



Prepared remarks
Q1 Fiscal 2024

KATIE BURKE:

Thank you.

Welcome to EA's first quarter fiscal year 2024 earnings call. With me today are Andrew Wilson, our CEO, Stuart Canfield, our CFO, and Laura Miele, President of EA Entertainment, Technology and Central Development.

Please note that our SEC filings and our earnings release are available at ir.ea.com. In addition, we have posted detailed earnings slides to accompany our prepared remarks. Lastly, after the call, we will post our prepared remarks, an audio replay of this call, and a transcript.

With regards to our calendar: our second quarter fiscal 2024 earnings call is scheduled for Wednesday, November 1st. As a reminder, we post the schedule of upcoming earnings calls for the fiscal year on our IR website.

This presentation and our comments include forward-looking statements regarding future events and the future financial performance of the Company. Actual events and results may differ materially from our expectations. We refer you to our most recent Form 10-K for a discussion of risks that could cause actual results to differ materially from those discussed today. Electronic Arts makes these statements as of today, August 1st, 2023, and disclaims any duty to update them.

During this call, the financial metrics, with the exception of free cash flow, will be presented on a GAAP basis. Please see our earnings slides for further information. All comparisons made in the course of this call are against the same period in the prior year unless otherwise stated.

Now, I'll turn the call over to Andrew.

ANDREW WILSON:

Thanks Katie. It's great to be here with all of you. To begin, I want to welcome Stuart Canfield — who most of you already know. I have worked with Stuart for nearly two decades. He has been a trusted partner and invaluable leader through many of the biggest transformations at Electronic Arts. I am excited to be working with Stuart as our new Chief Financial Officer, driving multi-year growth and unlocking long-term value.

It was a record Q1 for EA with net bookings of \$1.6 billion, up 21% year over year, driven by sustained momentum across the entire EA SPORTS FIFA ecosystem and the launch of Star Wars Jedi: Survivor. During the quarter we executed across our business — launching five new high-quality titles, while providing over 145 content updates across 37 titles. Our teams continue to create the entertainment and experiences that inspire, engage, and connect hundreds of millions of players. To every EA employee, for all that you do for our communities, thank you.

EA SPORTS FIFA had the biggest Q1 in our company's history. The franchise continues to deliver compelling content to our growing community, driving strong engagement and accelerating net bookings growth. FIFA Ultimate Team engaged tens of millions of fans and daily average users grew 15 %. FIFA Mobile attracted over 65 million new players in the quarter alone. FIFA Online produced double-digit growth across monthly, weekly and daily average users. These remarkable results are a testament to our incredible teams executing against our strategy sharpened by 30 years of passion, innovation, and leadership in interactive football.

Star Wars Jedi: Survivor is pure blockbuster entertainment, rooted in a timeless, culture-defining IP. Our team at Respawn proudly launched this title to critical acclaim and commercial success. Millions of players have already engaged with the game, making this one of the biggest events in the Star Wars galaxy this year. Thanks to the strength of this legendary franchise and community demand, our development team has committed to bringing this Jedi experience to

PS4 and XB1. Over the coming year, we will harness the community's passion and capitalize on key Star Wars franchise moments to drive continued engagement for this incredible game.

Since going free to enter, The Sims 4 community continues to reach a broader global audience, welcoming over 4 million new players in the quarter. In addition to continuing to deliver new content and experiences to expand The Sims 4, the Maxis team is developing a new, innovative parallel experience that will ignite the imaginations of the next generation of players.

In Q1, our mobile business delivered ahead of our expectations, driven by outperformance across our broad portfolio, including FIFA Mobile, Star Wars: Galaxy of Heroes, and The Sims FreePlay. Over the last year, we focused and refined our approach to mobile. We are excited to see the results as we continue to drive for long-term profitable growth. During the quarter, we launched Lord of the Rings: Heroes of Middle-Earth. Based on strong metrics, the team is tuning and balancing the game to scale user acquisition and promotion in the coming months.

Apex Legends is one of the strongest franchises and live services in the industry with 18 million active monthly players and an impressive retention rate of over 70%. After a highly successful 16th season, we launched Season 17 in May with new variations of gameplay and monetization. While this new season did not meet our financial expectations, the team has applied important learnings — including new game mechanics to engage and retain players, which are already generating momentum. We will continue to reinforce the strengths of this franchise by introducing new modes of play and investing in regional marketing, as well as culturalization in key markets.

Looking forward, I've never been more excited for what's to come, as we head into the biggest sports season in our company's history.

As the world's preeminent interactive American football experience, Madden NFL continues to deliver higher engagement year over year, an indicator of future success. This franchise is one of the most powerful IPs in all of sports and is at the center of football culture — bringing the community together in our game and beyond. We are building on a tidal wave of community excitement after the reveal of Josh Allen as Madden NFL 24's cover athlete. This completely new experience will offer more fun, more immersive gameplay, and — for the first time ever — cross-play to amplify the power of community as we build a connected multi-platform ecosystem around American football.

On July 13th, we unveiled our vision for a new era of global football with EA SPORTS FC 24. Alongside this amazing title, we announced advancements of FC Mobile and FC Online in Asia, as well as new experiences FC Tactical mobile and FC Pro esports. This was the biggest reveal we've ever had, generating almost double the positive worldwide response to FIFA 23's debut. Over 2.5 million people have watched the event live and on demand so far — an amazing celebration for the global football community.

To secure a fan-first future for EA SPORTS FC, we have announced new long-term, global partnerships with UEFA, The Premier League, LaLiga, Frauen-Bundesliga, Liga F, and many more. With these recent announcements, alongside our existing and ongoing network of partnerships, the game will showcase 19,000 fully licensed footballers, 700 squads, 30 leagues, and the biggest competitions. As a result, EA SPORTS FC 24 is the most authentic, interactive football experience ever created. It's also a massive leap forward in gameplay innovation with a trio of cutting-edge technologies: Hypermotion V, PlayStyles by Opta and a revolutionized Frostbite engine. The highly anticipated release of EA SPORTS FC 24 in September is the first giant step toward realizing a multi-experience global platform capable of connecting over a billion fans.

To do more extraordinary things for our people, players and communities, our teams are building the strongest pipeline in the history of EA to drive multi-year growth. Over the next few years, we will launch numerous experiences that grow and deepen the fandom of our legendary IP.

Our multi-year targeted investments toward our biggest opportunities include global titles like blockbuster storytelling from Dragon Age, incredible skateboarding gameplay and social connection from skate, and a revival of EA SPORTS College Football that celebrates the action, culture and tradition of the sport like never before. We're also hard at work on a new experience from The Sims that will transform what players can do with creativity, a sprawling action-adventure Iron Man game, a reimagination of Battlefield as a truly connected ecosystem, and the expansion of the Apex Legends universe across platforms, geographies, and modalities of play. The most recent reveal of our Black Panther project — set in a massive, explorable universe — marks the latest chapter in EA's collaboration with The Walt Disney Company and the Marvel Games team.

To drive player engagement and deliver return for our shareholders, we will build unrivaled IP-driven platforms that entertain massive online communities, tell blockbuster stories, and amplify the power of community in and around our games. Being thoughtful and deliberate around feature sets, launch timing, and quality will lead to long-term profitability as we invest in our vision and lead the future of entertainment.

Now, I'll hand the call over to Stuart to provide additional details on our business.

STUART CANFIELD:

Thanks Andrew, and hello to everyone.

I'm honored to be on my first earnings call in my new role as Chief Financial Officer. Throughout my twenty-year career at EA, I have been and continue to be inspired by our talented teams and the entertainment and experiences they create for our players. I am excited by our future, and I have great conviction that our strategy and teams will help us achieve our ambitions to lead the future of entertainment.

Turning to our business, we continue to see healthy engagement and new player acquisition across our portfolio and have started the year strong. Today, we are reaffirming our **full year net bookings** outlook.

I'll now speak to our **Q1 results**.

Net bookings were \$1.6 billion, up 21% year over year, or 25% in constant currency, primarily driven by continued strength in EA SPORTS FIFA and the release of Star Wars Jedi: Survivor. This is the second record quarter in a row for EA SPORTS FIFA, with year-over-year growth accelerating from Q4, as this entire franchise continues to demonstrate the strategic potential of a connected massive online community.

Our **full game** net bookings were \$401 million, up 143% year over year, or 152% in constant currency, primarily driven by the release of Star Wars Jedi: Survivor. As Andrew noted, the title was a critical success, with performance in line with our expectations. Based on the strength of the IP, the engaging gameplay, and new ways to bring the title to players, Star Wars Jedi: Survivor will continue to deliver long-term value.

Our **live services** were up 4% year over year, or 7% in constant currency. Even in a quarter with such strength in full game, live services, which demonstrates a highly resilient, re-occurring

business model, were 75% of total net bookings. With ongoing innovation in EA SPORTS FIFA, Ultimate Team remains a material growth engine for our live services business, with strength across acquisition, engagement, and monetization.

In **mobile, net bookings** were up 3% year over year, or 5% in constant currency, excluding the impact of lapping the sunset of Apex Mobile. We continue to make material progress across our portfolio as we manage our business for long-term profitability. FIFA Mobile delivered record Q1 net bookings, almost doubling from the year prior, driven by historic levels of player engagement and new player acquisition. And although early in our launch, initial metrics are promising for our new title Lord of the Rings: Heroes of Middle-Earth.

Apex Legends is a highly successful original IP for EA with a strong community of loyal core players. This quarter, net bookings were below expectations largely driven by underperformance from Season 17. As an evergreen live service that is constantly evolving, our teams continue to innovate on content and introduce new modes of play to engage a broader base of players across different geographies. To echo Andrew, we will continue to invest behind the talented team at Respawn to drive long-term expansion and growth of the franchise.

On a GAAP basis, we delivered **Q1 net revenue** of \$1.9 billion, up 9% year over year.

Operating expenses were roughly flat and below our expectations, as we shifted marketing spend for new releases, primarily EA Sports FC, to later in the year. As a result, **earnings per share** was \$1.47, up 32% year over year.

We delivered **operating cash flow** of \$359 million, one of our largest ever Q1 results, and returned \$377 million to shareholders through share buybacks and dividends. And on a **trailing twelve-month** basis, free cash flow is up 2% year over year.

Now, **turning to guidance.**

Let me start by sharing our assumptions as we think about **Q2**. First, our guidance assumes continuing momentum in our existing global football business in addition to a strong launch for EA SPORTS FC late in the quarter. Second, we are taking a more measured approach for Apex Legends as the teams apply learnings from Season 17 and introduce new modes of play across various markets. Third, we plan to heavily invest ahead of the launch of **the** fan platform for the global football community -- EA SPORTS FC. And finally, as a reminder, net of hedges relative to last year, we continue to expect FX headwinds.

As a result of these assumptions, we expect Q2 **net bookings** of \$1.7 billion to \$1.8 billion, down 3% to up 3%, or down 2% to up 4% in constant currency.

For the second quarter, we expect GAAP **net revenue** of \$1.825 billion to \$1.925 billion, and cost of revenue to be \$430 million to \$450 million.

We expect GAAP **operating expenses** in Q2 to be between \$1.11 billion and \$1.12 billion, up 9% to 10%, driven by marketing investment noted earlier. And we expect earnings per share to be approximately \$0.72 to \$0.89.

Now, **turning to the full year.**

We are reaffirming our full year **net bookings** guidance range of \$7.3 billion to \$7.7 billion, roughly flat to up 5%, or up 1% to up 6% in constant currency.

We are revising our **GAAP operating expenses** guidance range to \$4.25 to \$4.37 billion, driven largely by reductions in stock based compensation. As a result, our **earnings per share** guidance range is now \$3.42 to \$3.92.

We are reaffirming our guidance for our other full year metrics. We expect **operating cash flow** of \$1.7 billion to \$1.9 billion and **capital expenditures** of around \$275M, which would deliver **free cash flow** of about \$1.4 billion to \$1.6 billion.

To conclude, our strong first quarter is a testament to our incredible brands, our evergreen live services, and our ability to deliver compelling entertainment to hundreds of millions of players around the world. As we make progress around aligning our teams behind our biggest long-term opportunities, we will continue to stay focused, disciplined, and agile to deliver multi-year growth.

Now, I'll hand it back to Andrew.

ANDREW WILSON:

Thanks, Stuart.

EA is set to launch some of the world's most anticipated and celebrated games and experiences. At a time when our growing global community are choosing games as their first form of entertainment and primary way to stay connected with friends through shared fandom, the value and opportunity of creating interactive entertainment has never been greater.

With our exceptional teams, an unrelenting commitment to execution, our world class IP, and technological advancements that will accelerate and expand our ability to deliver new levels of creativity and innovation, EA is building toward incredible growth in the years to come.

Now, Stuart, Laura and I are here for your questions.

Forward-Looking Statements

Some statements set forth in this document, including the information relating to EA's financial guidance, title slate and other expectations contain forward-looking statements that are subject to change. Statements including words such as "anticipate," "believe," "expect," "intend," "estimate," "plan," "predict," "seek," "goal," "will," "may," "likely," "should," "could" (and the negative of any of these terms), "future" and similar expressions also identify forward-looking statements. These forward-looking statements are not guarantees of future performance and reflect management's current expectations. Our actual results could differ materially from those discussed in the forward-looking statements.

Some of the factors which could cause the Company's results to differ materially from its expectations include the following: sales of the Company's products and services; the Company's ability to develop and support digital products and services, including managing online security and privacy; outages of our products, services and technological infrastructure; the Company's ability to manage expenses; the competition in the interactive entertainment industry; governmental regulations; the effectiveness of the Company's sales and marketing programs; timely development and release of the Company's products and services; the Company's ability to realize the anticipated benefits of, and integrate, acquisitions; the consumer demand for, and the availability of an adequate supply of console hardware units; the Company's ability to predict consumer preferences among competing platforms; the Company's ability to develop and implement new technology; foreign currency exchange rate fluctuations; economic and geopolitical conditions; changes in our tax rates or tax laws; and other factors described in Electronic Arts' latest Annual Report on Form 10-K under the heading "Risk

Factors”, as well as in other documents we have filed with the Securities and Exchange Commission.

These forward-looking statements are current as of August 1, 2023. Electronic Arts assumes no obligation to revise or update any forward-looking statement for any reason, except as required by law. In addition, the preliminary financial results set forth in this release are estimates based on information currently available to Electronic Arts.

While Electronic Arts believes these estimates are meaningful, they could differ from the actual amounts that Electronic Arts ultimately reports in its Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2023. Electronic Arts assumes no obligation and does not intend to update these estimates prior to filing its Form 10-Q for the fiscal quarter ended June 30, 2023.