

# Electronic Arts Inc. (NASDAQ: EA)

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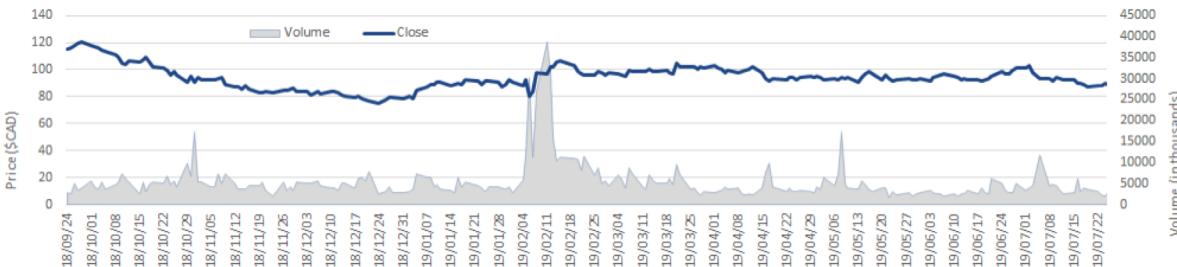


# Company Overview

## Business Overview

- Founded in 1982, Electronic Arts Inc. develops, markets, and distributes games, content, and online services for gaming consoles, mobile phones, and personal computers
- Best known for EA Sports FIFA, Madden NFL, Star Wars, Battlefield, and the Sims
- Growing offering, hence revenue, in live services, in-game purchases, downloadable content, and e-sports

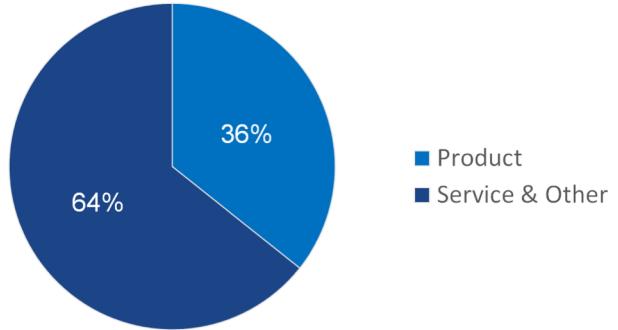
## NASDAQ: EA 52-Week Performance



## Financial Overview

Market Cap	\$27.85B	Debt / Equity	4.17%
EV	\$23.40B	EV / EBITDA	20.53x
52W Low	\$73.91	EPS (TTM)	\$7.13
52W High	\$118.17	P/E (TTM)	13.57

## Revenue Breakdown



## Executive Team

### Andrew Wilson - CEO & Director

- CEO and Director since September 2013
- Provides insight on daily operations and strategic vision of EA; Served as Executive Producer of FIFA

### Blake Jorgenson: COO & CFO

- CFO since September 2012 & COO since April 2018
- Acted as the CFO of both Levi Strauss & Co. and Yahoo! Inc. and worked as an investment banker previously

### Kenneth Moss: Chief Technology Officer

- Chief Technology Office since July 2014
- Serves in organization and strategy for EA's Digital Platform and IT department



# Industry Outlook

## Industry Trends

- The global video game market size is at a staggering \$131.3B with expectations to reach \$179.1B by 2024, recording a CAGR of 6.4% from 2019 to 2024
- While the package and product market for games is declining in growth, the Downloadable Content (DLC) market is prominently capturing more market share as users are showing preference to improve the existing in-game experience

## Key Players & Market Share



## Leading APAC Region

- The Asia-Pacific (APAC) region has accounted for more than 50% of the eSports viewership population in 2019, expecting continual growth due to intensive gaming culture
- China has taken up 41% of the global video game market revenue, and with South Korea, there exists a likely probability these countries will outpace North America in term of the penetration of smartphone and PC users

## The Surge of the eSports Market

### Market Growth & Statistics

- The eSports market is a major trend driving the media industry, forcing large-scale media companies to increasingly partake in marketing, publishing, and broadcasting events and competition
- Global eSports market is predicted to exceed \$1.1B USD in revenue with a year-over-year growth rate of 26.7%
  - In 2020, this global revenue is also expected to reach \$1.5B USD which implies a YoY growth of 36.4%

### Audience Opportunity

- The global eSports viewership is predicted to grow to 453.8M in 2019, in which 44.3% are eSports enthusiasts, and the remaining 55.7% being occasional viewers
- With the continually increasing audience (CAGR of 14.0% from 2017 to 2022), the network effect will further fortify the eSports industry and draw more media companies to take advantage of the opportunity
  - In 2022, the average revenue per fan is predicted to grow to \$6.02



# I: Increased Focus on Growing eSports Industry

## eSport Initiatives and Opportunities

### EA Broadcasting Center

- ❑ In March of 2019, Electronic Arts opened its first eSports broadcasting centre in its headquarters, which is designed to host tournaments and shows
- ❑ This broadcasting center also features a studio section for filming activities (i.e. interviews, green screen, etc.) with a focus to create content for building EA's eSports community and initiatives

### EA Competitive Gaming Division

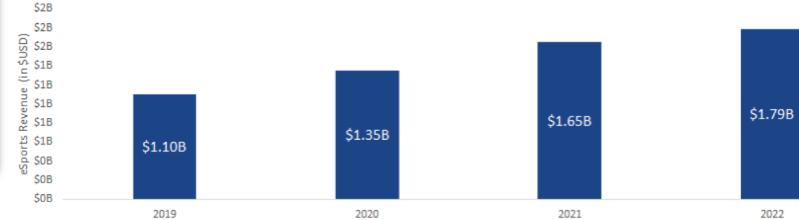
- ❑ As a long-term strategy, Electronic Arts have invested into creating the Competitive Gaming Division that focuses on the eSports segment
- ❑ Focusing on the opportunities within eSports will enable Electronic Arts to create lasting engagement with consumers, improving brand reputation and benefiting from network effects
- ❑ This division will also be crucial to not only revenue growth but also forming partnerships with sponsors, broadcasting stations, and tournament organizers

## Strategic Partnerships

### City Football Group

- ❑ In September 2019, EA signed a global partnership agreement with the City Football Group ("CFG"), which owns seven football clubs including Manchester City, Melbourne City FC, and NYC FC
- ❑ The pre-existing partnership with CFG has led to significant increases in engagement and popularity of both FIFA and Manchester City players
- ❑ In terms of eSports, FIFA benefits from increased users and average revenue per fan, and CFG gains presence within the games, converting virtual fans into real fans

Global eSports Revenue Growth





## II: Expanding Portfolio via Upcoming Game Releases

### Stable & Diverse Revenue Generation

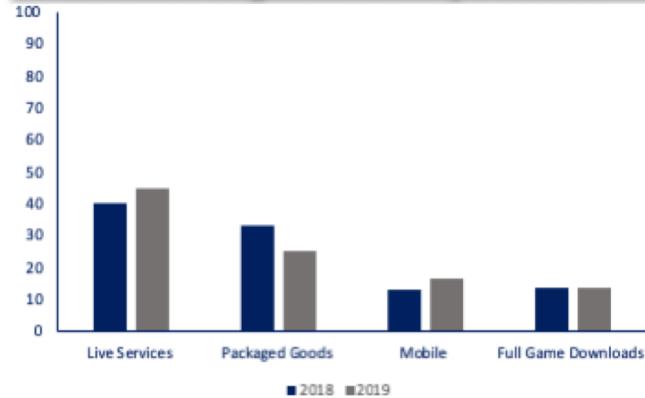
#### Shifting Revenue Streams

- ❑ Live services (i.e. game streaming), revenue source introduced in 2018, is expected to increase by end of 2019 and become EA's single largest revenue component
- ❑ New live services revenue stream portrays company's focus on following market trends into entering digital space along with the eSports streaming industry
- ❑ Physical packaged goods (i.e. game discs, consoles) remain a popular revenue source, but is set to decrease this year due to its substitutable nature with live services
- ❑ Introduction of mobile games (i.e. FIFA Mobile & Sims Mobile) enable more access to games

#### Game Variety

- ❑ EA is well-positioned among competitors with its award-winning product portfolio, expanding its customer base
  - ❑ Revenue is primarily generated from eSports games, yet the non-sport game, Apex Legends, attracted over 50 million players in only first month since release
  - ❑ Developing games and strategies that fit current gaming trends to its managerial structure that emphasizes the competitive environment and consumer demand enables success

### Revenue Segmentation by Product



### Popular Product Releases





# III: Consumer Retention & Network Effects

## Superior Consumer Retention Strategy

### Creating and Improving Addictive “Hit” Games

- ❑ “Hit” games are games that are able to create popularity through superior quality, storyline, or addiction, allowing firms to rise to prominence and develop an outstanding reputation
- ❑ Electronic Arts has been especially successful to create hit games through addictive play such as FIFA, Madden NFL, NHL, and NBA Live, resulting in creation of recurring revenue streams

### Psychological Retention Strategy

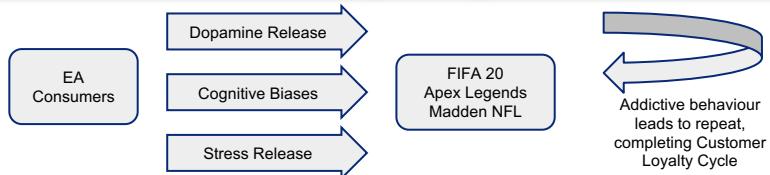
- ❑ The reason behind EA’s success lies in the cognitive biases within addiction, and especially, EA’s sports games are able to replicate the psychological effects present in gambling
- ❑ Illusion of Control: Consumers believe that having some kind of control in the game will enable the chances of winning will increase → Leading to greater in-game purchases of upgrades and improvements
- ❑ Self-Serving Bias: Consumers credit wins to their skill and strategy, while attributing losses in game to bad luck → Encouraging addictive play of the game while disregarding any kind of self-culpability

## Reliable Network Effects

### Amplifying Strategy with Reach

- ❑ In fiscal year 2019 alone, EA Sports FIFA was able to capture approximately 45 million players on various consoles, reaching 260 million copies sold since its release
- ❑ EA also retains 193 million downloads for FIFA Mobile and 115 million players in Asia
- ❑ This immense network that EA possesses enlarges the psychological phenomena experienced, reinforcing its business model and the bottom-line
- ❑ International geographic reach also enables to unify diverse players and builds communities which strongly encourages gameplay

## Recursion of Psychological Effects





# Catalysts & Risks

## Catalysts

### Coming Game Releases

- ❑ In Q2, Electronic Arts have launched their most popular franchise FIFA 20 along with Madden NFL 20 and NHL 20
- ❑ The market has yet to realize the success FIFA will bring; despite the incremental changes, the new "Volta Football" mode and new updates/features to Ultimate Team will support its service revenue

### Apex Legends Tournament

- ❑ Electronic Arts is planning to hold a tournament of its Apex Legends franchise with 80 teams competing for \$500,000
- ❑ This tournament will reinforce EA's focus on the growing eSports industry, and aims to increase social interaction, competition, and popularity of the Apex ecosystem
- ❑ Focus on the Battle Royale Style fits the trend with games such as Fortnite and PlayerUnknown's Battlegrounds → Multiplayer Community Building

## Risks

### Changing Technological Environment

- ❑ Consistent, rapid change in the technological environment presents a risk as Electronic Arts must adjust and adapt its business model, strategy, and products to fulfill consumer expectations
- ❑ Failing to acclimate can lead to Electronic Arts missing out on opportunities
- ❑ Risk mitigated through strategic development process of determining optimal platforms and distribution methods through rigorous R&D

### Cyber-Attacks and Threats

- ❑ Cyber-attacks are amplified with technological advancements and pose a threat to not only consumer security and privacy but also to Electronic Art's products and services, technological infrastructure, and intellectual property
- ❑ Risk mitigated through reliance on third-parties that specialize in cybersecurity along with continual monitoring from EA itself



# Valuation - Discounted Cash Flow Analysis

## DCF Unlevered Free Cash Flow Summary

(CAD\$ Millions)	Historical			Projected				
	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
<b>Revenue</b>	<b>4,845.0</b>	<b>5,150.0</b>	<b>4,950.0</b>	<b>5,477.6</b>	<b>6,222.4</b>	<b>7,060.6</b>	<b>8,119.6</b>	<b>9,432.5</b>
Operating Expenses	(3,621.0)	(3,716.0)	(3,954.0)	(4,236.2)	(4,781.2)	(5,284.0)	(6,076.5)	(7,059.0)
<b>EBIT</b>	<b>1,224.0</b>	<b>1,434.0</b>	<b>996.0</b>	<b>1,241.4</b>	<b>1,441.3</b>	<b>1,776.6</b>	<b>2,043.1</b>	<b>2,373.5</b>
Tax Rate				21.7%	21.7%	21.7%	21.7%	21.7%
Tax				269.4	312.8	385.5	443.4	515.0
<b>EBITDA</b>				<b>1,402.7</b>	<b>1,612.5</b>	<b>1,967.9</b>	<b>2,245.8</b>	<b>2,599.6</b>
<b>EBIAT (NOPAT)</b>				<b>972.0</b>	<b>1,128.5</b>	<b>1,391.1</b>	<b>1,599.8</b>	<b>1,858.4</b>
Add: Depreciation & Amortization				161.3	171.2	191.3	202.7	226.1
Less: CAPEX				(128.2)	(145.6)	(165.2)	(190.0)	(220.7)
Less: Change in NWC				(82.6)	89.0	64.8	132.2	163.8
<b>Unlevered FCF</b>				<b>922.47</b>	<b>1,243.05</b>	<b>1,481.98</b>	<b>1,744.56</b>	<b>2,027.66</b>

## DCF Valuation Results

(CAD\$ Millions)	Projected				
	FY20	FY21	FY22	FY23	FY24
<b>EBIAT (NOPAT)</b>	<b>972.0</b>	<b>1,128.5</b>	<b>1,391.1</b>	<b>1,599.8</b>	<b>1,858.4</b>
Add: Depreciation & Amortization	161.3	171.2	191.3	202.7	226.1
Less: CAPEX	(128.2)	(145.6)	(165.2)	(190.0)	(220.7)
Less: Change in NWC	(82.6)	89.0	64.8	132.2	163.8
<b>Unlevered FCF</b>	<b>922.47</b>	<b>1,243.05</b>	<b>1,481.98</b>	<b>1,744.56</b>	<b>2,027.66</b>
Discount Factor	1.0	2.0	3.0	4.0	5.0
WACC	8.63%	8.63%	8.63%	8.63%	8.63%
<b>Discounted UFCF</b>	<b>849.20</b>	<b>1,053.41</b>	<b>1,156.13</b>	<b>1,252.88</b>	<b>1,340.52</b>



# Valuation - Discounted Cash Flow Analysis

Multiples Method	
PV of Forecast Period	5,652.1
% of EV	17%
Terminal Value Calculation:	
Terminal Year EBITDA	2,664.6
EBITDA Multiple from Comps	16.1x
Terminal Value	42,899.6
PV of Terminal Value	28,361.6
% of EV	83%
Implied Enterprise Value	34,013.7
(+) Cash & Cash Equivalents	4,708.0
(+) Securities Owned	737.0
(-) Senior Notes	(994.0)
Implied Equity Value	38,464.7
Diluted Shares Outstanding (M)	294.7
Current Share Price	\$97.82
Implied Share Price	\$130.52
Upside / (Downside)	33.43%

Gordon Growth Method	
PV of Forecast Period	5,652.1
% of EV	20%
Terminal Value Calculation:	
Terminal Year UFCF	2,074.3
Long-Term Growth Rate	2.5%
Terminal Value	33,845.5
PV of Terminal Value	22,375.8
% of EV	80%
Implied Enterprise Value	28,027.93
(+) Cash & Cash Equivalents	4,708.0
(+) Short-Term Investments	737.0
(-) Senior Notes	(994.0)
Implied Equity Value	32,478.93
Diluted Shares Outstanding (M)	294.7
Current Share Price	\$97.82
Implied Share Price	\$110.21
Upside / (Downside)	12.67%

	15.1x	15.6x	16.1x	16.6x	17.1x	Sensitivity Analysis - Multiples Method
9.63%	\$119.95	\$122.80	\$125.66	\$128.51	\$131.37	
9.13%	\$122.21	\$125.14	\$128.06	\$130.98	\$133.90	
8.63%	\$124.54	\$127.53	\$130.52	\$133.51	\$136.50	
8.13%	\$126.94	\$130.00	\$133.05	\$136.11	\$139.17	
7.63%	\$129.40	\$132.53	\$135.66	\$138.79	\$141.92	

	1.50%	2.00%	2.50%	3.00%	3.50%	Sensitivity Analysis - Gordon Growth
9.63%	\$88.41	\$91.99	\$96.08	\$100.78	\$106.26	
9.13%	\$93.62	\$97.80	\$102.61	\$108.21	\$114.80	
8.63%	\$99.56	\$104.48	\$110.21	\$116.95	\$125.01	
8.13%	\$106.41	\$112.27	\$119.17	\$127.42	\$137.45	
7.63%	\$114.38	\$121.45	\$129.89	\$140.15	\$152.90	



# Valuation - Comparable Companies

Company Name	Ticker Symbol	Market Data			Financial Data				Valuation			
		Price (USD/Share)	Market Cap (MM USD)	EV (MM USD)	Sales (MM USD)	EBITDA (MM USD)	EBIT (MM USD)	EPS (\$)	EV/Sales (X)	EV/EBITDA (X)	EV/EBIT (X)	P/E (X)
Electronic Arts	NASDAQ: EA	\$96.75	\$28,512.90	\$24,572.90	\$4,974.00	\$1,237.00	\$1,093.00	\$7.13	4.94	19.86	22.48	13.57
Activision Blizzard	NASDAQ: ATVI	\$52.90	\$40,575.70	\$38,945.70	\$7,075.00	\$2,749.00	\$1,905.00	\$2.19	5.50	14.17	20.44	24.16
Ubisoft Entertainment	Euronext Paris: UBI-FR	\$69.50	\$7,924.60	\$8,254.10	\$2,136.00	\$860.10	\$241.00	\$1.02	3.86	9.60	34.25	68.14
Take-Two Interactive	NASDAQ: TTWO	\$122.91	\$13,910.70	\$11,888.00	\$2,820.90	\$468.00	\$185.70	\$2.69	4.21	25.40	64.02	45.69
Nintendo	Tokyo: 7974-JP	\$379.40	\$49,955.00	\$41,697.40	\$10,851.00	\$2,307.00	\$2,221.50	\$13.50	3.84	18.07	18.77	28.10
Microsoft Corporation	NASDAQ: MSFT	\$137.07	\$1,046,590.00	\$999,222.00	\$125,502.00	\$54,218.00	\$42,618.00	\$5.06	7.96	18.43	23.45	27.09
Mean									5.05	17.59	30.57	34.46
Median									4.58	18.25	22.96	27.60

Metric	Multiple		Implied Price		Implied Return	
	Mean (X)	Median (X)	Mean (\$/share)	Median (\$/share)	Mean (%)	Median (%)
EV/Sales	5.05	4.58	\$84.90	\$76.88	-13.21%	-21.40%
EV/EBITDA	34.46	27.60	\$133.29	\$106.75	36.26%	9.13%
EV/EBIT	30.57	22.96	\$103.31	\$77.61	5.61%	-20.66%
P/E	34.46	27.60	\$119.15	\$95.42	21.80%	-2.45%
Average Implied Share Price			\$107.17	\$87.08	12.62%	-8.85%



# Recommendation

Analyst Recommendations			Valuation Summary		
Company	Price Target	Position	Analysis	Price Target	Weight
Merrill Lynch	\$102.00	Hold			
BMO Capital	\$130.00	Buy	GORDON GROWTH	\$110.21	40%
Bernstein	\$121.00	Buy			
Credit Suisse	\$115.00	Buy	TERMINAL MULTIPLE	\$130.52	30%
Robert W. Baird	\$114.00	Buy			
Oppenheimer	\$110.00	Buy	COMPARABLE COMPANIES	\$107.17	30%
Needham	\$120.00	Buy			
SunTrust	\$107.00	Buy			
Cowen & Co.	\$104.00	Buy			
Citigroup	\$102.00	Hold			
Average	\$112.50	Buy	Weighted Target Price: \$115.39		

Final Recommendation: Buy | Electronic Arts Inc.



# Appendix: Income Statement Projection

Financial Statement Model:	Historical			Projected				
	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
<b>Consolidated Profit and Loss Account:</b>								
<b>Revenue:</b>	4,845.0	5,150.0	4,950.0	5,477.6	6,222.4	7,060.6	8,119.6	9,432.5
% Growth Rate:		6.3%	-3.9%	10.7%	13.6%	13.5%	15.0%	16.2%
<b>Operating Expenses:</b>								
Cost of Revenues	(1,298.0)	(1,277.0)	(1,322.0)	(1,451.6)	(1,617.8)	(1,835.8)	(2,111.1)	(2,452.4)
Research and Development	(1,205.0)	(1,320.0)	(1,433.0)	(1,450.7)	(1,647.9)	(1,869.9)	(2,150.4)	(2,498.1)
Marketing and Sales	(673.0)	(641.0)	(702.0)	(821.6)	(933.4)	(917.9)	(1,055.6)	(1,226.2)
General and Administrative	(439.0)	(469.0)	(460.0)	(501.4)	(569.6)	(646.3)	(743.2)	(863.4)
Other Operating Expenses	(6.0)	(9.0)	(37.0)	(11.0)	(12.4)	(14.1)	(16.2)	(18.9)
<b>Total Operating Expenses:</b>	<b>(3,621.0)</b>	<b>(3,716.0)</b>	<b>(3,954.0)</b>	<b>(4,236.2)</b>	<b>(4,781.2)</b>	<b>(5,284.0)</b>	<b>(6,076.5)</b>	<b>(7,059.0)</b>
<b>Operating Profit (EBIT):</b>	<b>1,224.0</b>	<b>1,434.0</b>	<b>996.0</b>	<b>1,241.4</b>	<b>1,441.3</b>	<b>1,776.6</b>	<b>2,043.1</b>	<b>2,373.5</b>
(-) Interest Expense:	(47.0)	(44.0)	(45.0)	(43.5)	(43.5)	(19.9)	(19.9)	(19.9)
(+) Interest and Other Income:	33.0	59.0	128.0	90.6	100.0	114.0	137.4	165.0
<b>Pretax Profit:</b>	<b>1,210.0</b>	<b>1,449.0</b>	<b>1,079.0</b>	<b>1,288.5</b>	<b>1,497.7</b>	<b>1,870.7</b>	<b>2,160.6</b>	<b>2,518.5</b>
(-) Provision For Income Taxes:	(243.0)	(406.0)	(60.0)	(279.6)	(325.0)	(405.9)	(468.9)	(546.5)
<b>Net Income:</b>	<b>967.0</b>	<b>1,043.0</b>	<b>1,019.0</b>	<b>1,008.9</b>	<b>1,172.7</b>	<b>1,464.8</b>	<b>1,691.8</b>	<b>1,972.0</b>



# Appendix: Balance Sheet Projection

Financial Statement Model:	Historical			Projected				
	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
<b>Consolidated Statement of Financial Position</b>								
<b>ASSETS:</b>								
<b>Current Assets:</b>								
Cash & Cash Equivalents	2,565.0	4,258.0	4,708.0	5,381.0	5,746.4	6,936.8	8,353.4	10,006.7
Short-Term Investments	1,967.0	1,073.0	737.0	1,393.5	1,583.0	1,796.3	2,065.7	2,399.7
Accounts Receivable	359.0	385.0	623.0	501.6	569.8	646.5	743.5	863.7
Other Current Assets	308.0	288.0	313.0	333.6	379.0	430.0	494.6	574.5
<b>Total Current Assets:</b>	<b>5,199.0</b>	<b>6,004.0</b>	<b>6,381.0</b>	<b>7,609.8</b>	<b>8,278.3</b>	<b>9,809.7</b>	<b>11,657.2</b>	<b>13,844.7</b>
<b>Non-Current Assets:</b>								
PP&E	434.0	453.0	448.0	444.9	441.3	437.3	432.6	427.2
Acquisition-Related Intangibles (incl. Goodwill)	1,715.0	1,954.0	1,979.0	1,949.0	1,927.0	1,905.0	1,897.0	1,897.0
Deferred Tax Assets	286.0	84.0	35.0	150.5	170.9	194.0	223.0	259.1
Other Assets	84.0	89.0	114.0	105.3	119.6	135.7	156.0	181.3
<b>Total Non-Current Assets:</b>	<b>2,519.0</b>	<b>2,580.0</b>	<b>2,576.0</b>	<b>2,649.6</b>	<b>2,658.8</b>	<b>2,671.9</b>	<b>2,708.7</b>	<b>2,764.6</b>
<b>Total Assets:</b>	<b>7,718.0</b>	<b>8,584.0</b>	<b>8,957.0</b>	<b>10,259.4</b>	<b>10,937.1</b>	<b>12,481.6</b>	<b>14,365.9</b>	<b>16,609.3</b>



# Appendix: Balance Sheet Projection

Financial Statement Model:	Historical			Projected				
	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
<b>LIABILITIES AND EQUITY:</b>								
<b>Current Liabilities:</b>								
Accounts Payable	87.0	48.0	113.0	92.5	104.4	115.4	132.7	154.2
Accrued and Other Current Liabilities	789.0	821.0	1,052.0	1,059.1	1,195.3	1,321.0	1,519.1	1,764.8
Deferred Net Revenue	1,539.0	1,622.0	1,100.0	1,643.3	1,866.7	2,118.2	2,435.9	2,829.7
<b>Total Current Liabilities:</b>	<b>2,415.0</b>	<b>2,491.0</b>	<b>2,265.0</b>	<b>2,794.9</b>	<b>3,166.4</b>	<b>3,554.6</b>	<b>4,087.7</b>	<b>4,748.7</b>
<b>Non-Current Liabilities:</b>								
Senior Notes	990.0	992.0	994.0	991.0	391.0	391.0	391.0	391.0
Income Tax Obligations	104.0	250.0	233.0	213.8	242.8	275.6	316.9	368.1
Deferred Tax Liabilities	1.0	1.0	2.0	1.5	1.7	1.9	2.2	2.5
Other Liabilities	148.0	255.0	132.0	201.8	227.7	251.7	289.4	336.2
<b>Total Non-Current Liabilities:</b>	<b>1,243.0</b>	<b>1,498.0</b>	<b>1,361.0</b>	<b>1,408.0</b>	<b>863.2</b>	<b>920.1</b>	<b>999.5</b>	<b>1,097.8</b>
<b>Total Liabilities:</b>								
Common Shares / APIC	1,052.0	660.0	3.0	267.4	567.8	908.6	1,300.6	1,755.9
Retained Earnings	3,027.0	4,062.0	5,358.0	5,819.1	6,369.6	7,128.3	8,008.1	9,036.9
Accumulated OCI	(19.0)	(127.0)	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)
<b>Total Shareholders' Equity:</b>	<b>4,060.0</b>	<b>4,595.0</b>	<b>5,331.0</b>	<b>6,056.5</b>	<b>6,907.4</b>	<b>8,006.9</b>	<b>9,278.7</b>	<b>10,762.8</b>
<b>Total Liabilities &amp; Equity:</b>	<b>7,718.0</b>	<b>8,584.0</b>	<b>8,957.0</b>	<b>10,259.4</b>	<b>10,937.1</b>	<b>12,481.6</b>	<b>14,365.9</b>	<b>16,609.3</b>



# Appendix: Cash Flow Statement Projection

Financial Statement Model:	Historical			Projected				
	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
<b>Cash Flow Statement:</b>								
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>								
Adjustments to Net Income				1,008.9	1,172.7	1,464.8	1,691.8	1,972.0
<b>Adjustments for Non-Cash Expenses:</b>								
Depreciation & Amortization				161.3	171.2	191.3	202.7	226.1
Stock-Based Compensation				264.4	300.4	340.8	392.0	455.3
<b>Changes in Operating Assets &amp; Liabilities:</b>								
Changes in Short-Term Investments				(656.5)	(189.5)	(213.2)	(269.4)	(334.0)
Changes in Accounts Receivable				121.4	(68.2)	(76.7)	(97.0)	(120.2)
Changes in Other Current Assets				(20.6)	(45.4)	(51.1)	(64.5)	(80.0)
Changes in Deferred Tax Assets				(115.5)	(20.5)	(23.0)	(29.1)	(36.1)
Changes in Other Assets				8.7	(14.3)	(16.1)	(20.4)	(25.2)
Changes in Accounts Payable				(20.5)	11.9	11.0	17.3	21.5
Changes in Accrued and Other Current Liabilities				7.1	136.2	125.7	198.1	245.6
Changes in Deferred Net Revenue				543.3	223.5	251.4	317.7	393.9
Changes in Income Tax Obligations				(19.2)	29.1	32.7	41.3	51.2
Changes in Deferred Tax Liabilities				(0.5)	0.2	0.2	0.3	0.4
Changes in Other Liabilities:				69.8	26.0	23.9	37.7	46.8
<b>Net Cash Flow from Operations:</b>				1,352.0	1,733.2	2,061.7	2,418.5	2,817.3



# Appendix: Cash Flow Statement Projection

Financial Statement Model:	Historical			Projected				
	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>								
CAPEX				(128.2)	(145.6)	(165.2)	(190.0)	(220.7)
Purchase of Intangibles / Goodwill				0.0	0.0	0.0	0.0	0.0
<b>Net Cash Flow from Investing:</b>				<b>(128.2)</b>	<b>(145.6)</b>	<b>(165.2)</b>	<b>(190.0)</b>	<b>(220.7)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>								
Repayment of Senior Notes				(3.0)	(600.0)	0.0	0.0	0.0
Common Dividends				0.0	0.0	0.0	0.0	0.0
Stock Repurchases				(547.8)	(622.2)	(706.1)	(812.0)	(943.2)
Other Comprehensive Income / Loss				0.0	0.0	0.0	0.0	0.0
<b>Net Cash Flow from Financing:</b>				<b>(550.8)</b>	<b>(1,222.2)</b>	<b>(706.1)</b>	<b>(812.0)</b>	<b>(943.2)</b>
<b>Change in Cash &amp; Cash Equivalents:</b>				<b>673.0</b>	<b>365.4</b>	<b>1,190.4</b>	<b>1,416.6</b>	<b>1,653.3</b>



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