



## FEATURED OPTIONS RADAR REPORT



### Electronic Arts Calls Accumulate with Strong 2021 Seen

**Ticker/Price:** EA (\$145.65)

#### Analysis:

**Electronic Arts (EA)** with recent buyers of the January \$170 calls that have accumulated 5900X in OI this month for around \$6M. EA also has 1,990 Feb. 26<sup>th</sup> (W) \$146 calls bought on 2/3 in open interest, 2000 June \$135 calls bought for \$2.5M on 12/9, and some March and September call buys. EA shares are working out of a large weekly cup and handle pattern that measures to a target of \$200. In the near-term shares are coiling above the 21-day moving average just under new highs. The \$42B maker of videogames trades 24.1X Earnings, 7.5X Sales and 22X FCF and an impressive company with a ROIC consistently above 25% and a pristine balance sheet with strong FCF growth. Forecasts see EA revenues up 9.7% in 2021 and another 7% in 2022. EA has been active in M&A this year with recent deals for Codemasters and Glu Mobile, the latter an area where EA continues to build out in mobile gaming. EA is also focused on further building out social gaming and last week announced plans for the return of NCAA Football. Analysts have an average target of \$157 and short interest is at 2.5% of the float. The videogame industry continues to have a lot of positive tailwinds, the NPD noting January spending rose 42% for videogames year/year. KeyBanc on 2/9 noting the deal for GLUU was a smart strategic move, increasing EA's opportunity in mobile. BMO raised its target to \$143 on 2/5 seeing confidence in the pipeline with Battlefield and Apex Legends extensions. MKM raised its target to \$170 noting an attractive runway for growth in FY22.

#### Hawk Vision:



**Hawk's Perspective:** EA has a real nice pattern here and is cheap on valuation, a name that is likely to provide a nice move throughout 2021 as multiple catalysts play out.

**Confidence Ranking:** \$\$