



Prepared remarks
Q1 Fiscal 2023

CHRIS EVENDEN:

Thank you.

Welcome to EA's first quarter fiscal 2023 earnings call. With me today are Andrew Wilson, our CEO, Chris Suh, our CFO, and Laura Miele, our COO.

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, our financial model, and a transcript.

With regards to our calendar: our Q2 fiscal 2023 earnings call is scheduled for Tuesday, November 1. As a reminder, we post the schedule of our entire fiscal year of upcoming earnings calls 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 2, 2022, 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. 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 Chris. It's great to be here with you all.

We delivered a strong performance across our business in Q1. Our broad IP portfolio, our amazing talent, and our growing network of players deeply engaged in our live services all serve as unique structural advantages -- especially as we navigate the fluidity of the macro environment. While we recognize there is more uncertainty in the market, our teams are focused on what they do best -- delivering amazing games and services that keep our players engaged, connected, and inspired as we take entertainment and play to the next level.

Our portfolio of sports and owned IP franchises continues to power resilience and longevity in our business. EA SPORTS & Racing is a growth center, with franchises that are at the heart of how sports fandom is becoming increasingly interactive. *F1 22* sales are up double-digits launch to date, as the sport continues to boom, especially with younger fans. Our EA SPORTS FIFA franchise is exceptionally strong on a global basis, with record business for Q1 in Asia, significant growth in mobile with DAUs up another 10% over last quarter, and FUT engagement growing nearly 40% year-over-year, which is well above the industry average. We're going from strength to strength in EA SPORTS, including *Madden NFL 23* just weeks away, and our most expansive FIFA game ever coming this fall.

Sports is the ultimate "evergreen" form of entertainment, and our new cross-media partnership with LaLiga perfectly illustrates how we continue to innovate at the forefront of sport, media and interactive content. With these multi-faceted collaborations, we are able bring the most authentic experiences to fans and expand into new ways to watch, create, compete, connect and participate in sport -- across platforms, business models, and geographies.

Our owned IP franchises are some of the most deeply engaging and culturally relevant entertainment properties in the world. *Apex Legends* is a leading multi-platform franchise, with our live service on console and PC driving massive ongoing engagement and a new mobile game that is delivering on our early expectations. Engagement in our Sims franchise is also outperforming the market with content that resonates for a broad and diverse audience. We have a proven ability to grow successful long-term live services across our portfolio, with ongoing engagement that drives resiliency, re-occurring revenue, and lifetime value for our business.

Through all of these experiences, our large, global network has grown to nearly 600 million. Every day, our players are forging new friendships and social connections. And with the scale of our network and our teams' ability to utilize our data, we can understand where, how, and what our audiences are playing today, and where they want to go next.

We continue to see Gen Alpha and Gen Z turning to games as their primary form of entertainment, consuming more content than any generation of the past. They love playing with friends. They stay connected with family. And they're creating content at every turn, both in, and around, their entire gaming experience.

Whether they play games from our expansive EA SPORTS portfolio to fuel their fandom, enjoy the intensity and competition of *Apex Legends*, or seek adventure in *Star Wars Jedi*, the next generations of consumers use the power of play to fully immerse and express themselves.... to build deeper, more meaningful connections with the communities they identify with -- and where they feel they belong. They're using games like *The Sims* to unleash their personal and creative autonomy, building characters and new stories with their friends.

Delivering games that fuel creativity -- where players can join, compete, and interact with each other, through social and immersive experiences -- is an exciting growth lever for Electronic Arts as we continue to expand and diversify our IP portfolio and build global online communities spanning more geographies. **Games are the social networks of the future.**

Leading in this highly competitive market requires a strong focus on people. We continue to invest in our culture and in fueling our talent pipeline. The best character artists, animators, graphic designers, data scientists, engineers and many more talented creators are ALL joining our team to level up their careers with award-winning franchises and studios. From career development and wellness programs to workplace experiences and technology that inspires collaboration and innovation, we strive to make Electronic Arts a great place to work and grow.

Through our IP, our talent, and our growing network of players, we are adding strength and long-term value to our business. Even with short-term uncertainties, interactive entertainment will continue to evolve and grow, and we are in a very strong position.

Now I'll turn the call over to Chris.

CHRIS SUH:

Thanks, Andrew.

As Andrew said, we had another strong quarter, driven by continued healthy engagement from our vast player network, across our broad portfolio of live services and games.

Net bookings for the first quarter exceeded our expectations, coming in at \$1.3 billion, driven by our FIFA franchise and the *F1 22* launch. Compared to the prior year, net bookings were down 3%, or 1% in constant currency, driven by two game launches last year compared to one this

year, offset by strength in the FIFA franchise, the acquisition of Playdemic and the launch of *Apex Legends Mobile*.

Our live services net bookings grew 8% year on year, or 10% in constant currency, again demonstrating the resiliency of this highly re-occurring revenue stream.

On a trailing twelve-month basis, live services were 73% of our business, and, with regards to full game sales, digital sales accounted for 65% of units sold through, up 4 percentage points from last year.

We delivered Q1 net revenue of \$1.77 billion, also above our expectations, and, with a higher mix of console-based revenue, gross margins and underlying profit were also well above our expectations.

We saw strength across the entire **FIFA franchise** during the quarter, particularly in *FIFA Online 4* and *FIFA Mobile*. *FIFA Online 4* hit a new high in engagement and *FIFA Mobile* delivered its biggest net bookings quarter ever. *FIFA 22* is now the largest FIFA ever, life to date, with regards to net bookings.

F1 22 net bookings also materially outperformed our expectations, and the franchise has become a dependable driver of growth, having delivered double-digit growth for each of the last four years.

Andrew highlighted the success of our owned-IP games, exemplified by ***Apex Legends***, which saw double digit net bookings growth again in Q1. *Apex Legends Mobile* had a successful launch during the quarter, making *Apex Legends* a leading multi-platform global franchise.

Operating expenses were up 11% on last year, in line with our expectations, as we continue to invest in our development teams and new product launches.

Operating cash flow in the quarter was negative \$78 million, and we returned \$373 million to shareholders through dividends and our ongoing share repurchase program.

Turning now to guidance.

We are maintaining our **full year net bookings guidance** of \$7.9 billion to \$8.1 billion, up 5% to 8% YoY, or 8% to 11% in constant currency. Let me give a bit more color within this range.

First, based on current exchange rates, we see nearly \$100 million of incremental net bookings headwind within our full year guidance, or about 1 point of growth, which mostly impacts the second half of our year. As rates remain quite volatile, we will provide a more current update in our Q2 earnings call about the expected H2 impact.

Second, we're seeing some shifts within our business. We expect the strong Q1 results in our EA SPORTS and Racing portfolio to continue, offsetting the anticipated impact of an overall softer mobile market. This mix shift has a positive benefit to gross margins, and therefore minimizes the likely increased impact of FX on our underlying profitability.

We expect fiscal 2023 GAAP revenue to be \$7.6 to \$7.8 billion and **cost of revenue** to be \$2.020 to \$2.065 billion. Our expectations for operating expenses are unchanged, at \$4.200 to \$4.315 billion, and we anticipate **earnings per share** of \$2.79 to \$2.87.

Our guidance for **operating cash flow** also remains unchanged, at \$1.6 billion to \$1.65 billion. With **capital expenditures** of about \$200 million, that would deliver **free cash flow** of about \$1.4 to \$1.45 billion. See our earnings slides and press release for further cash flow information.

Turning to the quarter, we expect Q2 fiscal 2023 **net bookings** to be \$1.725 to \$1.775 billion, driven by the launch of *Madden NFL 23* on August 19 and *FIFA 23* on September 30.

Both Madden and FIFA benefit from having built decades-long relationships with their passionate player communities and broader sports ecosystems, and we're seeing strong pre-launch momentum for these reliably well-performing titles.

For the **second quarter**, we expect **GAAP net revenue** of \$1.850 to \$1.900 billion, **cost of revenue** to be \$467 million to \$480 million, and **operating expenses** of approximately \$1.036 to \$1.041 billion. This results in **earnings per share** of \$0.78 to \$0.86 for the second quarter.

Our strong first quarter reflects the continued healthy engagement from our vast player network across our broad portfolio. We are confident in our ability to execute with discipline, navigating through a more uneven market, with a robust H2 slate and the durable power of our live services model to deliver continued growth in fiscal 2023.

Now I'll hand back to Andrew.

ANDREW WILSON:

Thanks, Chris. It's been a good start to the year.

While the macro outlook remains fluid, every one of us at Electronic Arts is focused on the things we can control. Even amidst market uncertainty, more people than ever before are turning to games as their primary choice for entertainment. This is what they love to do more than anything else -- and it's how they want to connect and share experiences with people around the world. With gaming so central to our lives today, EA is uniquely well-positioned with the broad demographic reach of our portfolio, and the strongest content pipeline in our history. Leveraging the talents of the best teams in the industry, we are poised to lead this next chapter of entertainment, and to continue building long-term value in our company.

As we move into the Q&A portion of the call, I want to take a moment to welcome Laura Miele. As Chief Operating Officer, Laura has a deep connection to our business, from game creation and our studios to revenue generation and our commercial organization. Laura will join us to add her strategic perspective and insights on the business.

Now Chris, 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 fiscal 2023 guidance information and title slate and fiscal 2023 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 Part I, Item 1A of 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 2, 2022. 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, 2022. 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, 2022.