1,244	1,162	1,280	1,370
Of Which GLU	221	186	194	204
Of Which Playdemic	191	166	176	185
Of Which Apex Mobile/(Relaunch)	57	-	20	50
Of Which FIFA Mobile	285	390	404	424
Of Which Battlefield Mobile	-	-	-	-
Of Which Lord of the Rings	3	25	80	90
Of Which Legacy EA Studios	488	395	406	417
Y/Y Growth %	FY23	FY24E	FY25E	FY26E
Full Game Growth Y/Y %	-15.6%	17.4%	8.5%	8.0%
Of Which Digital Growth Y/Y %	-14.3%	16.1%	11.7%	9.8%
Of Which Packaged (BofA Est.) Growth Y/Y %	-17.8%	8.7%	13.0%	4.3%
Live + Other Growth Y/Y %	3.0%	0.7%	7.2%	6.6%
Of Which Other (BofA Est.) Growth Y/Y %	0.0%	0.0%	0.0%	0.0%
Of Which Live Services PC/Console (BofA Est.) Growth Y/Y %	2.6%	2.9%	6.5%	6.5%
Of Which Mobile Gross (BofA Est.) Growth Y/Y %	4.3%	-6.6%	10.2%	7.0%
Of Which GLU Growth Y/Y %	-29.4%	-16.0%	4.3%	5.0%
Of Which Playdemic Growth Y/Y %	98.4%	-12.9%	6.0%	5.0%
Of Which Apex Mobile/(Relaunch) Growth Y/Y %				
Of Which FIFA Mobile Growth Y/Y %	76.8%	36.8%	3.6%	5.0%
Of Which Battlefield Mobile Growth Y/Y %				
Of Which Lord of the Rings Growth Y/Y %		900.0%	220.0%	12.5%
Of Which Legacy EA Studios Growth Y/Y %	-22.1%	-19.0%	2.8%	2.8%

Source: Company reports, BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 3: PC/Console live services revenue forecast breakdown by franchise, FY24E to FY26E

We expect Ultimate Team to remain resilient and Apex Legends to decline in FY24E

	FY23	FY24E	FY25E	FY26E
Live Services Bottom Up	4,246	4,369	4,652	4,950
of which Ultimate Team	2,016	2,105	2,194	2,281
of which Apex Legends (PC/Console)	861	800	894	950
of which Sims	351	385	400	439
of which Battlefield 2042	30	20	10	10
of which All Other Live Services	988	1,059	1,154	1,270
Y/Y Growth %	FY23	FY24E	FY25E	FY26E
Live Services Y/Y Growth %	2.6%	2.9%	6.5%	6.4%
of which Ultimate Team Y/Y Growth %	6.8%	4.4%	4.2%	4.0%
of which Apex Legends (PC/Console) Y/Y Growth %	-2.2%	-7.0%	11.8%	6.3%
of which Sims Y/Y Growth %	-5.3%	9.6%	4.0%	9.7%
of which Battlefield 2042 Y/Y Growth %		-32.8%	-50.0%	0.0%
of which All Other Live Services Y/Y Growth %	-1.0%	7.2%	9.0%	10.0%

Source: Company reports, BofA Global Research estimates

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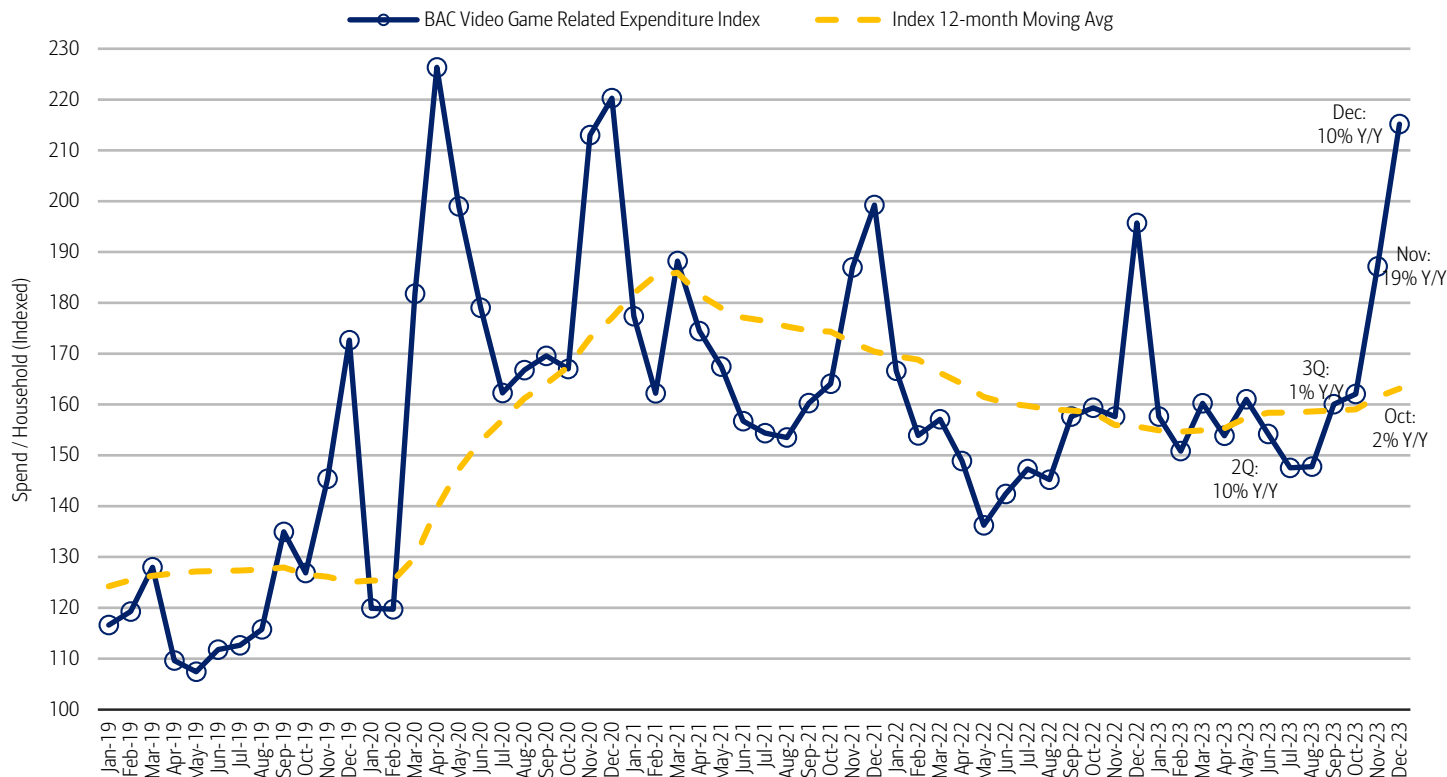
US consumer spending update: PC & Console gamers, December 2023

Our BAC aggregated US credit and debit card data ("BAC Card Data") suggests that:

- Average PC/Console game spending per US household (including hardware) grew +10% Y/Y in the Dec Q; December seasonality is the strongest since 2019.
- See the our economists' latest [BofA on USA](#) note for an explanation of the methodology, disclaimers and limitations with BAC card data

Exhibit 4: Monthly PC/Console game-related expenditures per household, Jan '19 - Dec '23, BAC aggregated credit and debit card data

Average gaming spend (software + hardware) per household in the US grew +10% Y/Y in 4CQ driven by strong end-of-year seasonality



Source: BAC Internal Data

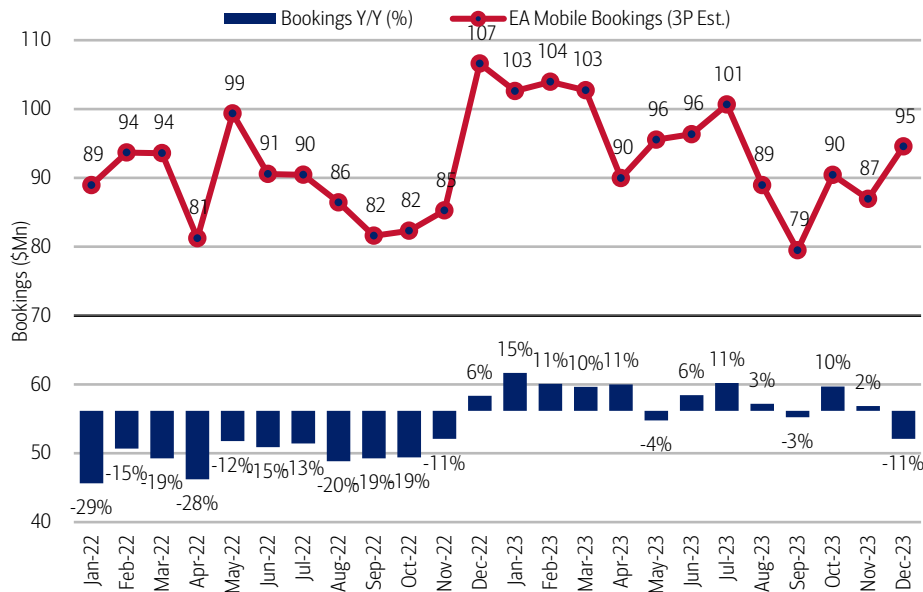
Note: Data tracks average PC/Console game related expenditures per household based on aggregated BAC credit & debit card spending from active US households; spend in Jan 18 is indexed to 100. Tracked purchases include game software purchases from retail channels and console game stores, spend on video game streaming, and gaming hardware purchases

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EA Mobile Game Tracker

Exhibit 5: EA Mobile IAP bookings (3P ests), Jan '22 - Dec '23

EA mobile IAP bookings (3P ests) grew roughly 1% Q/Q in 4CQ

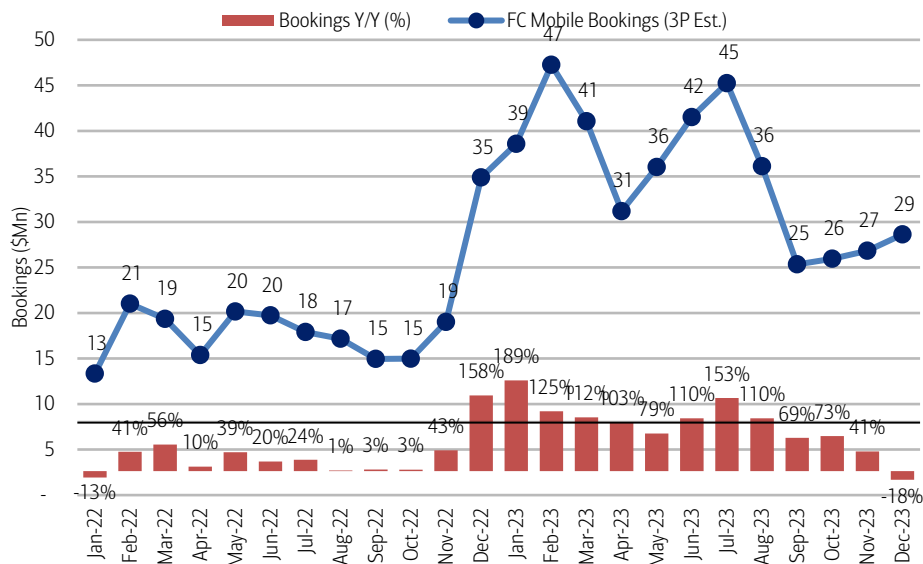


Source: Sensor Tower, BofA Global Research analysis of >200 EA games

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Exhibit 6: EA Sports FC mobile bookings (3P ests), Jan '22 - Dec '23

FC Mobile bookings run rate (~\$30mn per 3p estimates) has slowly grown since September; 4CQ est. bookings were roughly 20% higher Y/Y



Source: Sensor Tower

BofA GLOBAL RESEARCH

Exhibit 7: Mobile IAP bookings (3P ests) Y/Y growth, EA top games, 2023

Games in the Sports FC franchise appear to be the only consistently growing games among top titles, most other top games have been in Y/Y decline

Key

Y/Y Growth < 0%

-20%

Y/Y Growth = 0%

0%

Y/Y Growth > 0%

20%

Game	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	% of Total Bookings (LTM)
Consolidated	15%	11%	10%	11%	-4%	6%	11%	3%	-3%	10%	2%	-11%	
EA SPORTS FC™ Mobile Soccer	189%	125%	112%	103%	79%	110%	153%	110%	69%	73%	41%	-18%	37%
Star Wars™: Galaxy of Heroes	-21%	-20%	-24%	-14%	-28%	-21%	-29%	-28%	-31%	41%	-3%	16%	12%
Golf Clash	-28%	-36%	-17%	-20%	-21%	-24%	-10%	-18%	-16%	-7%	-6%	-11%	10%
Design Home™: House Makeover	-14%	-18%	-9%	-1%	-5%	2%	-14%	-19%	-9%	-21%	-16%	-22%	7%
SimCity BuildIt	19%	2%	12%	9%	1%	11%	11%	0%	-3%	-7%	3%	-1%	5%
Madden NFL 24 Mobile Football	-9%	-29%	18%	13%	-16%	-15%	-28%	-18%	-24%	-6%	6%	16%	4%
Covet Fashion: Dress Up Game	-18%	-11%	-28%	-11%	-10%	3%	-13%	-10%	-1%	-4%	-18%	-19%	3%
The Sims™ FreePlay	-22%	-13%	-14%	7%	5%	-1%	-13%	-22%	-16%	-15%	-2%	-3%	3%
EA SPORTS FC™ 24 Companion	40%	25%	36%	133%	41%	59%	55%	152%	336%	89%	72%	92%	3%
Plants vs Zombies™ 2	-12%	-30%	-22%	-27%	-24%	-14%	-11%	-16%	20%	16%	11%	9%	2%
EA SPORTS MLB TAP BASEBALL 23													2%
The Simpsons™: Tapped Out	1%	3%	20%	39%	13%	11%	17%	7%	0%	-13%	11%	3%	2%
Need for Speed™ No Limits	-31%	-28%	-34%	-32%	-21%	-9%	-12%	-10%	-11%	-20%	-23%	-21%	1%
Other Games	-17%	-31%	-42%	-48%	-61%	-61%	-61%	-59%	-53%	-55%	-54%	-55%	9%

Source: Sensor Tower, BofA Global Research analysis of >200 EA games
MLB Tap Sports Baseball Mar '23 Y/Y comp was lapping month of launch

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Exhibit 8: Mobile IAP bookings (3P Ests) comparison vs pre-COVID, EA top games

Bookings (3P ests) on top games also appear to be lower than pre-COVID, except FC Mobile

Key

Y/Y Growth < 0%

-60%

Y/Y Growth = 0%

0%

Y/Y Growth > 0%

60%

Game	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	% of Total Bookings (LTM)
Consolidated	-9%	-2%	-9%	-14%	-8%	-12%	-6%	-18%	-25%	-18%	-18%	-25%	
EA SPORTS FC™ Mobile Soccer	245%	371%	302%	250%	274%	270%	366%	274%	161%	125%	139%	107%	37%
Star Wars™: Galaxy of Heroes	-26%	-24%	-38%	-35%	-18%	-36%	-39%	-38%	-52%	-17%	-37%	-41%	12%
Golf Clash	-51%	-59%	-50%	-51%	-47%	-52%	-39%	-40%	-40%	-40%	-37%	-40%	10%
Design Home™: House Makeover	-46%	-42%	-33%	-38%	-43%	-44%	-47%	-48%	-45%	-50%	-50%	-47%	7%
SimCity BuildIt	-2%	-14%	-1%	9%	-9%	-17%	-8%	-26%	-29%	-15%	-12%	-11%	5%
Madden NFL 24 Mobile Football													4%
Covet Fashion: Dress Up Game	-43%	-15%	-47%	-28%	-15%	-35%	-41%	-30%	-36%	-36%	-39%	-40%	3%
The Sims™ FreePlay	-29%	-23%	-29%	-18%	-32%	-39%	-31%	-28%	-21%	-23%	-23%	-27%	3%
EA SPORTS FC™ 24 Companion					15514%	499%	830%	1393%	213%	189%	250%	207%	3%
Plants vs Zombies™ 2	4%	-26%	-17%	-30%	-44%	-38%	-20%	-32%	-15%	-11%	-9%	-11%	2%
EA SPORTS MLB TAP BASEBALL 23													2%
The Simpsons™: Tapped Out	-37%	-33%	-26%	3%	-3%	-12%	-17%	-25%	-7%	-3%	22%	-20%	2%
Need for Speed™ No Limits	-42%	-41%	-38%	-47%	-49%	-57%	-52%	-61%	-58%	-60%	-64%	-55%	1%
Other Games	-61%	-70%	-72%	-75%	-69%	-71%	-73%	-78%	-75%	-78%	-77%	-80%	9%

Numbers in table represent growth of estimated bookings relative to bookings in the same month in 2019. E.g. Jan '23 comp = Bookings (Jan '23) / Bookings (Jan '19) - 1

* Comparisons vs 2019 are not available for Madden, FC 24 Companion, and MLB Tap Sports Baseball as the games were launched after 2019

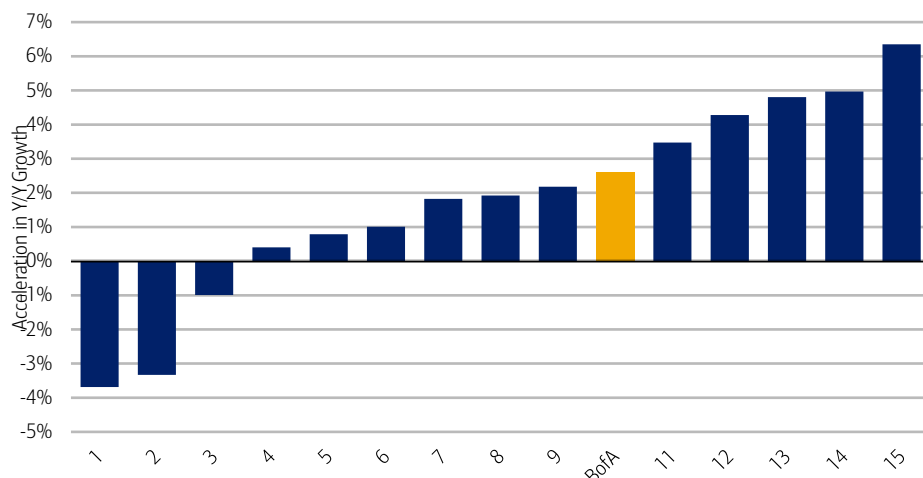
Source: Sensor Tower, BofA Global Research analysis of >200 EA games

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Exhibit 9: Sellside analyst forecasts for EA FY25 revenue y/y growth acceleration (vs FY24)

More than half of the 15 analysts that we track do not model a significant growth acceleration in FY25



Source: FactSet, BofA Global Research

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Exhibit 10: Global PC/Console Video Game Publisher Comparable Company Analysis

Our comp set includes global PC/Console Video Game Publishers

Company	Ticker	Price	EV/Sales (Consensus)			Sales CAGR CY22-CY24	EV/EBIT (Consensus)			EBIT CAGR CY22-CY24	P/E (Consensus)			EPS CAGR CY22-CY24
			CY22	CY23	CY24		CY22	CY23	CY24		CY22	CY23	CY24	
Index			3.8x	3.6x	3.3x	7%	19.5x	14.1x	12.5x	25%				
CD Projekt	CDR PW	PLN 103.75	10.9x	8.3x	12.4x	19%	27.5x	22.6x		40%	30.2x	24.7x	44.6x	42%
Remedy Entertainment Oy	REMEDY FH	€ 24.50	7.0x	9.5x	4.4x	27%	NA	NA			NA	NA	33.6x	
Paradox Interactive AB	PDX SS	199.00 kr	10.5x	7.9x	7.4x	19%	23.3x	28.7x	21.5x	4%	29.7x	34.9x	27.0x	5%
Capcom	9697 JP	¥5,638.0	7.7x	7.4x	6.6x	8%	19.1x	18.2x	15.8x	10%	32.3x	27.7x	24.7x	14%
Electronic Arts	EA US	\$139.17	5.2x	5.0x	4.7x	4%	17.0x	16.2x	14.9x	7%	22.0x	19.4x	18.0x	11%
Pearl Abyss Corp.	263750 KS	₩32,850	3.8x	4.7x	2.9x	15%	89.7x	NA	13.7x	156%	NA	103.0x	17.9x	
DeNA Co., Ltd.	2432 JP	¥1,505.0	0.5x	0.5x	0.5x	0%	15.6x	14.8x	8.0x	40%	19.6x	24.3x	16.4x	9%
Nexon	3659 JP	¥2,358.0	3.2x	2.9x	2.7x	9%	10.9x	8.8x	7.8x	19%	20.6x	16.2x	15.7x	14%
Ubisoft	UBI FP	€ 20.44	2.0x	1.7x	1.5x	14%	NA	9.2x	8.3x		NA	12.8x	10.6x	
Sega Sammy Holdings Inc.	6460 JP	¥2,165.5	1.0x	0.9x	0.9x	9%	8.4x	6.8x	6.7x	12%	10.4x	13.3x	10.4x	(0%)
Digital Bros S.p.A.	DIB IM	€ 10.21	1.6x	1.7x	1.5x	3%	6.0x	10.6x	6.6x	(5%)	5.5x	15.0x	8.9x	(22%)
Median			3.8x	4.7x	2.9x	9%	17.0x	14.8x	8.3x	12%	21.3x	21.9x	17.9x	10%
Average			4.9x	4.6x	4.1x	12%	24.2x	15.1x	11.5x	31%	21.3x	29.1x	20.7x	9%

Source: Bloomberg, FactSet

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Methodology explained

Readers should be aware that although the BAC datasets utilized in our analysis represent a significant number of data points, they nevertheless present a degree of selection bias, including but not limited to income levels and geographies. In addition, the data is limited to debit and credit cards and does not include other payment methods such as cash or checks.



Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

BAC data used in this report include spending from active US households only. Spending from corporate cards are excluded.

Our methodology for calculating the growth rates for daily data: we calculate the %y/y growth rate and the 4-year % change by matching calendar days (Jan 1 2023 is matched to Jan 1 2022, and Jan 1, 2019, respectively). The % change is calculated based on the 7-day moving average of spending levels.

Additional information about the methodology used to aggregate the data is available upon request.

Price objective basis & risk

Electronic Arts (EA)

Our price objective of \$150 is based on a share price 19x our FY25E Non-GAAP Diluted EPS estimate. We think EA should trade at a premium to PC/Console game publisher peers in light of its ownership of two of only 10 "mega" franchises in the world. EA currently trades below the median valuation of 10 PC/Console game publishers on a P/E basis.

Downside risks to EA are loss of key personnel, deterioration of gamer budgets in a return-to-work environment, rising personnel costs that are not offset by price increases, and production delays driven by return to office by employees.

Analyst Certification

I, Omar Dessouky, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alphabet	GOOGL	GOOGL US	Justin Post
	Alphabet	GOOG	GOOG US	Justin Post
	Amazon.com	AMZN	AMZN US	Justin Post
	AppLovin	APP	APP US	Omar Dessouky, CFA
	DoorDash	DASH	DASH US	Michael McGovern
	DoubleVerify Holdings, Inc.	DV	DV US	Omar Dessouky, CFA
	Electronic Arts	EA	EA US	Omar Dessouky, CFA
	Expedia	EXPE	EXPE US	Justin Post
	Integral Ad Science Holding Corp.	IAS	IAS US	Omar Dessouky, CFA
	LegalZoom	LZ	LZ US	Michael McGovern
	Match Group	MTCH	MTCH US	Curtis Nagle, CFA
	Meta Platforms Inc	META	META US	Justin Post
	Pinterest	PINS	PINS US	Justin Post
	RH	RH	RH US	Curtis Nagle, CFA
	Roblox Corp. Class A	RBLX	RBLX US	Omar Dessouky, CFA
	Squarespace, Inc.	SQSP	SQSP US	Michael McGovern
	Uber	UBER	UBER US	Justin Post
	Udemy Inc	UDMY	UDMY US	Curtis Nagle, CFA
	Vivid Seats	SEAT	SEAT US	Curtis Nagle, CFA
	Wayfair	W	W US	Curtis Nagle, CFA
	Wix.com	WIX	WIX US	Michael McGovern
NEUTRAL				
	ACV Auctions	ACVA	ACVA US	Curtis Nagle, CFA
	Airbnb	ABNB	ABNB US	Justin Post
	Beyond Inc	BYON	BYON US	Curtis Nagle, CFA
	Booking Holdings Inc	BKNG	BKNG US	Justin Post
	Bumble	BMBL	BMBL US	Curtis Nagle, CFA
	Digital Turbine, Inc	APPS	APPS US	Omar Dessouky, CFA
	Duolingo	DUOL	DUOL US	Curtis Nagle, CFA
	eBay	EBAY	EBAY US	Justin Post
	Etsy, Inc.	ETSY	ETSY US	Curtis Nagle, CFA
	Instacart	CART	CART US	Justin Post
	Magnite, Inc.	MGNI	MGNI US	Omar Dessouky, CFA
	Snap	SNAP	SNAP US	Justin Post
	Take-Two Interactive	TTWO	TTWO US	Omar Dessouky, CFA
	Zillow	ZG	ZG US	Curtis Nagle, CFA
	Zillow	Z	Z US	Curtis Nagle, CFA



US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
UNDERPERFORM	Chewy Inc	CHWY	CHWY US	Curtis Nagle, CFA
	Lyft, Inc.	LYFT	LYFT US	Michael McGovern
	Opendoor Technologies	OPEN	OPEN US	Curtis Nagle, CFA
	Peloton	PTON	PTON US	Curtis Nagle, CFA
	Playtika	PLTK	PLTK US	Omar Dessouky, CFA
	Redfin Corp	RDFN	RDFN US	Curtis Nagle, CFA
	Shutterstock	SSTK	SSTK US	Curtis Nagle, CFA

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

EV / EBITDA

Basic EBIT + Depreciation + Amortization

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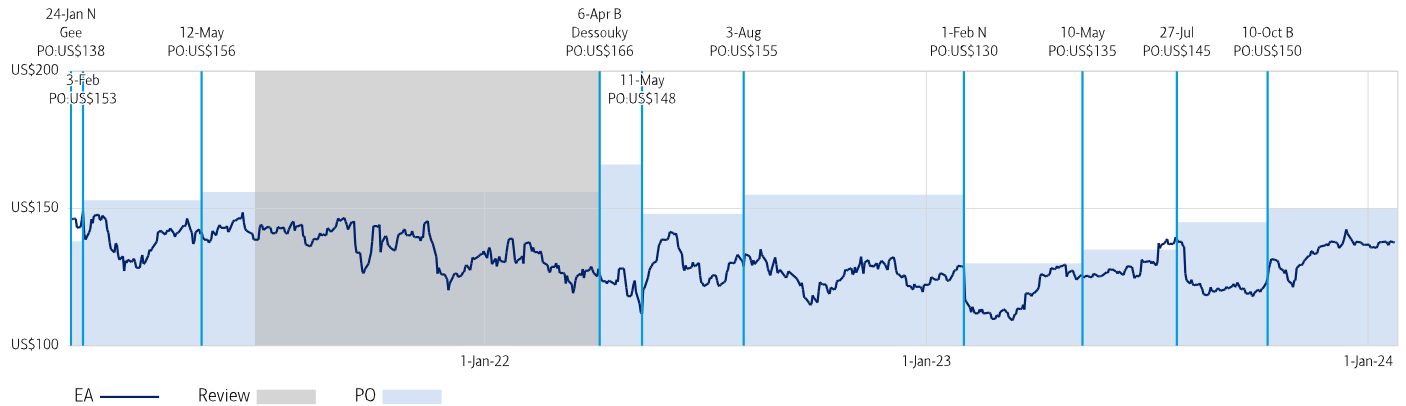
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Disclosures

Important Disclosures

Electronic Arts (EA) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Media & Entertainment Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	35	53.85%	Buy	15	42.86%
Hold	15	23.08%	Hold	8	53.33%
Sell	15	23.08%	Sell	7	46.67%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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