CAPITAL MARKETS, LLC

United States
Interactive Entertainment

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Electronic Arts, Inc.

Initiating Coverage with NEUTRAL and $16 Target

Concerns on key games, weak industry sales, and lack of near-term catalysts likely to keep shares range bound. We recommend waiting for a better entry point for the stock before valuation becomes attractive.

COVERAGE INITIATION

Rating: Neutral

Ticker: EA

Price: $15.89

Target: $16.00

Leading video game company: Electronic Arts is a leading developer, publisher and distributor of interactive entertainment software (with ~18% U.S. market share). We believe its larger size allows it the resources to be competitive in an industry that is requiring increasing scale and investments to produce highly successful video games.

Solid recent results: Electronic Arts recent Q3 results were better than expected, with revenue of $1.651 billion and EPS of $0.99 compared with guidance for revenue of $1.55 – 1.65 billion and EPS of $0.85 – 0.95.

Large digital, social and mobile gaming opportunities: We estimate that the digital, social and mobile games market in the U.S. is $4 billion, forecast to grow at a 15% annual rate over the next five years. Electronic Arts (through recent acquisitions) is well-positioned to capitalize on this growth, given that many of its products are targeted at the same mass market audience.

Sustainability of *Star Wars: The Old Republic*: EA had a good start for *SWTOR* with 1.7 million subscribers (since launch in December), but we note that MMORPG games are intensely competitive and players switch games often, making it difficult for many games to maintain subscribers.

Competition and changes in demand are concerns: Competition in the video game business is high from companies such as Activision Blizzard and Zynga. The video game industry is tied closely with consumer preferences which are constantly changing and hard to predict.

Reliance on EA SPORTS: EA SPORTS is one of the most popular video brands, with recent games continuing to sell well (including *FIFA 12* selling over 10 million units). While sales have been strong, they may fade over time from competition or gamer fatigue, or there is the risk that sport licenses may be lost or become more expensive.

Weak traditional video game sales: According to The NPD Group, U.S. video game software sales in 2011 were $9.3 billion (packaged goods only, not including digital games), down 8% from 2010. This weakness is likely to continue due to new consoles (the WiiU expected this holidays and speculation of a new Xbox 360 and PS4 in 2013). As one of the largest video game publishers, Electronic Arts is likely to be negatively affected if this trend continues.

Current valuation fairly valued: We looked at Electronic Arts' valuation four ways (P/E, EV/Revenue, EV/EBITDAS, M&A value); most metrics suggest that EA is fairly valued relative to its peers. Our $16 price target is calculated by applying a target P/E multiple of 15.5x our FY13 EPS estimate of $1.04, which is about in line with the peer group average (15.8x) and we believe appropriately balances out the risks with its growth prospects.

Company Description

Based in Redwood City, CA, Electronic Arts is a global publisher, developer, and distributor of interactive entertainment software including the EA SPORTS, *Madden NFL*, and *The Sims* games.

Stock Data

Exchange:	NasdaqGS
52-week Range:	$15.36 – 26.13
Shares Outstanding (million):	338
Market cap ($million):	$5,371
EV ($million):	$4,114
Debt ($million):	$534
Cash ($million):	$1,791
Avg. Daily Trading Vol. ($million):	$143
Float (million shares):	330
Short Interest (million shares):	22
Incorporation:	Delaware
Public auditor:	KPMG LLP

Revenues (US$ million)

	2010A	2011A	2012E	2013E
Q1 Mar	816A	539A	524A	515E
Q2 Jun	1,147A	884A	1,034A	1,117E
Q3 Sep	1,346A	1,410A	1,651A	1,694E
Q4 Dec	850A	995A	960E	1,049E
Total	**4,159A**	**3,828A**	**4,169E**	**4,375E**
EV/Revs	1.0x	1.1x	1.0x	0.9x

Earnings per Share (pro forma)

	2010A	2011A	2012E	2013E
Q1 Mar	(0.02)A	(0.23)A	(0.37)A	(0.37)E
Q2 Jun	0.06A	0.10A	0.05A	0.16E
Q3 Sep	0.33A	0.59A	0.99A	0.98E
Q4 Dec	0.07A	0.25A	0.16E	0.28E
Total	**$0.44A**	**$0.70A**	**$0.83E**	**$1.04E**
P/E	36x	23x	19x	15x

EBITDAS (US$ million)

	2010A	2011A	2012E	2013E
Q1 Mar	35A	(59)A	(131)A	(116)E
Q2 Jun	67A	85A	76A	129E
Q3 Sep	200A	316A	523A	504E
Q4 Dec	82A	153A	128E	182E
Total	**384A**	**495A**	**596E**	**698E**
EV / EBITDAS	10.7x	8.3x	6.9x	5.9x

EBITDAS defined as earnings before interest, taxes, depreciation, amortization and stock-based compensation.

Important Disclosures

Ascendiant Capital Markets LLC seeks to do business with companies covered by its research team. Consequently, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making an investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 22.

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Exhibit 1: Electronic Arts Stock Price (Five Years)

Source: Nasdaq.com

INVESTMENT THESIS

We are initiating coverage of Electronic Arts with a NEUTRAL rating and a 12-month price target of $16.
Electronic Arts is a global publisher, developer, and distributor of interactive entertainment software and is the 2nd largest 3rd party publisher of video game software (with ~18% U.S. market share). The company's leading game franchises include EA SPORTS, *Madden NFL*, *FIFA Soccer*, *Need For Speed*, *Battlefield*, *Medal of Honor*, and *The Sims* games.

Despite its leading position, the company's revenue and earnings growth over the past several years has been inconsistent. The company has done a good job recently with the successful introduction of updated iterations of prior hit games (notably *Medal of Honor* and *Battlefield*), but several of its older games have seen sales steadily decline. The company is making investments and showing good progress (including several large acquisitions) in digital, social and mobile gaming, areas that have significant growth opportunities.

However, we are particularly concerned about subscriber longevity with EA's recently launched *Star Wars: The Old Republic* MMO game, and that it will likely not be as large of a growth driver over the next several years. While we expect solid sales for many of EA's upcoming games, we do not see any that can potentially be a catalyst to deliver strong near-term revenue and earnings growth. Additionally, there are concerns as video game industry sales have been in a decline over the past three years (particularly for handhelds and casual video games), and the potential for gamer fatigue with EA Sports and its other games.

Our $16 price target is calculated by applying a target P/E multiple of 15.5x our FY13 EPS estimate of $1.04. This multiple is about in line with the peer group average of (15.8x), which we believe appropriately balances out the risks with its growth prospects.

We believe the stock is fairly valued.
We looked at Electronic Arts valuation four ways; most metrics suggest that the company is fairly valued:

1) EV is at 1.0x FY12E revenues and 0.9x FY13E revenues, versus a comp group median of 1.9x 2012E and 1.3x 2013E;
2) EV is at 6.9x FY12E EBITDAS and 5.9x FY13E EBITDAS, versus a comp group median of 6.8x 2012E and 6.5x 2013E;
3) P/E of 19.1x FY12E EPS and 15.3x FY13E EPS, versus a comp group median of 12.6x 2012E and 11.9x 2013E; and
4) Recent M&A transactions multiples of ~10 - 20x forward EBIT/EBITDAS.

INVESTMENT HIGHLIGHTS

Leading Video Game Company

Electronic Arts is a global publisher, developer, and distributor of interactive entertainment software, and is the 2nd largest 3rd party publisher of video game software (with ~18% U.S. market share). We believe its larger size allows it the resources to be competitive in an industry that is requiring increasing scale and investments to produce highly successful video games. We believe that Electronic Arts is well positioned in an overall growing and profitable video game industry. The company's hit brands, history of innovative games, and recent positive execution should alleviate some concerns regarding industry growth rates, retail and consumer weakness, and potential game fatigue. Electronic Arts' investment in digital, social and mobile gaming, should provide sales and earnings growth over the next several years.

Strong EA Sports and Other Top Franchises

Electronic Arts has some of the top selling and well known video games franchises, including *Madden NFL*, *FIFA Soccer*, *Need For Speed*, *Battlefield*, *Medal of Honor*, *NHL, NCAA Football, Tiger Woods PGA, NBA Live,* and *The Sims* games (all of which have over $1 billion in lifetime retail sales). *Need For Speed*, *Battlefield*, *Medal of Honor*, and *The Sims* are all EA owned brands.

EA SPORTS is one of the company's biggest brands (approximately 35% of total sales) and consists of its sports video games. EA SPORTS has built up a loyal following of fans, partly due to its exclusive video game rights to key sports licenses (including NFL, PGA, and FIFA). We note that these games tend to be highly profitable (even with large license royalties) due to their annual releases (providing relatively steady and predictable revenue) and lower development costs (due to the utilization of prior year's game development). Because of the changing nature of sports rosters, player abilities, and team performances, consumers tend to buy new sport releases every year. We believe this bodes well for continued strong demand when the next year's versions are released.

Exhibit 2: Electronic Arts' Franchises (lifetime retail revenue)

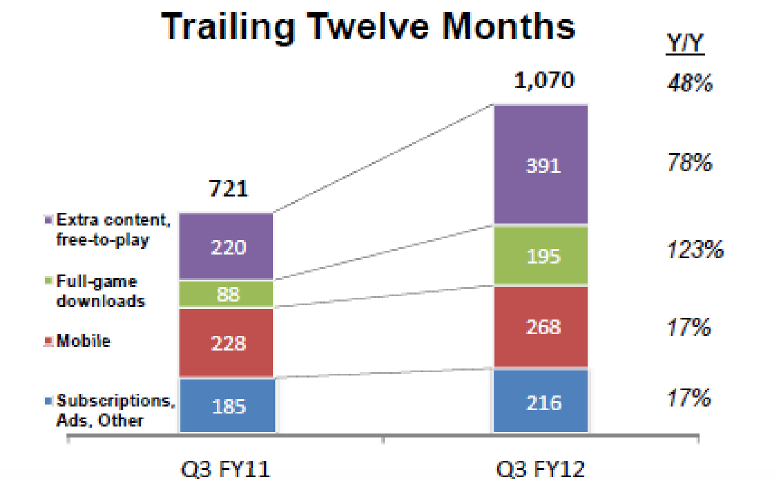
Over $5 BN	FIFA
Each Over $4 BN	Madden NFL Need For Speed The Sims
Each Over $1 BN	Battlefield NBA Live PGA/Tiger Woods Medal of Honor NHL NCAA Football

Source: Company reports

Digital, Social, and Mobile Gaming Opportunities

Electronic Arts is a major player in the digital market with digital revenues in 2011 of $1.07 billion (+48% over 2010). EA's digital revenue has been bolstered by its acquisitions (in 2011 of PopCap Games and in 2009 of Playfish), and the development of its Origin PC game download store. The fastest growing segments of the video game industry are digital games (distributed online), social games (played on Facebook or other social networks), and mobile games (played on smartphones or tablets). We estimate that the digital, social and mobile games market in the U.S. is approximately $4 billion and will grow at a 15% annual rate over the next five years. With Facebook at over 800 million users, and Apple selling 37 million iPhones and 15 million iPads in the December 2011 quarter alone, there are tremendous growth prospects for games to be played on these platforms. We believe the company is well-positioned to capitalize on this growth, given that it has many top selling games that it can port over to these new platforms.

Exhibit 3: Electronic Arts' Digital Revenue (includes social, mobile, and digitally distributed games)



Source: Company reports

Potential Acquisition Target

Electronic Arts has been mentioned over the years as a good acquisition candidate for larger video game or media companies to expand their video game offerings. We note that there has been a recent uptick in M&A activity in the video game industry (including several involving Electronic Arts) at valuations well above EA's current valuation. In August 2011, Electronic Arts acquired mobile game company, PopCap Games, for $750 million (at a reported 10 – 20x EBIT). In March 2012, Zynga purchased social game company, OMGPOP, for $200 million. In February 2008, Electronic Arts made an offer to acquire Take-Two Interactive for $26/share (valuing the company at $2 billion, or ~17x forward P/E), but was ultimately rejected by Take-Two as being inadequate.

Solid International Growth Prospects

Electronic Arts generates 47% of its sales from North America and 53% abroad (primarily Europe with 47% of sales). While the company has a broad presence in Europe, we believe that Asia represents a major opportunity. The company has done well with select titles in Asia, but is now investing more in online games in Asia (where online games are more prevalent than traditional console games). As the video game industry in Asia is similar in size to Europe and the U.S., we believe that there are significant market opportunities for Electronic Arts to grow.

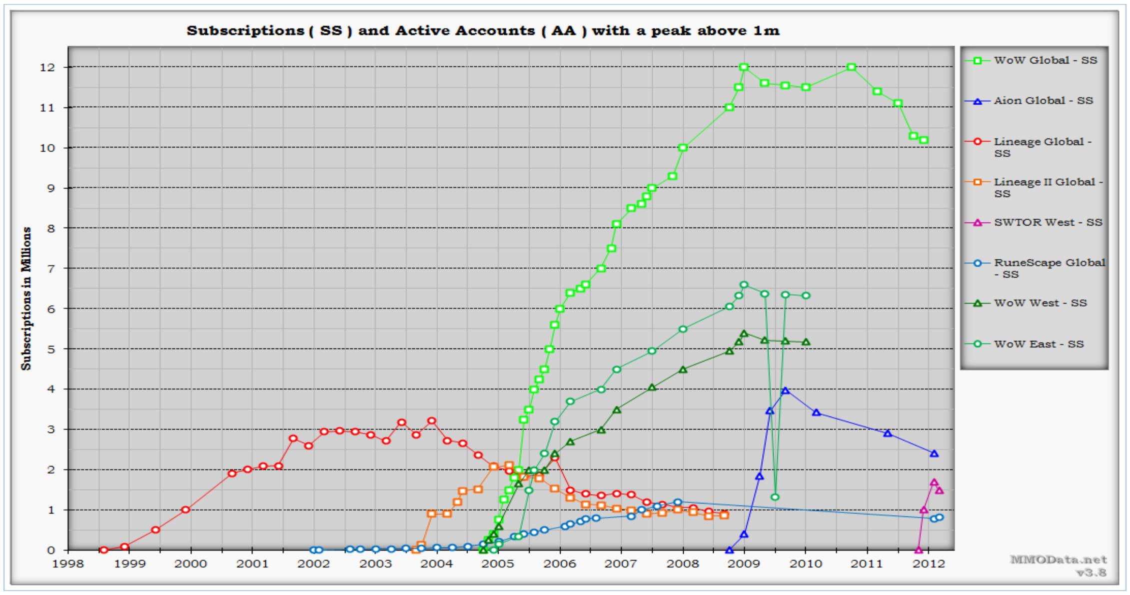
INVESTMENT CONCERNS

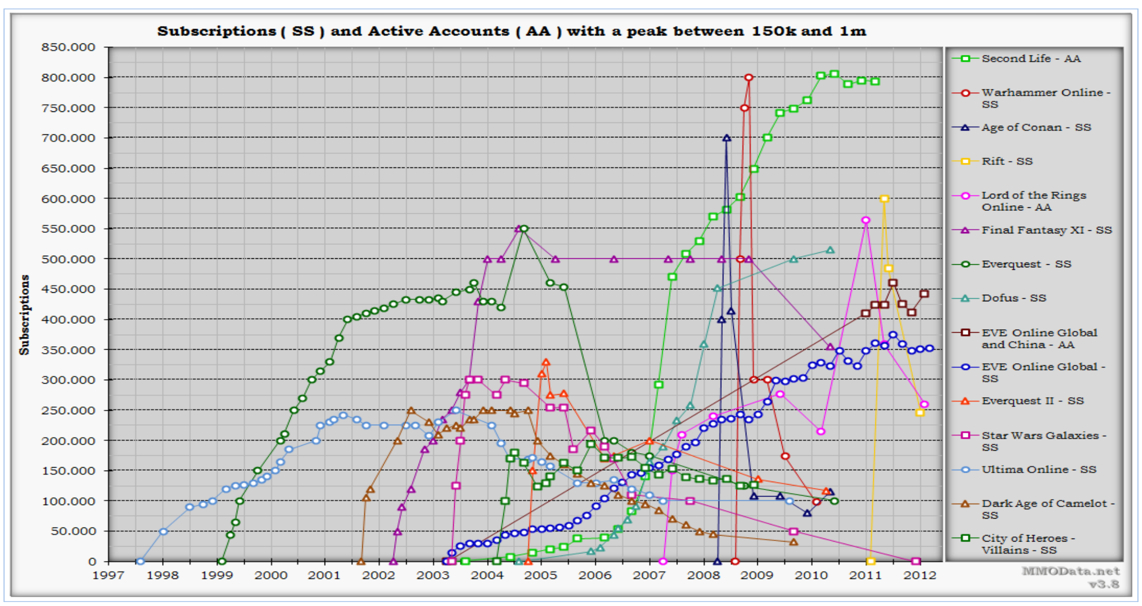
Uncertain *Star Wars: The Old Republic* Subscribers

One of Electronic Arts' major games is the recently released (in December 2011) *Star Wars: The Old Republic (SWTOR)*, a MMORPG (massively multiplayer online role-playing game) that requires players to pay a subscription fee ($13 – 15/month) to play. Currently, EA has 1.7 million subscribers to *SWTOR*, but we note that MMORPG games are intensely competitive and players switch games often, making it difficult for many games to maintain subscribers. We note that EA's last major MMO game was *Warhammer Online: Age of Reckoning* (released in September 2008), which sold 1.2 million units in its first quarter of release. However, within four months the number of subscribers dropped to 300,000.

Activision Blizzard's *World of Warcraft* is the world's leading paid MMORPG with 10.2 million subscribers, but even its subscriber numbers have decreased steadily in 2011 (down 2 million subs during the year). We believe increasing competition from free-to-play MMO (such as Riot Games' *League of Legends* with 32 million subs) has accounted for most of the decline. Electronic Arts has stated that it can be operating profitably at 500,000 subs, fairly profitable at 1 million subs (but not enough to justify its investments), and significantly profitable over 1.5 million subs (to justify its investments). Given that EA has already expensed the cost of development for *SWTOR* (which was an estimated \$100 - 150 million) and the recurring monthly subscription revenue, *SWTOR* has high operating leverage, so any significant decline in subscribers will likely temper earnings growth for EA. In addition, lower than expected *SWTOR* revenue may temper EA's plans to develop new MMO or other potentially high margin digital games.

Exhibit 4: Top MMO Games Subscribers





Source: Mmodata.net

Reliance on EA SPORTS

EA SPORTS has become one of the most popular video game brands, with sports video games including *FIFA Soccer, Madden NFL, NCAA Football, Tiger Woods PGA, NBA Live,* and *NHL*. The most recent versions of FIFA (*FIFA 12*) sold over 10 million units, while Madden NFL *(Madden NFL 12)* sold 5 million units. While EA SPORTS games sales have been strong, they may fade over time from competition, gamer fatigue, or quality issues. We believe competition from other sports games (such as Take-Two Interactive's *NBA 2K*) has the potential to take sales away from EA SPORTS. Although Electronic Arts has several exclusive licenses (including NFL, FIFA, and Tiger Woods PGA), there is always the risk that it may lose these licenses or have to pay significantly more to renew them. We note that Electronic Arts used to have a license for MLB baseball video games, until Take-Two Interactive acquired a semi-exclusive right in 2005, preventing Electronic Arts from producing baseball games (though EA is expected to reacquire the rights when Take-Two's agreement expires in 2012).

Dependence on New Product Introductions

Electronic Arts' rapid success with and decline of its *Rock Band* games (from its introduction in 2007 to over $1 billion in sales by 2009 to having the game put on hiatus in 2010) shows that even though game sales are strong, they may fade over time due to gamer fatigue. The video game industry is tied closely with consumer preferences which are continuously changing and difficult to predict. New games require product development and marketing investments which can be lengthy and costly. Electronic Arts constantly introduces new products and brands to drive growth and to diversify beyond EA SPORTS and its other games, but ultimately, it will be in the hands of consumers to decide if these games are successful or not.

Competition Is High

Competition in the video game business is intense from companies such as Activision and Nintendo (the two leading video game publishers in the U.S. along with Electronic Arts), along with a wide range of companies including international, privately-held, smaller, or new companies (particularly for social and mobile games where the barriers and cost of entry are much lower). Though not many competitors are larger or have more resources than Electronic Arts, we believe that smaller companies can continue to actively compete in this sector by offering innovative games or leveraging key brands (particularly as fads and changing consumer preferences are normal in the video game industry) or targeting niche areas that may be overlooked by larger competitors.

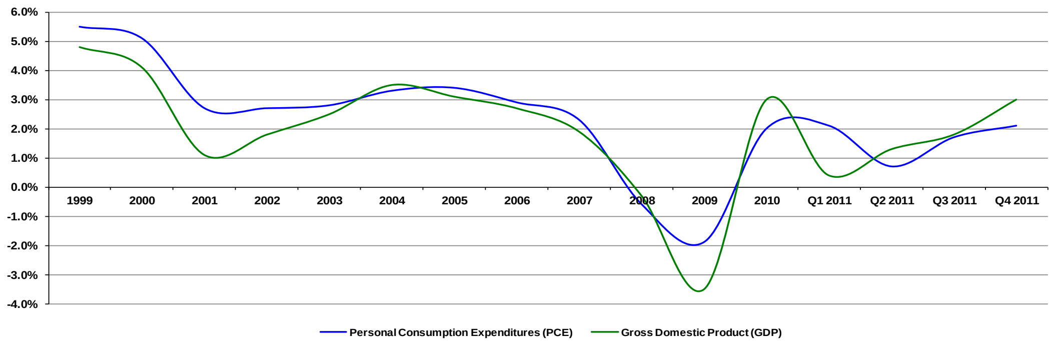
Changing Video Game Industry

According to The NPD Group, U.S. video game software sales in 2011 were $9.3 billion (packaged goods only, not including digital games), down 8% from 2010. The declines were even greater for games on the Nintendo Wii and DS platforms, which were down 53% and 74%, respectively, in the important holiday December 2011 month, and will likely continue their decline due to new consoles (the WiiU expected this holidays and the 3DS which launched in March 2011). Offsetting this decline is strong growth in digital, social, and mobile gaming, which is estimated to have grown 20% in 2011. We believe that Electronic Arts will have to effectively manage this changing video game landscape in order to be successful.

Economic Uncertainty

Consumer spending is highly correlated with economic activity and discretionary income levels. Deterioration in economic conditions tends to result in an overall decline in consumer spending, as was demonstrated during the 2008 and 2009 Great Recession and global economic slowdown. While consumer spending levels have improved relatively in 2010 and 2011, the global macroeconomic environment remains fragile (particularly in Europe). Further economic weakness may result in depressed consumer spending levels; this may have a negative impact on Electronic Arts' business.

Exhibit 5: U.S. Consumer Spending and U.S. Economic Growth (GDP)



Source: U.S. Bureau of Economic Analysis

VALUATION

We are initiating coverage of Electronic Arts with a NEUTRAL rating and a 12-month price target of $16, which reflects a target P/E multiple of 15.5x our FY13 EPS estimate of $1.04. The 15x forward P/E multiple is about in line with the peer group average (15.8x), which we believe appropriately balances out the risks with its growth prospects, and better blends the mixed valuation for EA's traditional (console) vs. high growth (digital) revenue. This multiple is at the lower end of the range of one of the more recent major public video game company acquisitions in this industry, the acquisition in August 2011 of privately-held PopCap Games by Electronic Arts for $750 million at a reported 10 – 20x EBIT.

On an EV/Revenue basis, Electronic Arts is trading below its peers at 0.9x FY13E revenue compared with the median of 1.3x. On an EV/EBITDAS basis, Electronic Arts is trading slight above its peers at 6.9x FY12E EBITDAS compared with the median of 6.8x, and slightly below at 5.9x FY13E EBITDAS compared with the median of 6.5x. On a P/E basis, Electronic Arts is trading above its peers at 19.1x FY12E EPS compared with the median of 12.6x, and 15.3x FY13E EPS compared with the median of 11.9x.

We note that there is a wide discrepancy in valuation between traditional video game companies (which have lower valuation multiples) and the leading social game company Zynga (which has much higher valuation multiples). To the extent that a greater value of Electronic Arts is placed on its digital, social and mobile games versus traditional games, it is likely that Electronic Arts valuation metrics will increase as well.

Exhibit 6: Comparable Companies

In millions (unless otherwise noted), excluding per share data

	Ticker	FYE	Rating	Price Target	Price as of close 4/11/12	52 Week Range Low	52 Week Range High	Diluted Shares	Market Cap	Enterprise Value (EV)	Earnings / Share 2012E	Earnings / Share 2013E	Price / EPS 2012E	Price / EPS 2013E	Revenues 2012E	Revenues 2013E	Ent Val (EV) / Rev 2012E	Ent Val (EV) / Rev 2013E	EBITDAS 2012E	EBITDAS 2013E	Ent Val (EV) / EBITDAS 2012E	Ent Val (EV) / EBITDAS 2013E
Electronic Arts	**EA**	**Mar**	**Neutral**	**$16**	**$15.89**	**$15.36**	**$26.13**	**338**	**5,371**	**4,114**	**$0.83**	**$1.04**	**19.1x**	**15.3x**	**4,169**	**4,375**	**1.0x**	**0.9x**	**596**	**698**	**6.9x**	**5.9x**
Video Game Related																						
Activision Blizzard	ATVI	Dec	Buy	$16	$12.37	$10.40	$14.40	1,147	14,188	10,647	$0.98	$1.04	12.6x	11.9x	4,600	4,700	2.3x	2.3x	1,576	1,639	6.8x	6.5x
Glu Mobile	GLUU	Dec	Not Rated	N/A	$4.42	$1.80	$6.10	64	283	251	$(0.18)	$0.18	n/m	24.6x	86	123	2.9x	2.0x	(8)	16	n/m	15.7x
Majesco Entertainment	COOL	Oct	Buy	$3.50	$2.23	$1.61	$4.53	42	93	79	$0.35	$0.40	6.4x	5.6x	138	145	0.6x	0.5x	16	19	5.1x	4.2x
Take-Two Interactive	TTWO	Mar	Buy	$20	$14.74	$10.63	$17.58	90	1,327	1,186	$(0.62)	$3.00	n/m	4.9x	832	1,900	1.4x	0.6x	(32)	333	n/m	3.6x
THQ	THQI	Mar	Not Rated	N/A	$0.49	$0.45	$4.67	69	34	86	$(1.68)	$(0.48)	n/m	n/m	808	460	0.1x	0.2x	(71)	(23)	n/m	n/m
Zynga	ZNGA	Dec	Not Rated	N/A	$11.52	$7.97	$15.91	865	9,965	8,155	$0.27	$0.36	42.7x	32.0x	1,420	1,649	5.7x	4.9x	374	522	21.8x	15.6x
Median													12.6x	11.9x			1.9x	1.3x			6.8x	6.5x
Average													20.6x	15.8x			2.2x	1.8x			11.2x	9.1x
Video Game Retail																						
GameStop	GME	Jan	Buy	$30	$21.27	$18.34	$28.66	138	2,935	2,280	$3.20	$3.50	6.6x	6.1x	9,543	9,785	0.2x	0.2x	893	929	2.6x	2.5x

Note: For companies not under coverage, Thomson Reuters estimates are used

Source: Company reports, Thomson Reuters, and Ascendiant Capital Markets estimates

Exhibit 7: Recent Video Game Acquisitions

Date	Target	Acquirer	Price	Valuation Metrics
Mar-12	OMGPOP	Zynga	$200 million	NA
Jan-12	Double Down Interactive	International Game Technology	$335 million	NA
Aug-11	PopCap Games	Electronic Arts	$750 million	10 - 20x 2012 EBIT
Feb-11	Riot Games	Tencent Holdings	$472 million	NA
Oct-10	Ngmoco	DeNA	$300 million	10x Revenue
Aug-10	Playdom	The Walt Disney Company	$563 million	NA
Nov-09	Playfish	Electronic Arts	$300 million	4x Revenue

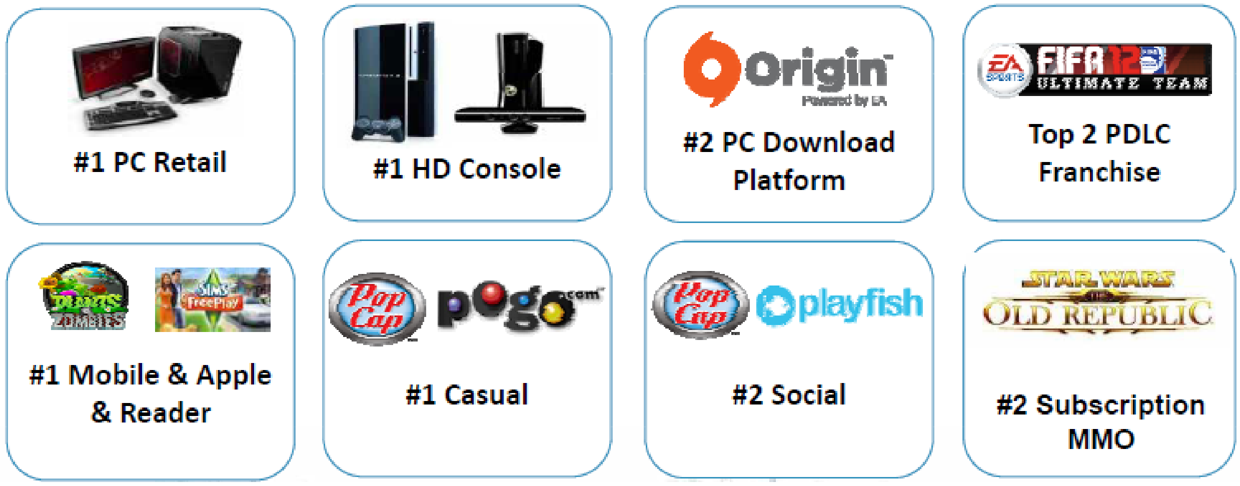
Source: Company reports and Ascendiant Capital Markets estimates

COMPANY HIGHLIGHTS

Based in Redwood City, CA, Electronic Arts is a global developer, publisher, and distributor of interactive entertainment software. In addition to its own proprietary brands such as *Need For Speed*, *Battlefield*, *Medal of Honor*, and *The Sims* games, Electronic Arts produces video games based on popular licenses such as *Madden NFL*, *FIFA Soccer*, *NHL, NCAA Football, Tiger Woods PGA, NBA Live,* and *Star Wars: The Old Republic.* Electronic Arts' sales are split ~47% in North America and ~53% international (primarily in Europe). As of March 31, 2012, Electronic Arts had 9,000 employees (of which ~4,500 were located internationally).

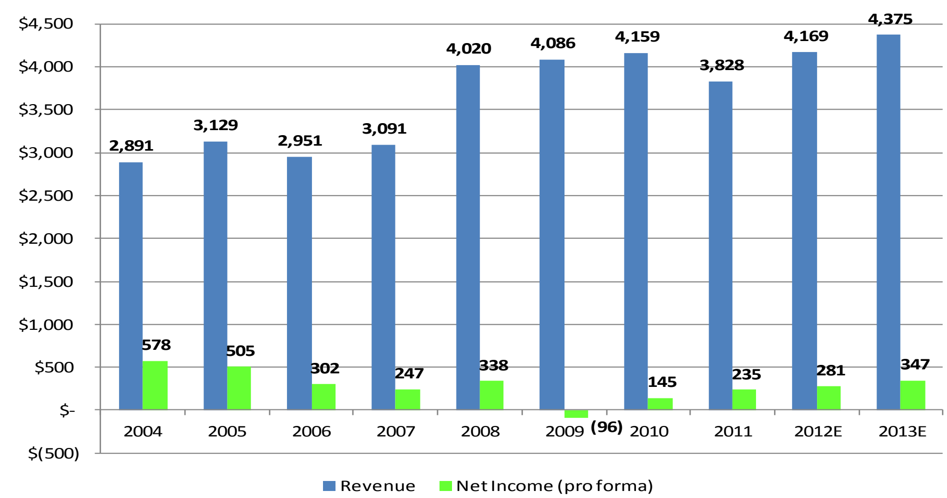
Originally founded in 1982, Electronic Arts was an early pioneer in the interactive entertainment software business. Through internal growth and acquisitions, the company is now the 2nd largest 3rd party publisher of video game software (with ~18% U.S. market share). Some of its recent major acquisitions include: PopCap Games for $750 million (August 2011), Playfish for $300 million (November 2009), BioWare and Pandemic for $775 million (January 2008), and JAMDAT Mobile for $684 million (February 2006). In February 2008, Electronic Arts made an offer to acquire Take-Two Interactive for $26/share (valuing the company at $2 billion, or ~17x forward P/E), but was ultimately rejected by Take-Two as being inadequate.

Exhibit 8: Electronic Arts' Market Position



Source: Company reports

Exhibit 9: Electronic Arts Revenue and Net Income



On Pro forma basis

Source: Company reports and Ascendiant Capital Markets estimates

MANAGEMENT TEAM

John Riccitiello, Chief Executive Officer, age 51. Mr. Riccitiello has served as CEO since April 2007. Prior to re-joining Electronic Arts, he was a co-founder and Managing Partner at Elevation Partners, a private equity fund. From October 1997 to April 2004, he served as President and Chief Operating Officer of Electronic Arts. Prior to joining EA, Mr. Riccitiello served as President and CEO of the worldwide bakery division of Sara Lee Corporation, as President and CEO of Wilson Sporting Goods Co., and has also held management positions at Haagen-Dazs, PepsiCo, and The Clorox Company. Mr. Riccitiello holds a B.S. degree from the University of

California, Berkeley. He serves on the Board of Directors of the UC Berkeley Haas School of Business and on the Board of Councilors of the USC School of Cinematic Arts.

Peter Moore, Chief Operating Officer, age 56. Mr. Moore has served as Chief Operating Officer since August 2011. From September 2007 to August 2011, he was President of EA SPORTS. From January 2003 until he joined EA, Mr. Moore was with Microsoft where he was Corporate VP, Interactive Entertainment Business. Prior to joining Microsoft, Mr. Moore was President and Chief Operating Officer of SEGA of America, and Senior VP of Marketing of Reebok International Ltd. Mr. Moore holds a bachelor's degree from Keele University, United Kingdom, and a Master's degree from California State University, Long Beach.

Kenneth Barker, Interim CFO and Chief Accounting Officer, age 44. Mr. Barker assumed the interim CFO role after the departure of former CFO Eric Brown in February 2012. Mr. Barker joined Electronic Arts in June 2003 as VP and Chief Accounting Officer. Prior to joining EA, he served as VP, Corporate Controller and Principal Accounting Officer at Sun Microsystems. Mr. Barker also served as an audit partner at Deloitte & Touche. He graduated with a degree in Accounting from University of Notre Dame.

Exhibit 10: Electronic Arts' Management Team

John Riccitiello

Peter Moore

Kenneth Barker

Source: Company reports

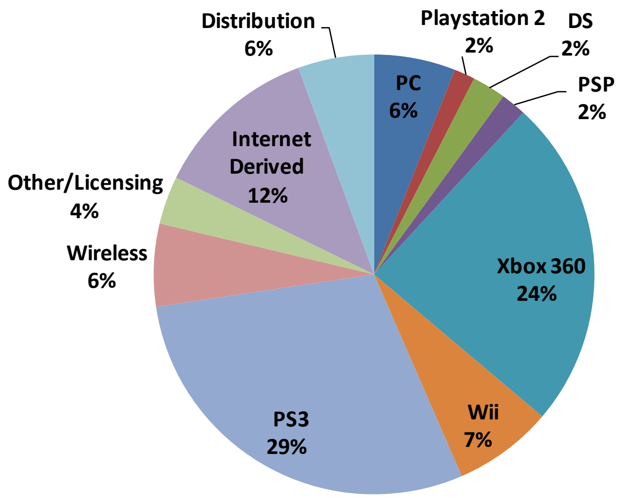
PRODUCT MIX

Electronic Arts has two main divisions: (1) EA Labels (EA Games, EA SPORTS and EA Play), and (2) EA Interactive (EA Mobile, Pogo, PopCap Games, Playfish, and Hasbro). Revenue is approximately 80% EA Labels and 20% EA Interactive. The bulk of Electronic Arts video game software is for the Microsoft Xbox 360, Sony PS3, and PC (including online subscriptions, casual, and other digital revenue); games for these platforms contributed ~70% of FY11 revenues.

Electronic Arts develops the majority of its games within its own internal studios. This practice has the effect of increasing the margin on games, but at the same time increasing the risks associated with game delays (by raising its fixed costs). Electronic Arts' product development process typically takes 12 to 36 months (and costs $10 - 50 million) from concept to production and shipment to customers.

Electronic Arts' products are primarily sold to mass-market retail and electronic chain stores, specialty retail stores, video game rental outlets and distributors in the U.S. and international markets. Electronic Arts' products (primarily PC games) are also sold directly to consumers in a digital format (through its Origin PC download store), allowing customers to purchase game subscriptions and download games or content over the Internet directly to PCs, console systems, or wireless devices.

Exhibit 11: Sales by Video Game Platforms (FY11)



Source: Company reports

Exhibit 12: Electronic Arts' Franchises

Source: Company reports

INDUSTRY HIGHLIGHTS

The interactive entertainment software industry is categorized into two markets. The first market is traditional software for dedicated home and handheld console gaming systems such as the Microsoft Xbox 360, Sony PlayStation 3 and PSVita, and Nintendo Wii, DS, and 3DS. The majority of software for these platforms has historically been purchased in packaged form (a.k.a. packaged goods) through retail stores, but more recently includes software available through online networks such as Microsoft's Xbox Live, Sony's PlayStation Network, and Nintendo Network.

The second market consists of software for personal computers and mobile devices (such as smartphones and tablets). These games tend to be low-cost or free, casual in nature, and are downloadable or online games. These games often utilize customer monetization models such as advertising or as "freemium" gaming whereby a customer receives certain game functionality for free, while paying for certain content through microtransactions such as for purchase of virtual goods or to access premium game features.

Overall, U.S. video game industry revenues have declined over the past several years, though this masks the rapid growth in the digital game segment. According to The NPD Group, U.S. retail sales of video game software (packaged goods only and not including digital games) were $9.3 billion in 2011, down 8% from 2010. The U.S. video game industry (including software and hardware) had retail sales in 2010 of $18.6 billion, down 6% from 2009. Nevertheless, the digital game segment of the industry is growing rapidly and should offset declines in the packaged goods segment to drive overall industry growth in 2012. IDG estimates that worldwide retail sales of console, handheld and PC software were $24 billion in 2011. IDG estimates that non-traditional (digital) video game software revenue surpassed $20 billion in 2011 and will grow to over $40 billion by 2015.

The U.S. hardware installed base was 167 million current-generation consoles (including handhelds) as of the end of December 2011 (DS 51 million, 3DS 4 million, PSP 20 million, Xbox 360 33 million, PS3 20 million, Wii 39 million). The worldwide installed base was 463 million current-generation consoles (including handhelds) as of the end of December 2011 (DS 151 million, 3DS 15 million, PSP 74 million, Xbox 360 66 million, PS3 62 million, Wii 95 million).

While the installed base is large, we note that hardware sales have been declining recently, indicating that the current console cycle is slowing and may be near its end. The DS was released in 2004, the PSP and Xbox 360 in 2005, and the PS3 and Wii in 2006. More recently, the 3DS and PSVita launched in 2011. Nintendo will release the WiiU this upcoming holidays and speculation is that Sony and Microsoft may release new home consoles in 2013.

While traditional console sales have slowed, there continues to be a rapid rise in smartphones, tablets, and users of social media (dominated by Facebook). We believe that gaming is a major usage for many of these users; this should drive continued strong growth in this area. We estimate that the digital, social and mobile games market in the U.S. is approximately $4 billion and will grow at a 15% annual rate over the next five years. This should offset modest declines expected for traditional software in the U.S, driving overall growth in the U.S. total video game market.

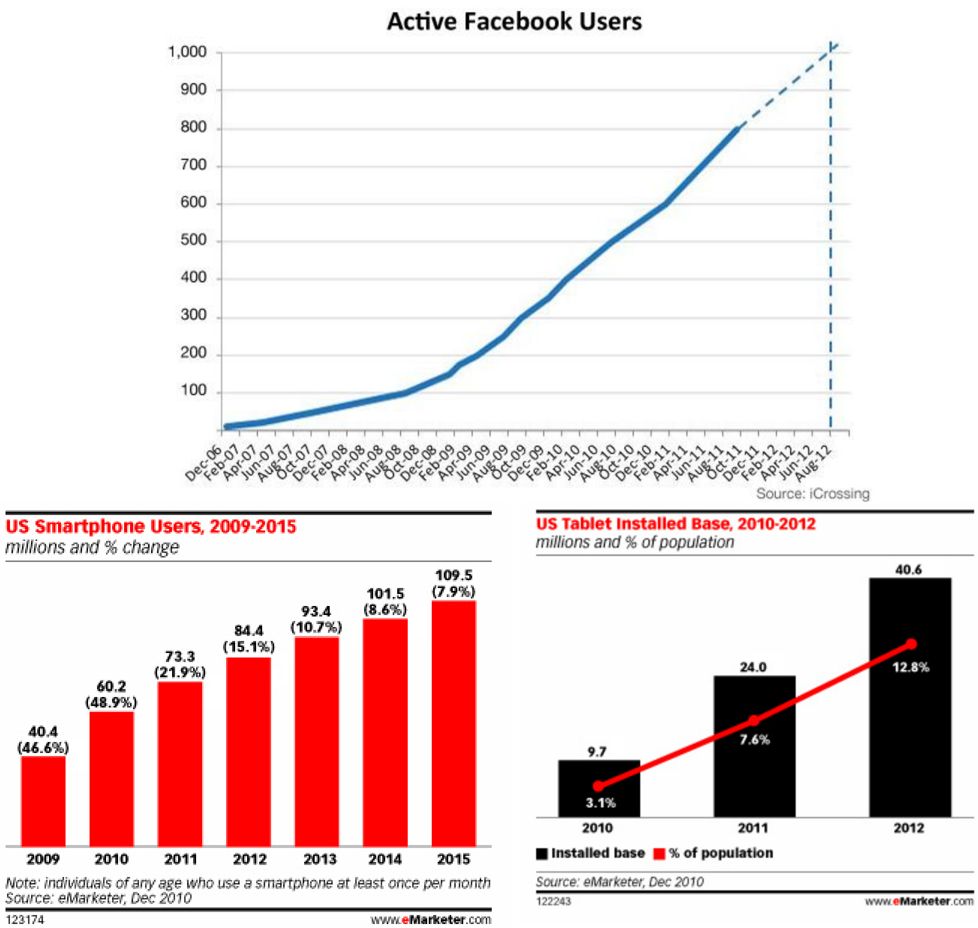
There is an active marketplace for used video games, with sales of used titles dominated by GameStop. Margins on these products typically average 40 – 50% for retailers (with nothing for the publishers), and on average, sell for somewhere between 50% and 80% of the price of new titles. In addition, software piracy is a major concern for video game publishers given that their products are digital. Due to the low or no-cost nature of social and mobile games, used games and piracy issues are much less of a concern than for traditional games.

Exhibit 13: U.S. Toy and Video Game Industry Sales

	ANNUAL DOMESTIC SALES DATA							
SUPERCATEGORY	2010	2009	2008	2007	2006	2005	2004	2003
Action Figures, Accessories and Role Play	**$1.4 B**	$1.6 B	$1.5 B	$1.5 B	$1.4 B	$1.5 B	$1.3 B	$1.3B
Arts & Crafts	**$2.8 B**	$2.8 B	$2.6 B	$2.6 B	$2.7 B	$2.6 B	$2.6 B	$2.6B
Building Sets	**$1.2 B**	$1.1 B	$0.9 B	$0.7 B	$0.7 B	$0.7 B	$0.6 B	$0.6 B
Dolls	**$2.8 B**	$2.6 B	$2.7 B	$3.0 B	$3.1 B	$3.2 B	$2.8 B	$2.9B
Games/Puzzles	**$2.2 B**	$2.4 B	$2.3 B	$2.3 B	$2.4 B	$2.5 B	$2.7 B	$2.7B
Infant/Preschool Toys	**$3.2 B**	$3.0 B	$3.1 B	$3.2 B	$3.4 B	$3.3 B	$3.1 B	$3.1B
Youth Electronics	**$0.6 B**	$0.7 B	$0.9 B	$1.0 B	$1.0 B	$0.9 B	$0.9 B	$0.8 B
Outdoor & Sports Toys	**$2.8 B**	$2.6 B	$2.7 B	$2.9 B	$3.0 B	$2.9 B	$2.9 B	$2.9B
Plush	**$1.7 B**	$1.5 B	$1.7 B	$1.4 B	$1.4 B	$1.4 B	$1.6 B	$1.7B
Vehicles	**$1.8 B**	$1.8 B	$1.9 B	$2.3 B	$2.1 B	$2.1 B	$2.1B	$2.2B
All Other Toys	**$1.5 B**	$1.4 B	$1.3 B	$1.4 B	$1.6 B	$1.6 B	$2.3 B	$2.1B
TOTAL TRADITIONAL TOY INDUSTRY*	**$21.9 B**	**$21.5 B**	**$21.6 B**	**$22.2 B**	**$22.7B**	**$22.7B**	**$23.0B**	**$22.9B**
Video Games**	**$18.6 B**	$19.7 B	$21.4 B	$18.0 B	$12.5B	$10.5B	$9.9B	$10.0B

Source: The NPD Group and Toy Industry Association

Exhibit 14: Rise of Smartphone, Tablets, and Facebook



Source: *www.emarketer.com*, iCrossing

COMPETITION

Electronic Arts competes primarily in the interactive entertainment industry. On a broad level, Electronic Arts competes for the leisure time and discretionary spending of consumers against a wide variety of products including computer products, electronic and online games, mobile platforms, and entertainment products. Electronic Arts' principal competitors in the video game industry include many first-party (Microsoft, Sony, and Nintendo) and third-party (Activision Blizzard, Majesco, Sega, Take-Two, THQ, and Ubisoft) publishers and developers. In the digital segment, there is a wider range of competitors including Crowdstar, Gameloft, Glu Mobile, ngmoco, Disney's Playdom, Rovio, and Zynga. In the MMO game segment, competitors are mainly based in Asia and include NCSoft, NetEase.com, Nexon, Perfect World, and Tencent (owners of Riot Games).

The following are several of Electronic Arts' largest competitors:

Activision Blizzard [NASDAQ: ATVI - BUY]

Based in Santa Monica, CA, Activision Blizzard is the largest 3rd party developer, publisher, and distributor of interactive entertainment software for PCs, home consoles, handheld devices, and the Internet. Its key brands include *Call of Duty* and *World* *of Warcraft*. Activision is majority controlled by Vivendi (with ~60% ownership). Activision had 2011 (ending December 31, 2011) sales of $4.5 billion (of which $2.3 billion was from the U.S.)

Glu Mobile [NASDAQ: GLUU - Not Rated]
Based in San Francisco, CA, Glu Mobile designs, markets, and sells casual and traditional mobile games worldwide. Some of its key games include *Bonsai Blast*, *Gun Bros*, *Super K.O. Boxing*, and *Zombie Isle*, along with licensed games *Call of Duty*, *Deer Hunter*, *Diner Dash*, and *Guitar Hero*. Glu had 2011 (ending December 31, 2011) sales of $66 million (of which approximately 50% was from the U.S.)

Majesco Entertainment [NASDAQ: COOL - BUY]
Based in Edison, NJ, Majesco Entertainment is a global developer and publisher of interactive entertainment software and accessories. Its key games include *Cooking Mama* and *Zumba*. Majesco had FY11 (ending October 31, 2011) sales of $125 million (of which $110 million was from the U.S.)

Take-Two Interactive Software [NASDAQ: TTWO - BUY]
Based in New York, NY, Take-Two Interactive Software publishes and develops interactive entertainment software worldwide. Its key brands include *Grand Theft Auto*, *Sid Meier's Civilization*, *Max Payne*, *Midnight Club*, and *Red Dead Revolver*. Take-Two had FY11 (ending March 31, 2011) sales of $1.1 billion (of which $635 million was from the U.S.)

THQ [NASDAQ: THQI - Not Rated]
Based in Agoura Hills, CA, THQ develops, publishes, and distributes interactive entertainment software for various game systems, personal computers (PC), wireless devices, and the Internet. Its key games include *WWE*, *UFC*, *Red Faction*, *Saints Row*, and *Homefront*. THQ had FY11 (ending March 31, 2011) sales of $802 million (of which $525 million was from the U.S.)

Zynga [NASDAQ: ZNGA - Not Rated]
Based in San Francisco, CA, Zynga is the largest developer, marketer, and operator of online games for social networking sites and mobile platforms. Its key brands include *FarmVille*, *CityVille*, and *Words with Friends*. Zynga recently had its IPO in December 2011, selling 100 million shares at $10/share, raising $1 billion and valuing the company at $7 billion. In March 2012, Zynga insiders sold 43 million shares at $12/share in a secondary offering. Zynga had 2011 (ending December 31, 2011) sales of $1.1 billion (of which $734 million was from the U.S.)

FINANCIALS

Electronic Arts' fiscal year ends on a 52 or 53-week period ending on the Saturday nearest March 31. Its business is seasonal with a larger portion of revenue occurring in its Q3 (ending December) which coincides with the holidays (30 – 40% of full-year revenues). However, the company's revenue trend in any year is often impacted by its release schedule. The company sells its products generally on a no-return basis, but it provides price protection (a.k.a reserves that allow customers a credit against amounts they owe) on unsold products to allow the retailers to discount and sell the products. Unlike other video game companies, software development costs are typically expensed as incurred (instead of capitalized and amortized when the games are released).

The company has historically recognized revenue upon the shipment of its products, though certain products are sold with a street date (the earliest date these products may be sold to consumers), in which case revenue was not recognized prior to street date.

Starting in April 2007, Electronic Arts started to defer a portion of revenue for all games with significant online capabilities over an estimated hosting service period (generally 6 months). The company emphasizes that this is strictly a GAAP accounting issue and has continued to focus on pro forma financial reporting. As such, our model reports revenue and expenses on a pro forma basis exclusive of revenue deferrals. For FY11, the GAAP impact was a revenue deferral of $239 million and a negative EPS impact of $0.72. The company expects FY12 GAAP revenue deferral reversal benefit of $66 million and an EPS benefit of $0.20.

Exhibit 15: Industry Operating Margins By Products (as represented by Activision Blizzard)

		Operating Margin*
Digital	Micro Transactions and Value-Added Services	**80%+**
	DLC (Downloadable Extra Content)	**60%+**
	Full Game Digital Download	**60%+**
	Subscription Services	**55%+**
Retail	PC Software	**45%+**
	Console Software	**20%+**

Source: Activision Blizzard report

Recent Results (fiscal Q3 ending December 2011)

Electronic Arts recently reported better than expected Q3 (December) FY12 results, with revenue and EPS above guidance. Q3 guidance provided in October was for revenue of $1.55 – 1.65 billion and EPS of $0.85 – 0.95, and the company's actual results were revenue of $1.651 billion and EPS of $0.99. The company attributed the upside to strong sales of *Battlefield 3* (selling 11 million units) and *Star Wars: The Old Republic* (selling 2 million units). All of this helped offset the difficult retail and consumer sales environment for video games.

Exhibit 16: Consensus Expectations

	Revenue			EPS	
	2012E	2013E		2012E	2013E
Q1 Jun	$524A	$597E	Q1 Jun	$(0.37)A	$(0.31)E
Q2 Sep	$1,034A	$1,120E	Q2 Sep	$0.05A	$0.17E
Q3 Dec	$1,651A	$1,699E	Q3 Dec	$0.99A	$0.98E
Q4 Mar	$962E	$1,062E	Q4 Mar	$0.17E	$0.31E
Total	$4,171E	$4,517E	Total	$0.85E	$1.15E

**Quarterly estimates may not add to annual estimates due to variations in contributing estimates and rounding.*

Source: Company report, Thomson Reuters, and Ascendiant Capital Markets estimates

The company provided initial Q4 (March) FY12 guidance for revenue of $925 – 975 million and EPS of $0.10 - 0.20, which is in line with our and consensus estimates. FY12 guidance for revenue of $4.13 – 4.18 billion and EPS of $0.77 – 0.87 represents solid growth from FY11 revenue of $3.83 billion and EPS of $0.70 (+8 - 9% and +10 - 24%, y-o-y growth respectively).

We are projecting solid growth for FY13 (for revenue of $4.38 billion (+5%) and EPS of $1.04 (+25%)). FY13 should benefit from new games including *Medal of Honor: Warfighter*, a new NBA game, and a full year of *Star Wars: The Old Republic*. We believe our estimates are realistic, and are unlikely to raise them until we have better visibility into some of its future drive titles and the sustainability of *SWTOR*.

We believe that the biggest potential variable in our financial model is whether Electronic Arts can maintain its initial success and subscribers (currently at 1.7 million) for *Star Wars: The Old Republic*. If subscribers can increase in FY13, then earnings will likely grow significantly. However, if subscribers decrease significantly, then earnings growth will likely be tempered. Given our current channel checks and the competitive environment for MMORPG games, we believe that the latter scenario is more likely than the former.

The company's balance sheet is solid with $1.8 billion in cash and $534 million in debt as of December ($4/share in net cash). In July 2011 (as part of its PopCap Games acquisition), Electronic Arts raised $633 million in 0.75% Convertible Senior Notes due 2016 (convertible at $31.74 per share, though this was hedged by the company to increase the effective conversion price to $41/share). Reserves at the end of Q3 were $295 million or 36% of gross A/R, which we believe is adequate to protect the company from the risk of future product returns or price protection. In February 2011, Electronic Arts authorized a $600 million stock repurchase program. It has approximately $370 million left in the buyback.

FINANCIAL MODEL

Electronic Arts, Inc.
Pro Forma Income Statement

Income Statement ($ in millions) Fiscal Year End: March 31	Jun-10 1QA	Sep-10 2QA	Dec-10 3QA	Mar-11 4QA	2011 FY-A	Jun-11 1QA	Sep-11 2QA	Dec-11 3QA	Mar-12 4QE	2012 FY-E	Jun-12 1QE	Sep-12 2QE	Dec-12 3QE	Mar-13 4QE	2013 FY-E
Net Revenues (non GAAP)	**539.0**	**884.0**	**1,410.0**	**995.0**	**3,828.0**	**524.0**	**1,034.0**	**1,651.0**	**960.0**	**4,169.0**	**515.0**	**1,117.2**	**1,693.6**	**1,049.2**	**4,375.0**
Cost of Goods Sold	216.2	361.0	582.0	325.0	1,484.2	236.0	424.0	538.0	322.8	1,520.8	197.0	443.8	604.1	347.2	1,592.1
Gross Profit	322.8	523.0	828.0	670.0	2,343.8	288.0	610.0	1,113.0	637.3	2,648.3	318.0	673.4	1,089.5	702.0	2,782.8
Research & Devel.	245.0	250.0	244.0	303.0	1,042.0	262.0	290.0	295.0	295.0	1,142.0	285.0	301.0	295.0	301.5	1,182.5
Sales & Marketing	123.0	167.0	247.0	189.0	726.0	135.0	216.0	262.0	178.6	791.6	127.4	216.1	255.8	183.9	783.1
General & Admin.	62.0	67.0	65.0	67.0	261.0	65.0	79.0	87.0	90.0	321.0	76.0	81.0	89.0	89.0	335.0
Restructuring and Other Charges															
Amortization of Intangibles															
Total Operating Expenses	430.0	484.0	556.0	559.0	2,029.0	462.0	585.0	644.0	563.6	2,254.6	488.4	598.1	639.8	574.4	2,300.6
Operating Income (loss)	(107.2)	39.0	272.0	111.0	314.8	(174.0)	25.0	469.0	73.6	393.6	(170.4)	75.3	449.7	127.6	482.2
Interest Income	-	6.0	0.2	4.0	10.2	3.0	(2.0)	(5.0)	-	(4.0)	-	-	-	-	-
Income before Taxes	(107.2)	45.0	272.2	115.0	325.0	(171.0)	23.0	464.0	73.6	389.6	(170.4)	75.3	449.7	127.6	482.2
Income Taxes	(30.2)	12.6	76.2	32.2	90.8	(47.9)	6.0	130.0	20.6	108.7	(47.7)	21.1	125.9	35.7	135.0
Income b/f minority interest	(77.0)	32.4	196.0	82.8	234.2	(123.1)	17.0	334.0	53.0	280.9	(122.7)	54.2	323.8	91.9	347.2
Minority Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income	(77.0)	32.4	196.0	82.8	234.2	(123.1)	17.0	334.0	53.0	280.9	(122.7)	54.2	323.8	91.9	347.2
EBITDAS	(59.2)	85.0	316.0	153.0	494.8	(131.0)	76.0	523.0	127.6	595.6	(116.4)	129.3	503.7	181.6	698.2
Shares, Basic	328.0	329.0	332.0	333.0	330.5	331.0	331.0	332.0	330.0	331.0	328.0	326.0	324.0	322.0	325.0
Shares, Diluted	332.0	333.0	335.0	336.0	334.0	337.0	337.0	338.0	338.0	337.5	336.0	334.0	332.0	330.0	333.0
EPS (Basic pro forma)	**(0.23)**	0.10	0.59	0.25	0.71	**(0.37)**	0.05	1.01	0.16	0.85	**(0.37)**	0.17	1.00	0.29	1.07
EPS (Diluted pro forma)	(0.23)	**0.10**	**0.59**	**0.25**	**0.70**	(0.37)	**0.05**	**0.99**	**0.16**	**0.83**	(0.37)	**0.16**	**0.98**	**0.28**	**1.04**
Percentage Analysis															
% of Sales															
Gross Margin	60%	59%	59%	67%	61%	55%	59%	67%	66%	64%	62%	60%	64%	67%	64%
Research & Devel.	45%	28%	17%	30%	27%	50%	28%	18%	31%	27%	55%	27%	17%	29%	27%
Sales & Marketing	23%	19%	18%	19%	19%	26%	21%	16%	19%	19%	25%	19%	15%	18%	18%
General & Admin.	12%	8%	5%	7%	7%	12%	8%	5%	9%	8%	15%	7%	5%	8%	8%
Operating Profit	-20%	4%	19%	11%	8%	-33%	2%	28%	8%	9%	-33%	7%	27%	12%	11%
Net Income	-14%	4%	14%	8%	6%	-23%	2%	20%	6%	7%	-24%	5%	19%	9%	8%
Y/Y % Change															
Total Revenue	-34%	-23%	5%	17%	-8%	-3%	17%	17%	-4%	9%	-2%	8%	3%	9%	5%
Gross Margin	-35%	-6%	19%	21%	2%	-11%	17%	34%	-5%	13%	10%	10%	-2%	10%	5%
Research & Devel.	-15%	-13%	-7%	7%	-7%	7%	16%	21%	-3%	10%	9%	4%	0%	2%	4%
Sales & Marketing	-24%	-8%	21%	13%	2%	10%	29%	6%	-5%	9%	-6%	0%	-2%	3%	-1%
General & Admin.	2%	0%	-13%	-4%	-4%	5%	18%	34%	34%	23%	17%	3%	2%	-1%	4%
Operating Profit	875%	105%	77%	226%	61%	62%	-36%	72%	-34%	25%	-2%	201%	-4%	73%	22%
Net Income	1236%	73%	80%	271%	63%	60%	-48%	70%	-36%	20%	0%	219%	-3%	73%	24%

Source: Company reports and Ascendiant Capital Markets estimates

Electronic Arts, Inc.

Balance Sheet ($ millions) Fiscal Year End: March 31	Jun-10 1QA	Sep-10 2QA	Dec-10 3QA	Mar-11 4QA	Jun-11 1QA	Sep-11 2QA	Dec-11 3QA	Mar-12 4QE	Jun-12 1QE	Sep-12 2QE	Dec-12 3QE	Mar-13 4QE
ASSETS												
Cash and Cash Equivalents	$ 1,057.0	$ 1,056.0	$ 1,353.0	$ 1,579.0	$ 1,173.0	$ 930.0	$ 1,242.0	$ 1,266.3	$ 1,087.6	$ 1,117.2	$ 1,064.1	$ 1,918.3
Marketable securities	673.0	601.0	618.0	658.0	675.0	569.0	549.0	549.0	549.0	549.0	549.0	549.0
A/R - net	103.0	444.0	390.0	335.0	30.0	562.0	526.0	652.0	468.9	542.5	871.8	229.8
Inventory	82.0	155.0	105.0	77.0	75.0	90.0	69.0	64.6	59.7	94.2	63.1	74.8
Other deferred	43.0	22.0	22.0	56.0	58.0	97.0	92.0	92.0	92.0	92.0	92.0	92.0
Other current assets (& Prepaid Royalties)	270.0	207.0	226.0	327.0	343.0	320.0	328.0	328.0	328.0	328.0	328.0	328.0
Total Current Assets	**2,228.0**	**2,485.0**	**2,714.0**	**3,032.0**	**2,354.0**	**2,568.0**	**2,806.0**	**2,951.8**	**2,585.2**	**2,722.8**	**2,968.0**	**3,191.9**
Property and equipment, net	516.0	510.0	502.0	513.0	516.0	532.0	547.0	548.0	548.0	549.0	549.0	550.0
Long term investments								-	-	-	-	-
Investment in affiliates								-	-	-	-	-
Goodwill and other intangibles	1,275.0	1,262.0	1,267.0	1,254.0	1,266.0	2,116.0	2,118.0	2,098.0	2,078.0	2,058.0	2,038.0	2,018.0
Other assets (& Deferred Income Tax)	226.0	237.0	244.0	129.0	219.0	219.0	225.0	225.0	225.0	225.0	225.0	225.0
TOTAL ASSETS	**$ 4,245.0**	**$ 4,494.0**	**$ 4,727.0**	**$ 4,928.0**	**$ 4,355.0**	**$ 5,435.0**	**$ 5,696.0**	**$ 5,822.8**	**$ 5,436.2**	**$ 5,554.8**	**$ 5,780.0**	**$ 5,984.9**
LIABILITIES AND SHAREHOLDERS' EQUITY												
A/P	55.0	205.0	162.0	228.0	91.0	213.0	112.0	215.2	149.3	313.9	210.4	249.5
Accrued Liabilities	620.0	620.0	746.0	768.0	604.0	792.0	846.0	846.0	846.0	846.0	846.0	846.0
Deferred Revenues	490.0	743.0	1,100.0	1,005.0	530.0	849.0	1,439.0	932.0	509.3	405.9	672.8	1,205.0
Total Current Liabilities	**1,165.0**	**1,568.0**	**2,008.0**	**2,001.0**	**1,225.0**	**1,854.0**	**2,397.0**	**1,993.2**	**1,504.6**	**1,565.7**	**1,729.2**	**2,300.5**
Long term debt						529.0	534.0	534.0	534.0	534.0	534.0	534.0
Minority Interest & Other	328.0	288.0	361.0	363.0	380.0	512.0	500.0	500.0	500.0	500.0	500.0	500.0
Common stock	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Additional paid-in capital	2,417.0	2,473.0	2,504.0	2,495.0	2,439.0	2,551.0	2,549.0	2,549.0	2,549.0	2,549.0	2,549.0	2,549.0
Accumulated other comprehensive loss	113.0	144.0	155.0	219.0	240.0	258.0	190.0	190.0	190.0	190.0	190.0	190.0
Retained earnings	219.0	18.0	(304.0)	(153.0)	68.0	(272.0)	(477.0)	53.6	155.6	213.1	274.8	(91.5)
Total Shareholders' Equity	2,752.0	2,638.0	2,358.0	2,564.0	2,750.0	2,540.0	2,265.0	2,795.6	2,897.6	2,955.1	3,016.8	2,650.5
TOTAL LIABILITIES AND EQUITY	**$ 4,245.0**	**$ 4,494.0**	**$ 4,727.0**	**$ 4,928.0**	**$ 4,355.0**	**$ 5,435.0**	**$ 5,696.0**	**$ 5,822.8**	**$ 5,436.2**	**$ 5,554.8**	**$ 5,780.0**	**$ 5,984.9**

Activity Ratios												
A/R Days Sales Outstanding	11	63	33	28	3	71	45	40	45	40	55	40
Reserves as a % of Gross A/R	64%	26%	46%	48%	88%	23%	36%					
Inventory Turnover	11x	9x	22x	17x	13x	19x	32x	20x	15x	20x	40x	20x
A/P Days Payable	22	51	25	63	34	44	18	60	60	60	30	60
Book & Cash Value (per share)												
Book Value per Share (diluted)	$ 8.29	$ 7.92	$ 7.04	$ 7.63	$ 8.16	$ 7.54	$ 6.70	$ 8.27	$ 8.62	$ 8.85	$ 9.09	$ 8.03
Cash per Share (diluted)	$ 5.21	$ 4.98	$ 5.88	$ 6.66	$ 5.48	$ 4.45	$ 5.30	$ 5.37	$ 4.87	$ 4.99	$ 4.86	$ 7.48
Net Cash per Share (diluted)	$ 5.21	$ 4.98	$ 5.88	$ 6.66	$ 5.48	$ 2.88	$ 3.72	$ 3.79	$ 3.28	$ 3.39	$ 3.25	$ 5.86

Source: Company reports and Ascendiant Capital Markets estimates

Electronic Arts, Inc.

Cash Flow Statement ($ millions) Fiscal Year End: March 31	Jun-10 1QA	Sep-10 2QA	Dec-10 3QA	Mar-11 4QA	2011 FY-A	Jun-11 1QA	Sep-11 2QA	Dec-11 3QA	Mar-12 4QE	2012 FY-E	Jun-12 1QE	Sep-12 2QE	Dec-12 3QE	Mar-13 4QE	2013 FY-E
OPERATING ACTIVITIES:															
Net Income	96.0	(201.0)	(322.0)	151.0	(276.0)	221.0	(340.0)	(205.0)	530.6	206.6	101.9	57.5	61.7	(366.4)	(145.2)
Minority interest in consolidated joint venture					0.0				0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity in net loss of affiliates / minority interest		(28.0)		8.0	(20.0)				0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gain on sale of affiliates			1.0		1.0				0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	48.0	46.0	44.0	42.0	180.0	43.0	51.0	54.0	54.0	202.0	54.0	54.0	54.0	54.0	216.0
Stock comp	47.0	43.0	48.0	38.0	176.0	38.0	43.0	48.0	50.0	179.0	50.0	50.0	50.0	50.0	200.0
Amortization					0.0	2.0			20.0	22.0	20.0	20.0	20.0	20.0	80.0
Acquisition Amortization					0.0		17.0	(11.0)		6.0					0.0
Loss on sale of fixed assets	5.0	(29.0)		(1.0)	(25.0)		(12.0)		0.0	(12.0)	0.0	0.0	0.0	0.0	0.0
Gain on sale of marketable securities					0.0				0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provision for doubtful accounts					0.0				3.0	3.0	3.0	3.0	3.0	3.0	12.0
Charge for acquired in-process R&D and othe	2.0	(1.0)	2.0		3.0			(3.0)	0.0	(3.0)	0.0	0.0	0.0	0.0	0.0
Tax benefit from exercise of stock options		24.0			24.0				(50.0)	(50.0)	(50.0)	(50.0)	(50.0)	(50.0)	(200.0)
Change in assets and liabilities, net of acquisitions:					0.0					0.0					0.0
Receivables	97.0	(334.0)	57.0	58.0	(122.0)	307.0	(522.0)	39.0	(129.0)	(305.0)	180.1	(76.6)	(332.3)	639.1	410.2
Inventories	16.0	(71.0)	51.0	29.0	25.0	4.0	(15.0)	22.0	4.4	15.4	4.8	(34.4)	31.1	(11.7)	(10.3)
Other assets	(37.0)	51.0	(23.0)	14.0	5.0	(101.0)	38.0	(18.0)	0.0	(81.0)	0.0	0.0	0.0	0.0	0.0
Accounts payable	(40.0)	146.0	(47.0)	55.0	114.0	(133.0)	76.0	(93.0)	103.2	(46.8)	(65.9)	164.6	(103.5)	39.1	34.3
Accrued liabilities	(109.0)	(33.0)	176.0	(38.0)	(4.0)	(181.0)	183.0	48.0	0.0	50.0	0.0	0.0	0.0	0.0	0.0
Deferred revenue and income taxes	(273.0)	253.0	362.0	(103.0)	239.0	(474.0)	270.0	594.0	(507.0)	(117.0)	(422.8)	(103.4)	267.0	532.2	273.0
Net cash provided by operating activit	**(148.0)**	**(134.0)**	**349.0**	**253.0**	320.0	**(274.0)**	**(211.0)**	**475.0**	**79.3**	69.3	**(124.7)**	**84.6**	**0.9**	**909.3**	870.1
INVESTING ACTIVITIES:															
Proceeds from sale of property and equipment					0.0	83.0	26.0		0.0	109.0	0.0	0.0	0.0	0.0	0.0
Proceeds from sales of marketable securities	(42.0)	109.0	(20.0)	13.0	60.0	(90.0)	147.0	(51.0)	0.0	6.0	0.0	0.0	0.0	0.0	0.0
Proceeds from the sale of affiliates					0.0				0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Expenditures	(11.0)	(12.0)	(15.0)	(21.0)	(59.0)	(32.0)	(52.0)	(44.0)	(55.0)	(183.0)	(54.0)	(55.0)	(54.0)	(55.0)	(218.0)
Investment in affiliates					0.0				0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of marketable securities					0.0				0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from maturity of securities					0.0				0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in short-term investments					0.0				0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition of Pogo Corporation, net of cash acquired					0.0				0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition of Westwood Studios, Inc.					0.0				0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition of Kesmai					0.0				0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition of other subsidiaries, net of cash acquired			(16.0)		(16.0)	(25.0)	(632.0)	(19.0)	0.0	(676.0)	0.0	0.0	0.0	0.0	0.0
Net cash used in investing activities	**(53.0)**	**97.0**	**(51.0)**	**(8.0)**	(15.0)	**(64.0)**	**(511.0)**	**(114.0)**	**(55.0)**	(744.0)	**(54.0)**	**(55.0)**	**(54.0)**	**(55.0)**	(218.0)
FINANCING ACTIVITIES:															
Proceeds from debt					0.0		510.0		0.0	510.0	0.0	0.0	0.0	0.0	0.0
Proceeds from sales of shares through stock	1.0	16.0		18.0	35.0	16.0	87.0	4.0	0.0	107.0	0.0	0.0	0.0	0.0	0.0
Proceeds from sales of shares and other					0.0		0.0	1.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0
Purchase of treasury shares				(58.0)	(58.0)	(91.0)	(98.0)	(41.0)	0.0	(230.0)	0.0	0.0	0.0	0.0	0.0
Proceeds from minority interest in cons. joint venture					0.0		0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by financing activiti	**1.0**	**16.0**	**0.0**	**(40.0)**	(23.0)	**(75.0)**	**499.0**	**(36.0)**	**0.0**	388.0	**0.0**	**0.0**	**0.0**	**0.0**	0.0
Effect of exchange rate on cash and cash equiva	(16.0)	20.0	(1.0)	21.0	24.0	7.0	(20.0)	(13.0)	0.0	(26.0)	0.0	0.0	0.0	0.0	0.0
Net increase (decrease) in cash and equiv	(216.0)	(1.0)	297.0	226.0	306.0	(406.0)	(243.0)	312.0	24.3	(312.7)	(178.7)	29.6	(53.1)	854.3	652.1
Beginning cash and equivalents	1,273.0	1,057.0	1,056.0	1,353.0	1,273.0	1,579.0	1,173.0	930.0	1,242.0	1,579.0	1,266.3	1,087.6	1,117.2	1,064.1	1,266.3
Ending cash and equivalents	1,057.0	1,056.0	1,353.0	1,579.0	1,579.0	1,173.0	930.0	1,242.0	1,266.3	1,266.3	1,087.6	1,117.2	1,064.1	1,918.3	1,918.3

Source: Company reports and Ascendiant Capital Markets estimates

Public Companies Under Coverage Mentioned in this Report (priced as of close 4/11/12)

COMPANY	TICKER	RATING	PRICE	PRICE TARGET
ACTIVISION BLIZZARD	ATVI	BUY	$12.37	$16
GAMESTOP	GME	BUY	$21.27	$30
MAJESCO ENTERTAINMENT	COOL	BUY	$2.23	$3.50
TAKE-TWO INTERACTIVE	TTWO	BUY	$14.74	$20

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Buy: We expect the stock to provide a total return of between 10% and 30% within a 12-month period.

Neutral: We expect the stock to provide a total return of between minus 10% and plus 10% within a 12-month period.

Sell: We expect the stock to provide a total return of minus 10% or worse within a 12-month period.

Speculative Buy: This rating is reserved for companies we believe have tremendous potential, but whose stocks are illiquid or whose equity market capitalizations are very small, often in the definition of a nano cap (below $50 million in market cap). In general, for stocks ranked in this category, we expect the stock to provide a total return of 50% or more within a 12-month period. However, because of the illiquid nature of the stock's trading and/or the nano cap nature of the investment, we caution that these investments may not be suitable for all parties.

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