



Electronic Arts Inc. Q1 FY 2015 Results

July 22, 2014

Safe Harbor Statement

Please review our risk factors on Form 10-K filed with the SEC.



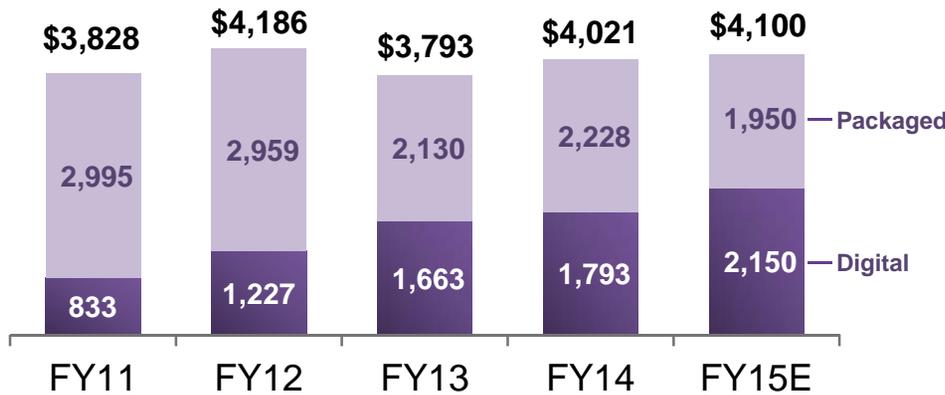
- Some statements set forth in this document, including the information relating to EA's fiscal year 2015 guidance and title slate, contain forward-looking statements that are subject to change. Statements including words such as "anticipate," "believe," "estimate" or "expect" and statements in the future tense are forward-looking statements. These forward-looking statements are preliminary estimates and expectations based on current information and are subject to business and economic risks and uncertainties that could cause actual events or actual future results to differ materially from the expectations set forth 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 titles; the Company's ability to manage expenses; the competition in the interactive entertainment industry; the effectiveness of the Company's sales and marketing programs; timely development and release of Electronic Arts' products; the Company's ability to realize the anticipated benefits of 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 service and support digital product offerings, including managing online security; general economic conditions; and other factors described in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2014.
- These forward-looking statements are valid as of July 22, 2014 only.
- The preliminary financial results set forth in this document 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, 2014. Electronic Arts assumes no obligation and does not intend to update these estimates prior to such filing.

EA Growth Trends

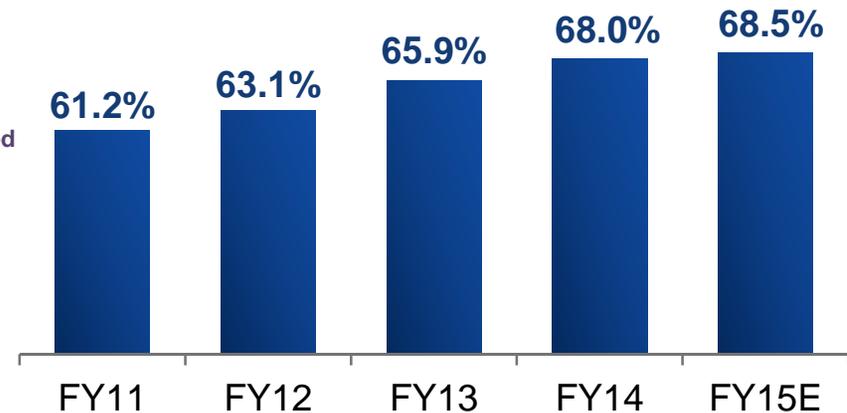


Net Revenue ¹

(\$ in Millions)

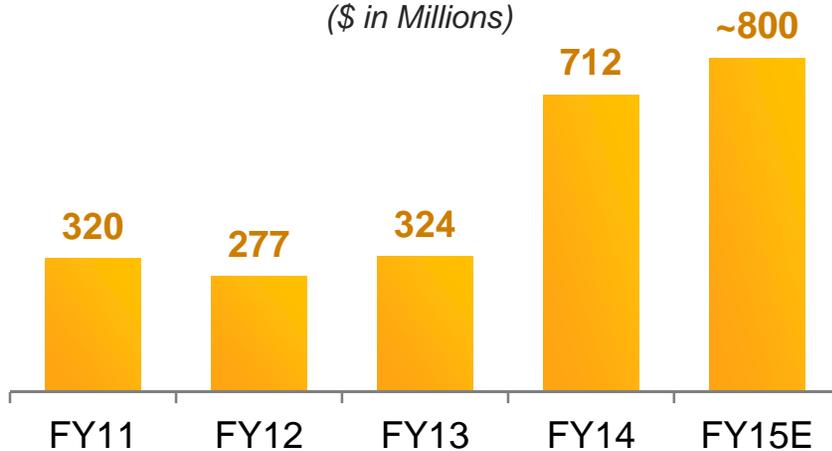


Gross Profit ¹



Operating Cash Flow

(\$ in Millions)



Diluted EPS ¹



¹ On a non-GAAP basis. FY14 and FY15 non-GAAP tax rate is 25%. Through FY13, the non-GAAP tax rate was 28%.

Q1 FY15 Guidance vs. Actuals

Ending June 30, 2014



	GAAP		Non-GAAP	
	Guidance	Actuals	Guidance	Actuals
Net Revenue	\$1,200	\$1,214	\$700	\$775
Gross Profit Margin	79.6%	69.8%	67.0%	70.2%
Operating Expense	\$524	\$485	\$485	\$459
Tax Expense (Benefit)	\$15	\$19	(\$5)	\$21
Net Income (Loss)	\$406	\$335	(\$16)	\$61
Diluted Earnings/(Loss) Per Share	\$1.26	\$1.04	(\$0.05)	\$0.19
Diluted Shares	322	322	313	321

In millions, except per share data.

Q1 FY15 Financial Summary



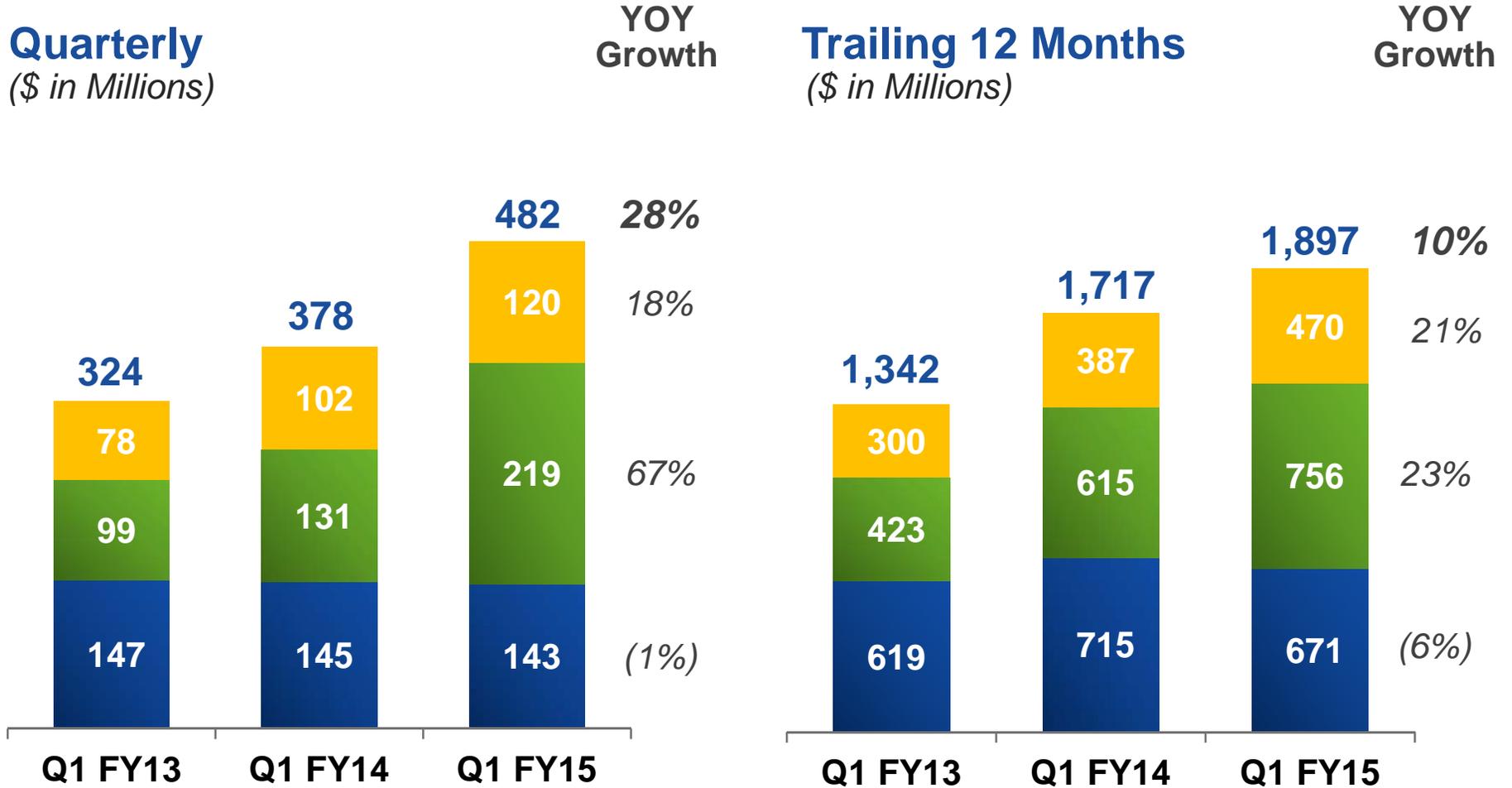
	GAAP		Non-GAAP	
	Q1FY14	Q1 FY15	Q1 FY14	Q1 FY15
Net Revenue	\$949	\$1,214	\$495	\$775
Gross Profit Margin	79.6%	69.8%	63.8%	70.2%
Operating Expense	\$522	\$485	\$477	\$459
Operating Income/(Loss)	\$233	\$362	(\$161)	\$85
Operating Margin	24.6%	29.8%	(32.5%)	11.0%
Diluted Earnings/(Loss) Per Share	\$0.71	\$1.04	(\$0.40)	\$0.19
Operating Cash Flow	(\$248)	4		
EBITDA	\$315	\$439	(\$131)	\$116

In millions, except per share data.

EA Digital Revenue¹ by Platform



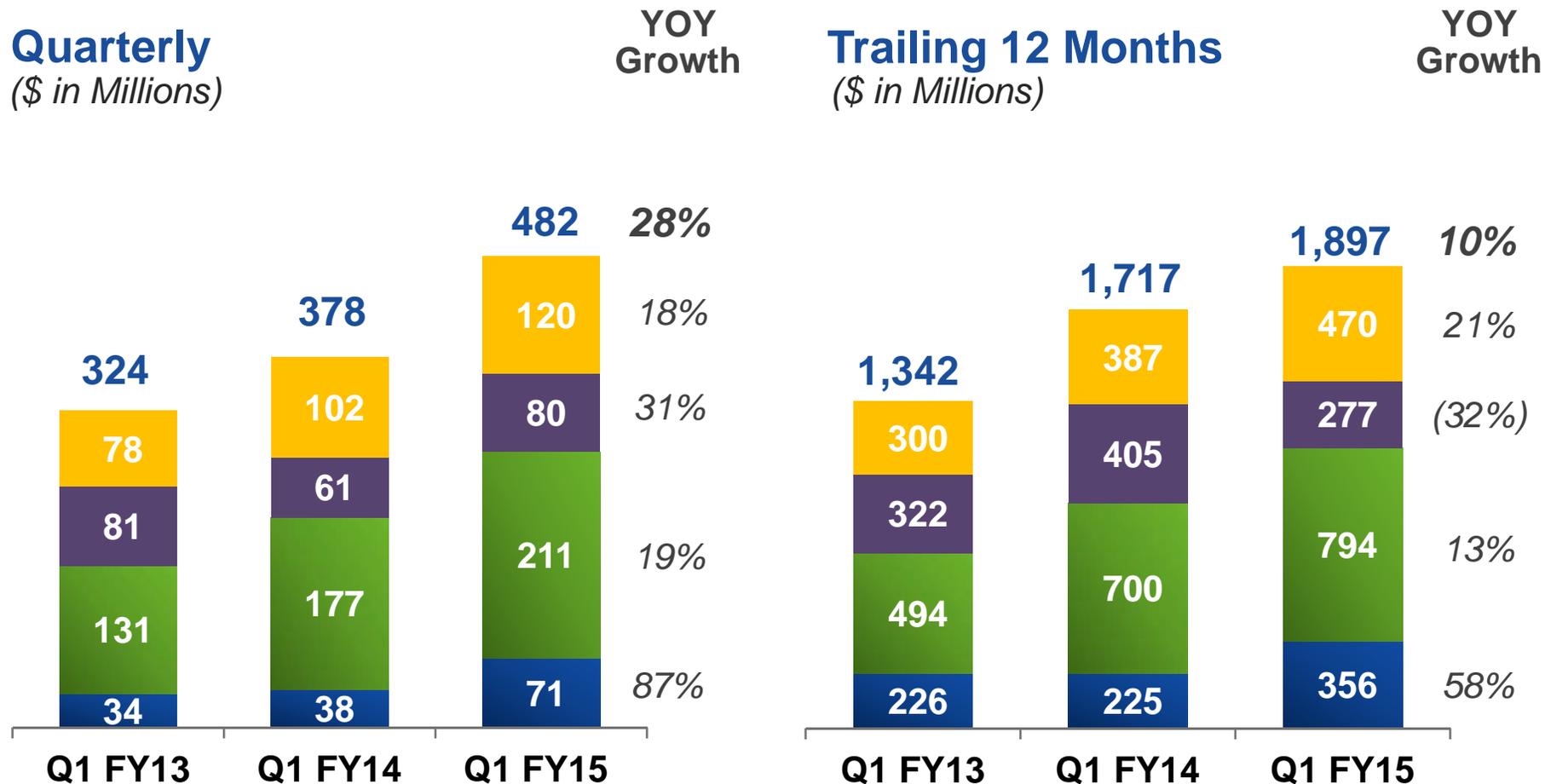
■ PC & Other ■ Console ■ Mobile



1 In millions, on a non-GAAP basis.

2 Mobile revenue reflects the sum total of Smart Phones and Feature Phones. Handheld revenue, previously grouped with Feature Phones, is now captured in PC & Other.

EA Digital Revenue¹ by Type



1 In millions, on a non-GAAP basis.

2 Handheld revenue is included within each respective category of Full game downloads, Extra content and Subscriptions, advertising and other. Handheld revenue was previously grouped with Mobile and presented as Mobile and handheld.

Guidance – Q2 FY15

Ending September 30, 2014



	GAAP	Non-GAAP
Net Revenue	\$965	\$1,140
Gross Profit Margin	57.8%	65.5%
Operating Expense	\$574	\$530
Tax Expense	\$15	\$54
Net Income (Loss)	(\$37)	\$162
Earnings (Loss) Per Share	(\$0.12)	\$0.50
Diluted Shares (Basic for Loss)	314	323

In millions, except per share data.

Non-GAAP Tax Rate: 25%.

These forward-looking statements are valid as of July 22, 2014 only.

Electronic Arts assumes no obligation to update these forward-looking statements.

Guidance – Full Year FY15

Ending March 31, 2015



	GAAP	Non-GAAP
Net Revenue		
Packaged Goods and Other	\$2,200	\$1,950
Digital Net Revenue	\$2,100	\$2,150
Total Net Revenue	\$4,300	\$4,100
Gross Profit Margin	65.9%	68.5%
Operating Expense	\$2,159	\$2,000
Tax Expense	\$60	\$200
Net Income	\$581	\$599
Earnings Per Share	\$1.78	\$1.85
Diluted Shares	326	324
Operating Cash Flow	~\$800	

In millions, except per share data.

Non-GAAP Tax Rate: 25%.

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Guidance - Phasing

FY15 Quarterly Revenue¹



Net Revenue	Q1A	Q2E	Q3E	Q4E
Non-GAAP	19%	28%	31%	22%
GAAP	28%	23%	24%	25%

¹ These forward-looking statements are valid as of July 22, 2014 only. Electronic Arts assumes no obligation to update these forward-looking statements. The difference in GAAP and non-GAAP quarterly phasing is due to the change in deferred net revenue (online enabled games).

FY15 Announced Titles



Q1	FIFA World Cup 14	Console	
	EA SPORTS UFC	Console	
Q2	FIFA 15	Console	PC
	Madden NFL 15	Console	
	NHL 15	Console	
	The Sims 4		PC
Q3	NBA Live 15	Console	
	Dragon Age: Inquisition	Console	PC
Q4	EA SPORTS PGA Tour	Console	
	Battlefield Hardline	Console	PC



Supplemental Financial Information



Guidance¹

Currency Assumptions

- Exchange rates remain volatile
- Current guidance FX assumptions:
 - \$1.37 USD/Euro
 - Revenue and EPS increases if the Euro strengthens v. USD
 - \$1.66 USD/British Pound Sterling
 - Revenue and EPS increases if the British Pound Sterling strengthens v. USD
 - 1.09 Canadian Dollar/USD
 - R&D costs increase and EPS decreases if the Canadian Dollar strengthens v. USD
 - 6.59 Swedish Krona/USD
 - R&D costs increase and EPS decreases if the Swedish Krona strengthens v. USD
- Using spot exchange rates as of July 21, 2014:
 - Negligible impact for remainder of FY15 non-GAAP Net Revenue
 - Neutral impact for remainder of FY15 non-GAAP EPS

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Non-GAAP Financial Measures



- To supplement the Company's unaudited condensed consolidated financial statements presented in accordance with GAAP, Electronic Arts uses certain non-GAAP measures of financial performance. The presentation of these non-GAAP financial measures is not intended to be considered in isolation from, as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP, and may be different from non-GAAP financial measures used by other companies. In addition, these non-GAAP measures have limitations in that they do not reflect all of the amounts associated with the Company's results of operations as determined in accordance with GAAP. The non-GAAP financial measures used by Electronic Arts include: non-GAAP net revenue, non-GAAP gross profit, non-GAAP operating income (loss), non-GAAP net income (loss) and non-GAAP diluted earnings (loss) per share and non-GAAP diluted shares. These non-GAAP financial measures exclude the following items, as applicable in a given reporting period, from the Company's unaudited condensed consolidated statements of operations:
 - Acquisition-related expenses
 - Amortization of debt discount
 - Change in deferred net revenue (online-enabled games)
 - College football settlement expenses
 - Income tax adjustments
 - Loss (gain) on strategic investments
 - Loss on licensed intellectual property commitment (COGS)
 - Restructuring charges
 - Shares from Convertible Bond Hedge
 - Stock-based compensation

Through fiscal year 2013, the Company used a fixed, long-term projected tax rate of 28 percent internally to evaluate its operating performance, to forecast, plan and analyze future periods, and to assess the performance of its management team. Accordingly, the Company applied the same 28 percent tax rate to its non-GAAP financial results. Beginning in fiscal year 2014, the Company has applied a 25 percent tax rate to its non-GAAP financial results.

Electronic Arts may consider whether other significant non-recurring items that arise in the future should also be excluded in calculating the non-GAAP financial measures it uses. Electronic Arts believes that these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provide meaningful supplemental information regarding the Company's performance by excluding certain items that may not be indicative of the Company's core business, operating results or future outlook. Electronic Arts' management uses, and believes that investors benefit from referring to, these non-GAAP financial measures in assessing the Company's operating results both as a consolidated entity and at the business unit level, as well as when planning, forecasting and analyzing future periods. The Company's management team is evaluated on the basis of non-GAAP financial measures and these measures also facilitate comparisons of the Company's performance to prior periods. In its earnings press release dated July 22, 2014, Electronic Arts has provided a reconciliation of the most comparable GAAP financial measures to the non-GAAP financial measures.

Q1 FY15 Reconciliation



GAAP to Non-GAAP Unaudited Condensed Consolidated Statement of Operations

Three Months Ended June 30, 2014

	GAAP Results	Acquisition- related expenses	Shares from Convertible Bond Hedge	Amortization of debt discount	Change in Deferred Net Revenue (Online-Enabled Games)	Loss on licensed intellectual property commitment (COGS)	College football settlement expenses	Stock-based compensation	Income tax adjustments	Non-GAAP Results
Net revenue	\$ 1,214	\$ -	\$ -	\$ -	\$ (439)	\$ -	\$ -	\$ -	\$ -	\$ 775
Cost of revenue	367	(14)	-	-	-	(122)	-	-	-	231
Gross profit	847	14	-	-	(439)	122	-	-	-	544
Operating expenses:										
Marketing and sales	130	-	-	-	-	-	-	(4)	-	126
General and administrative	88	-	-	-	-	-	5	(9)	-	84
Research and development	265	-	-	-	-	-	-	(16)	-	249
Acquisition-related contingent consideration	(1)	1	-	-	-	-	-	-	-	-
Amortization of intangibles	3	(3)	-	-	-	-	-	-	-	-
Restructuring and other	-	-	-	-	-	-	-	-	-	-
Total operating expenses	485	(2)	-	-	-	-	5	(29)	-	459
Operating income	362	16	-	-	(439)	122	(5)	29	-	85
Interest and other income (expense), net	(8)	-	-	5	-	-	-	-	-	(3)
Income before provision for income taxes	354	16	-	5	(439)	122	(5)	29	-	82
Provision for income taxes	19	-	-	-	-	-	-	-	2	21
Net income	\$ 335	\$ 16	\$ -	\$ 5	\$ (439)	\$ 122	\$ (5)	\$ 29	\$ (2)	\$ 61
Earnings per share										
Basic	\$ 1.07									\$ 0.19
Diluted	\$ 1.04									\$ 0.19
Number of shares used in computation										
Basic	313	-	-	-	-	-	-	-	-	313
Diluted	322	-	(1)	-	-	-	-	-	-	321

In millions, except per share data.

Q1 FY14 Reconciliation



GAAP to Non-GAAP Unaudited Condensed Consolidated Statement of Operations

Three Months Ended June 30, 2013

	GAAP Results	Acquisition- related expenses	Amortization of debt discount	Change in Deferred Net Revenue (Online- Enabled Games)	Restructuring and other	Stock-based compensation	Income tax adjustments	Non-GAAP Results
Net revenue	\$ 949	\$ -	\$ -	\$ (454)	\$ -	\$ -	\$ -	\$ 495
Cost of revenue	194	(15)	-	-	-	-	-	179
Gross profit	755	15	-	(454)	-	-	-	316
Operating expenses:								
Marketing and sales	147	-	-	-	-	(7)	-	140
General and administrative	85	-	-	-	-	(6)	-	79
Research and development	278	-	-	-	-	(20)	-	258
Acquisition-related contingent consideration	7	(7)	-	-	-	-	-	-
Amortization of intangibles	4	(4)	-	-	-	-	-	-
Restructuring and other	1	-	-	-	(1)	-	-	-
Total operating expenses	522	(11)	-	-	(1)	(33)	-	477
Operating income (loss)	233	26	-	(454)	1	33	-	(161)
Interest and other income (expense), net	(5)	-	5	-	-	-	-	-
Income (loss) before provision for (benefit from) income taxes	228	26	5	(454)	1	33	-	(161)
Provision for (benefit from) income taxes	6	-	-	-	-	-	(46)	(40)
Net income (loss)	\$ 222	\$ 26	\$ 5	\$ (454)	\$ 1	\$ 33	\$ 46	\$ (121)
Earnings per share						Loss per share		
Basic	\$ 0.73					Basic and diluted		\$ (0.40)
Diluted	\$ 0.71							
Number of shares used in computation						Number of shares used in computation		
Basic	304					Basic and diluted		304
Diluted	312							

In millions, except per share data.

TTM Q1 FY15 Reconciliation



GAAP to Non-GAAP Unaudited Condensed Consolidated Statement of Operations

Trailing Twelve Months Ended June 30, 2014

	GAAP Results	Acquisition-related expenses	Amortization of debt discount	Change in Deferred Net Revenue (Online-Enabled Games)	Loss on licensed intellectual property commitment (COGS)	College football settlement expenses	Restructuring and other	Stock-based compensation	Income tax adjustments	Non-GAAP Results
Net revenue	\$ 3,840	\$ -	\$ -	\$ 461		\$ -	\$ -	\$ -	\$ -	\$ 4,301
Cost of revenue	1,520	(59)	-	-	(122)	-	-	(2)	-	1,337
Gross profit	2,320	59	-	461	122	-	-	2	-	2,964
Operating expenses:										
Marketing and sales	663	-	-	-	-	-	-	(23)	-	640
General and administrative	413	-	-	-	-	(43)	-	(35)	-	335
Research and development	1,112	-	-	-	-	-	-	(86)	-	1,026
Acquisition-related contingent consideration	(43)	43	-	-	-	-	-	-	-	-
Amortization of intangibles	15	(15)	-	-	-	-	-	-	-	-
Restructuring and other	(2)	-	-	-	-	-	2	-	-	-
Total operating expenses	2,158	28	-	-	-	(43)	2	(144)	-	2,001
Operating income	162	31	-	461	122	43	(2)	146	-	963
Interest and other income (expense), net	(29)	-	21	-	-	-	-	-	-	(8)
Income before provision for income taxes	133	31	21	461	122	43	(2)	146	-	955
Provision for income taxes	12	-	-	-	-	-	-	-	227	239
Net income	\$ 121	\$ 31	\$ 21	\$ 461	\$ 122	\$ 43	\$ (2)	\$ 146	\$ (227)	\$ 716

In millions

TTM Q1 FY14 Reconciliation



GAAP to Non-GAAP Unaudited Condensed Consolidated Statement of Operations

	Trailing Twelve Months Ended June 30, 2013								
	GAAP	Acquisition-	Amortization of	Change in	Gain on strategic	Restructuring and	Stock-based	Income tax	Non-GAAP
	Results	related expenses	debt discount	Deferred Net Revenue (Online-Enabled Games)	investments	other	compensation	adjustments	Results
Net revenue	\$ 3,791	\$ -	\$ -	\$ 6	\$ -	\$ -	\$ -	\$ -	\$ 3,797
Cost of revenue	1,377	(93)	-	-	-	-	(1)	-	1,283
Gross profit	2,414	93	-	6	-	-	1	-	2,514
Operating expenses:									
Marketing and sales	784	-	-	-	-	-	(30)	-	754
General and administrative	351	-	-	-	-	-	(34)	-	317
Research and development	1,149	-	-	1	-	-	(93)	-	1,056
Acquisition-related contingent consideration	(37)	37	-	-	-	-	-	-	-
Amortization of intangibles	27	(27)	-	-	-	-	-	-	-
Restructuring and other	1	-	-	-	-	(1)	-	-	-
Total operating expenses	2,275	10	-	-	-	(1)	(157)	-	2,127
Operating income	139	83	-	6	-	1	158	-	387
Gain on strategic investments	39	-	-	-	(39)	-	-	-	-
Interest and other income (expense), net	(21)	-	20	-	-	-	-	-	(1)
Income before provision for income taxes	157	83	20	6	(39)	1	158	-	386
Provision for income taxes	38	-	-	-	-	-	-	75	113
Net income	\$ 119	\$ 83	\$ 20	\$ 6	\$ (39)	\$ 1	\$ 158	\$ (75)	\$ 273

Q1 FY15 EBITDA Reconciliation



The following table provides a reconciliation of the non-GAAP financial measures regarding Electronic Arts' Earnings Before Interest, Taxes, Depreciation, Amortization and Stock-based Compensation ("EBITDA") to the nearest comparable GAAP financial measures.

Three Months Ended June 30, 2014

	GAAP Results	Acquisition- related expenses	Change in deferred net revenue (online- enabled games)	College football settlement expenses	Loss on licensed intellectual property commitment (COGS)	Stock-Based compensation	Non-GAAP Results
Operating income	\$ 362	\$ 16	\$ (439)	\$ (5)	\$ 122	\$ 29	\$ 85
Adjustments:							
Stock-based compensation	29	-	-	-	-	(29)	-
Depreciation	31	-	-	-	-	-	31
Amortization of acquisition-related intangibles	17	(17)	-	-	-	-	-
Total adjustments	77	(17)	-	-	-	(29)	31
EBITDA	\$ 439	\$ (1)	\$ (439)	\$ (5)	\$ 122	\$ -	\$ 116

Q1 FY14 EBITDA Reconciliation



The following table provides a reconciliation of the non-GAAP financial measures regarding Electronic Arts' Earnings Before Interest, Taxes, Depreciation, Amortization and Stock-based Compensation ("EBITDA") to the nearest comparable GAAP financial measures.

	Three Months Ended June 30, 2013					
	GAAP Results	Acquisition- related expenses	Change in deferred net revenue (online- enabled games)	Restructuring and other	Stock-Based compensation	Non-GAAP Results
Operating Income (loss)	\$ 233	\$ 26	\$ (454)	\$ 1	\$ 33	\$ (161)
Adjustments:						
Stock-based compensation	33	-	-	-	(33)	-
Depreciation	30	-	-	-	-	30
Amortization of acquisition-related intangibles	19	(19)	-	-	-	-
Total adjustments	<u>82</u>	<u>(19)</u>	<u>-</u>	<u>-</u>	<u>(33)</u>	<u>30</u>
EBITDA	<u>\$ 315</u>	<u>\$ 7</u>	<u>\$ (454)</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ (131)</u>

Q2 FY15 Guidance Reconciliation



The following table provides a reconciliation of the non-GAAP financial measures regarding Electronic Arts' Q2 FY15 guidance to the nearest comparable GAAP financial measures. These are preliminary estimates and expectations based on current information as of July 22, 2014 and are subject to business and economic risks and uncertainties that could cause actual events or actual future results to differ materially from the expectations set forth herein. The reconciliation provided below reflects rounding and other approximations.

	<u>GAAP Guidance</u>	<u>Acquisition- related expenses and Amortization</u>	<u>Amortization of Debt Discount</u>	<u>Change in Deferred Net Revenue (online- enabled games)</u>	<u>Shares from Convertible Bond Hedge</u>	<u>Stock-Based Compensation</u>	<u>Tax Adjustments</u>	<u>Non-GAAP Guidance</u>
Approximate Net Revenue	\$ 965	-	-	175	-	-	-	\$ 1,140
Approximate Gross Margin %	57.8%	1.5%	-	6.2%	-	-	-	65.5%
Approximate Operating Expense	\$ 574	(4)	-	-	-	(40)	-	\$ 530
<i>Approximate Tax Expense (Benefit)</i>	\$ 15	-	-	-	-	-	39	\$ 54
Net Income (Loss)	\$ (37)	18	5	175	-	40	(39)	\$ 162
Earnings (Loss) Per Share	\$ (0.12)							\$ 0.50
Number of shares used in computation								
Basic	314	-	-	-	-	-	-	314
Diluted	325	-	-	-	(2)	-	-	323

In millions, except per share data.

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FY15 Guidance Reconciliation



The following table provides a reconciliation of the non-GAAP financial measures regarding Electronic Arts' FY15 guidance to the nearest comparable GAAP financial measures. These are preliminary estimates and expectations based on current information as of July 22, 2014 and are subject to business and economic risks and uncertainties that could cause actual events or actual future results to differ materially from the expectations set forth herein. The reconciliation provided below reflects rounding and other approximations.

	GAAP Guidance	Acquisition- related expenses and Amortization	Amortization of Debt Discount	Change in Deferred Net Revenue (online- enabled games)	College Football Settlement Expenses	Loss on Licensed IP Commitment	Shares from Convertible Bond Hedge	Stock-Based Compensation	Tax Adjustments	Non-GAAP Guidance
Approximate Net Revenue	\$ 4,300	-	-	(200)	-	-	-	-	-	\$ 4,100
Approximate Gross Margin %	65.9%	1.2%	-	-1.6%	-	3.0%	-	-	-	68.5%
Approximate Operating Expense	\$ 2,159	(14)	-	-	5	-	-	(150)	-	\$ 2,000
<i>Approximate Tax Expense (Benefit)</i>	\$ 60	-	-	-	-	-	-	-	140	\$ 200
Net Income	\$ 581	69	22	(200)	(5)	122	-	150	(140)	\$ 599
Earnings Per Share	\$ 1.78									\$ 1.85
Number of shares used in computation Diluted	326	-	-	-	-	-	(2)	-	-	324

In millions, except per share data.

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