



Electronic Arts Inc. Q1 FY 2017 Results

August 2, 2016

Safe Harbor Statement

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



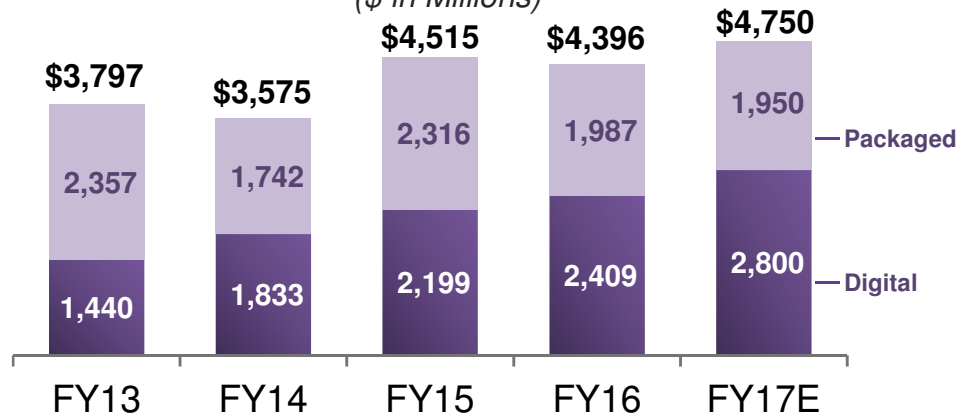
- Some statements set forth in this document, including the information relating to EA's fiscal year 2017 guidance and title slate, contain forward-looking statements that are subject to change. Statements including words such as "anticipate," "believe," "estimate" or "expect" and statements in the future 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, 2016.
- These forward-looking statements are valid as of August 2, 2016 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, 2016. Electronic Arts assumes no obligation and does not intend to update these estimates prior to such filing.
- Please note that this is the final quarter that EA will be reporting any non-GAAP measure that adjusts for deferred revenue. EA will report GAAP financial measures and will also separately report financial data that EA management uses internally to calculate adjustments to its GAAP financial measures so that investors may be able to calculate measures comparable to our historical non-GAAP financial measures. For more information regarding this change to external reporting, please refer to the July 19, 2016 investor call transcript, FAQ document and financial model available at <http://investor.ea.com>.

EA Growth Trends (GAAP)

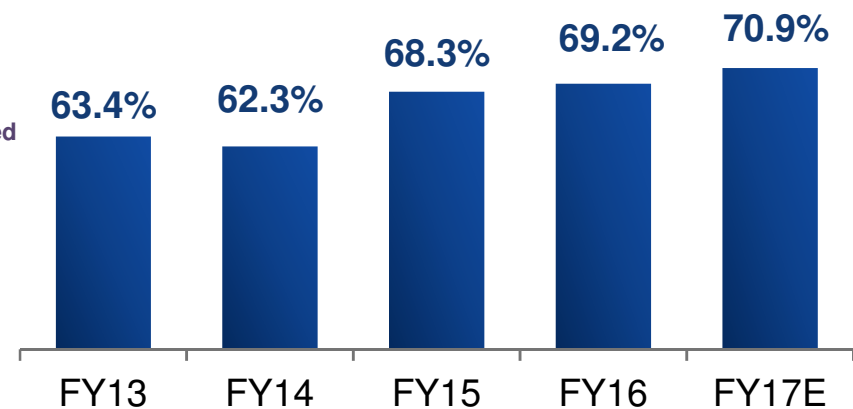


Net Revenue

(\$ in Millions)

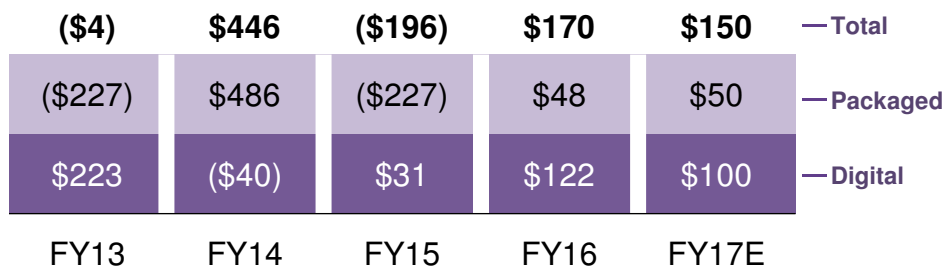


Gross Profit



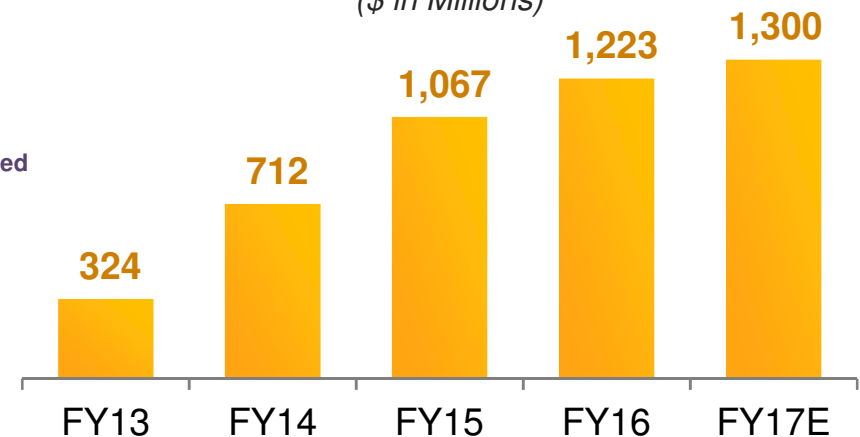
Change in Deferred Net Revenue

(\$ in Millions)



Operating Cash Flow

(\$ in Millions)



Q1 FY17 Guidance vs. Actuals



	GAAP		Non-GAAP ¹	
	Guidance	Actuals	Guidance	Actuals
Net Revenue	\$1,250	\$1,271	\$640	\$682
Gross Profit Margin	85.9%	85.9%	74.5%	75.8%
Operating Expense	\$532	\$532	\$485	\$483
Tax Expense (Benefit) ¹	\$111	\$112	(\$4)	\$6
Net Income (Loss)	\$418	\$440	(\$15)	\$22
Diluted Earnings (Loss) Per Share	\$1.30	\$1.40	(\$0.05)	\$0.07
Diluted Shares (Basic for Loss)	321	315	303	313

In millions, except per share data.

¹ Non-GAAP tax rate was 21%

Q1 FY17 Financial Summary



	GAAP		Non-GAAP	
	Q1 FY16	Q1 FY17	Q1 FY16	Q1 FY17
Net Revenue	\$1,203	\$1,271	\$693	\$682
Gross Profit Margin	85.6%	85.9%	76.8%	75.8%
Operating Expense	\$518	\$532	\$472	\$483
Operating Income	\$512	\$560	\$60	\$34
Operating Margin	42.6%	44.1%	8.7%	5.0%
Diluted Earnings Per Share	\$1.32	\$1.40	\$0.15	\$0.07
Operating Cash Flow	(\$71)	(\$248)		

In millions, except per share data. Non-GAAP tax rate was 22% for FY16 and 21% for FY17.

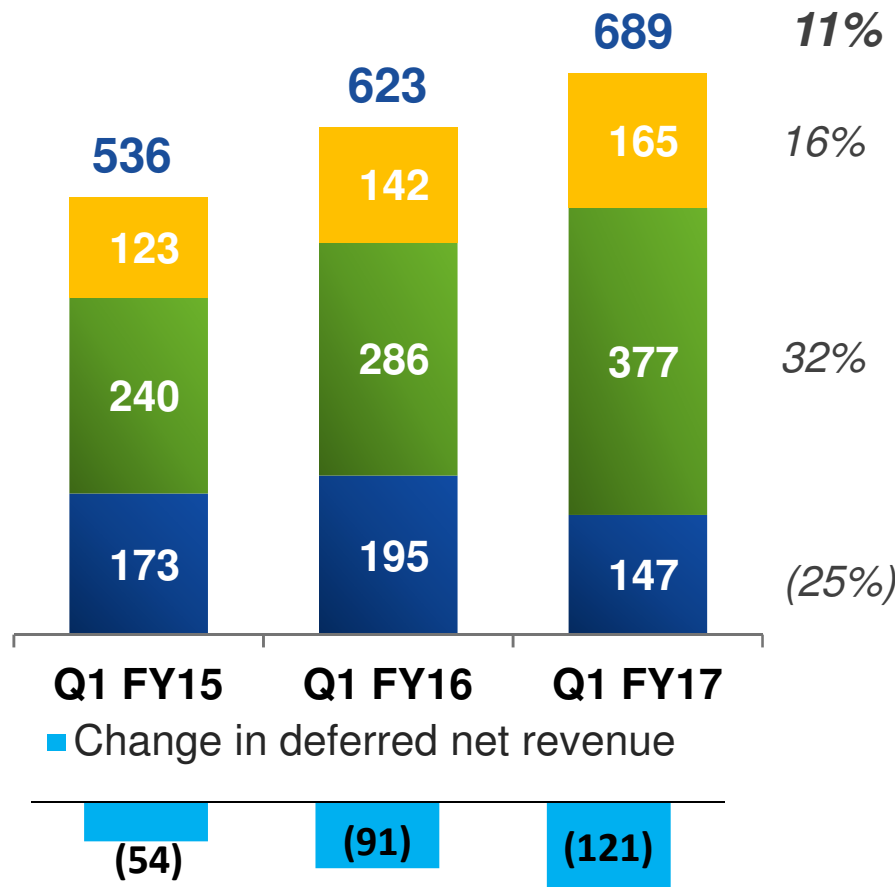
EA Digital Net Revenue by Platform (GAAP)



■ PC & Other
 ■ Console
 ■ Mobile¹

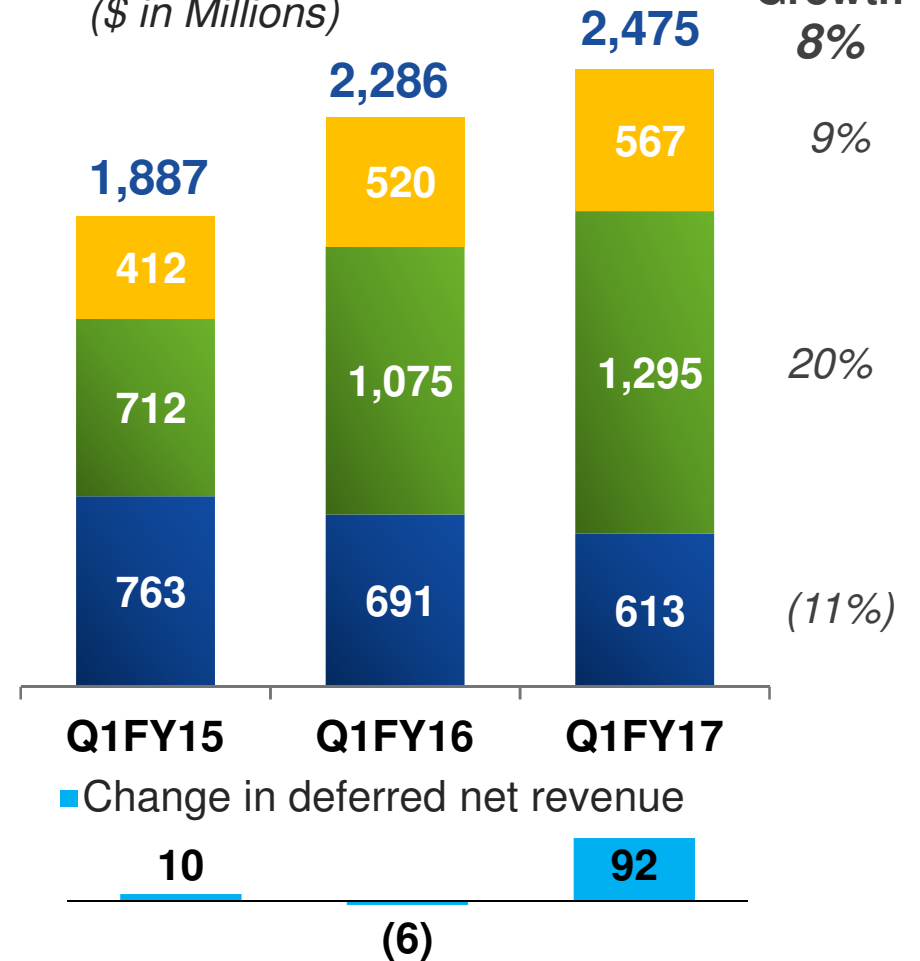
Quarterly

(\$ in Millions)



Trailing 12 Months

(\$ in Millions)

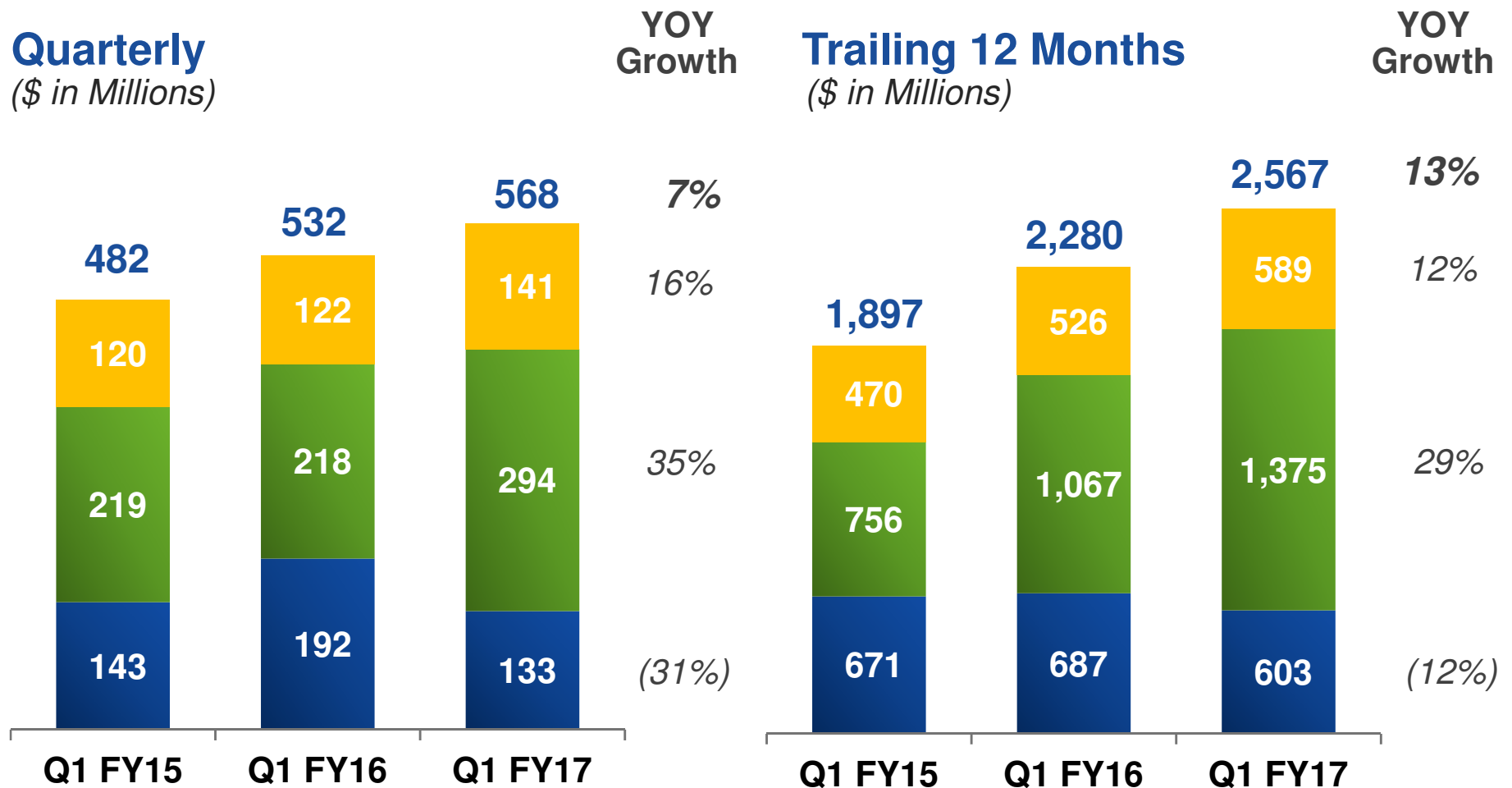


¹ Handheld revenue is included within each respective category of Full Game Downloads, Extra Content and Subscriptions, Advertising and Other. Handheld revenue was previously grouped with Mobile and presented as Mobile and Handheld through Q4 FY14.

EA Digital Net Revenue by Platform (Non-GAAP)



■ PC & Other
 ■ Console
 ■ Mobile¹

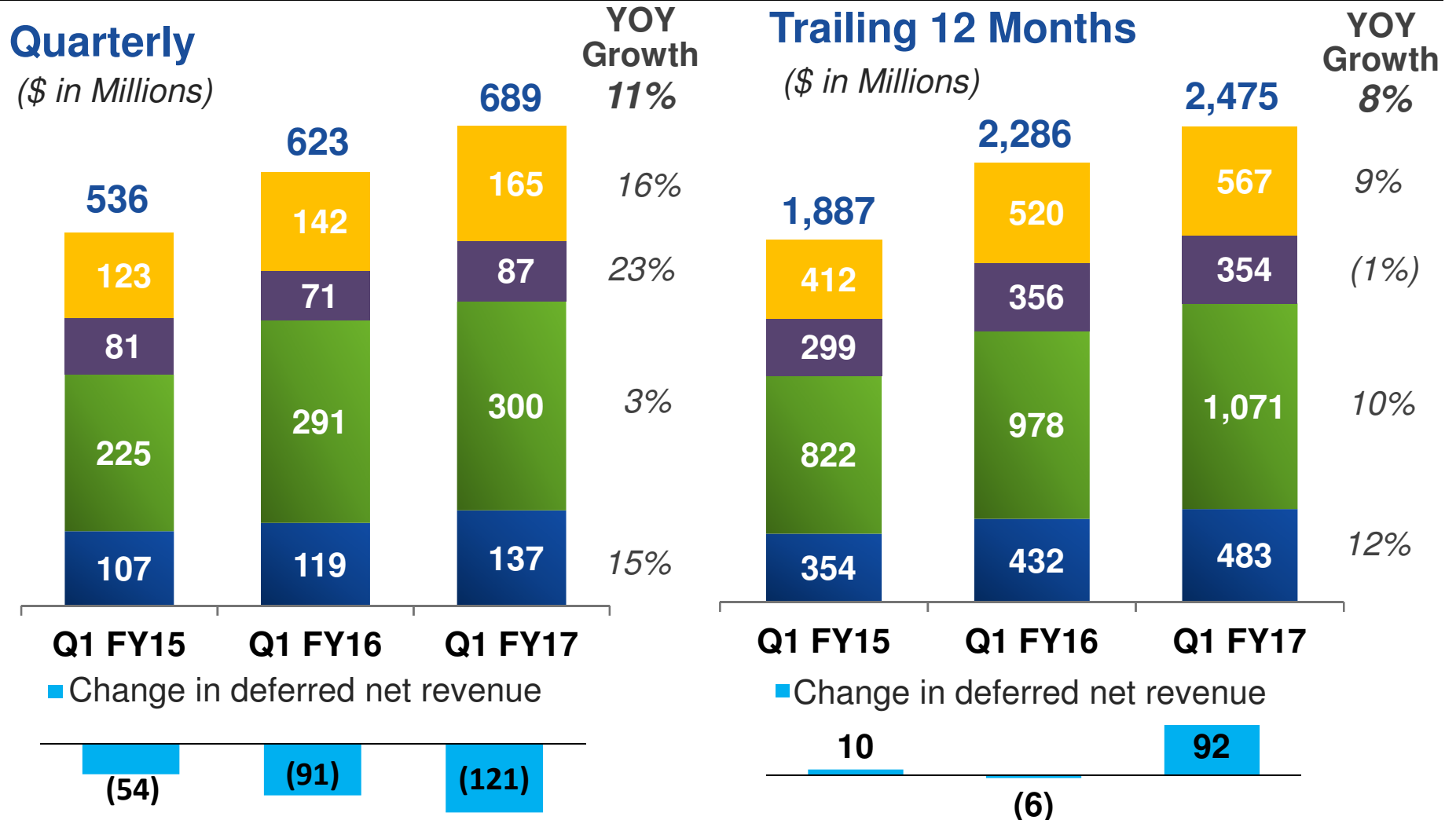


¹ Handheld revenue is included within each respective category of Full Game Downloads, Extra Content and Subscriptions, Advertising and Other. Handheld revenue was previously grouped with Mobile and presented as Mobile and Handheld through Q4 FY14.

EA Digital Net Revenue by Type (GAAP)

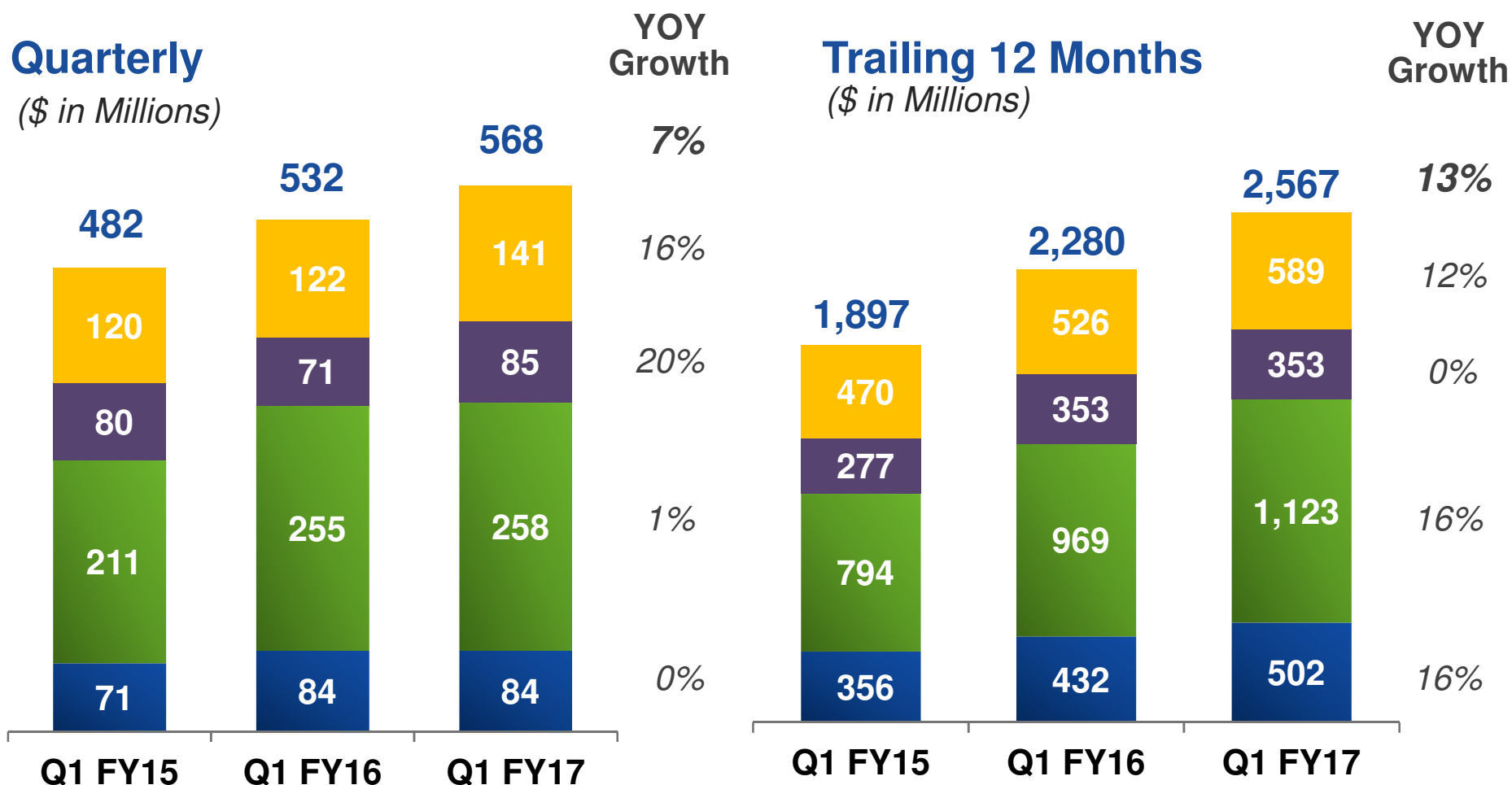


■ Full Game Downloads
 ■ Extra Content
 ■ Subs / Ads / Other
 ■ Mobile¹



¹ 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 through Q4 FY14.






EA Digital Net Revenue by Type (Non-GAAP)



¹ 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 through Q4 FY14.

FY17 Announced Console/PC Titles



Launch	Title	Platform(s)	
Q1	 MIRROR'S EDGE™ CATALYST	Console	PC
Q2	 FIFA 17 <small>Official Licensed Product</small>	Console	PC
	 MADDEN NFL 17	Console	
	 NHL 17	Console	
Q3	BATTLEFIELD 1	Console	PC
	TITANFALL 2	Console	PC
Q4	 NBA LIVE	Console	
	MASS EFFECT ANDROMEDA	Console	PC

Note: Represents publicly announced titles only. Titles above are shown in alphabetical order. All launch dates are subject to change.

Select Live Services and Mobile¹



Console/PC

Mobile

Active Q1'17



¹ Live services encompasses micro-transactions, subscriptions, and downloadable content. Includes announced titles only.

Q2 FY17 Guidance



The following table provides guidance for EA's Q2 FY17 financial performance. These preliminary estimates and expectations are based on current information as of August 2, 2016 and are subject to business and economic risks and uncertainties that could cause actual events or actual future results to differ materially from expectations set forth herein. In addition, while EA no longer provides expectations on non-GAAP financial performance measures, the following outlook for GAAP-based financial data and a long-term tax rate of 21% are used internally by EA to assess EA's operating results and plan for future periods:

	GAAP Guidance	Acquisition- related expenses	Amortization of debt discount and loss on conversion of notes	Change in deferred net revenue (online- enabled games)	Stock-based compensation
<i>Total Net Revenue</i>	\$ 915	-	-	160	-
<i>Cost of Goods Sold</i>	\$ 405	(13)	-	-	-
<i>Operating Expense</i>	\$ 566	(1)	-	-	(50)
<i>Profit / (Loss) Before Tax</i>	\$ (65)	14	-	160	50
<i>Basic Shares</i>	302	-	-	-	-

Note: EA estimates a GAAP basic and diluted share count of 302 million shares due to a forecasted net loss. If the Company reports net income instead of a net loss, diluted share count for calculating diluted earnings per share would be 315 million shares.

In millions, except per share data.

These forward-looking statements are valid as of August 2, 2016 only. Electronic Arts assumes no obligation to update these forward-looking statements.

FY17 Guidance



The following table provides guidance for EA's FY17 financial performance. These preliminary estimates and expectations are based on current information as of August 2, 2016 and are subject to business and economic risks and uncertainties that could cause actual events or actual future results to differ materially from expectations set forth herein. In addition, while EA no longer provides expectations on non-GAAP financial performance measures, the following outlook for GAAP-based financial data and a long-term tax rate of 21% are used internally by EA to assess EA's operating results and plan for future periods:

	<u>GAAP Guidance</u>	<u>Acquisition- related expenses</u>	<u>Amortization of debt discount and loss on conversion of notes</u>	<u>Change in deferred net revenue (online- enabled games)</u>	<u>Stock-based compensation</u>	<u>Shares from convertible bond hedge</u>
<i>Digital Net Revenue</i>	\$ 2,800	-	-	100	-	-
<i>Packaged Goods & Other Net Revenue</i>	\$ 1,950	-	-	50	-	-
<i>Total Net Revenue</i>	\$ 4,750	-	-	150	-	-
<i>Cost of Goods Sold</i>	\$ 1,381	(32)	-	-	(2)	-
<i>Operating Expense</i>	\$ 2,304	(6)	-	-	(198)	-
<i>Profit / (Loss) Before Tax</i>	\$ 1,024	38	2	150	200	-
<i>Diluted Shares</i>	316	-	-	-	-	(1)

In millions, except per share data.

These forward-looking statements are valid as of August 2, 2016 only. Electronic Arts assumes no obligation to update these forward-looking statements.

Guidance – Phasing

FY17 Quarterly Revenue¹



Net Revenue	Q1A	Q2E	Q3E	Q4E	FY17E
GAAP %	27%	19%	23%	31%	100%
GAAP \$	\$1,271	\$915	\$1,092	\$1,472	\$4,750
Change in deferred net revenue	(\$589)	\$160	\$968	(\$389)	\$150

¹ These forward-looking statements are valid as of August 2, 2016 only. Electronic Arts assumes no obligation to update these forward-looking statements.



Supplemental Financial Information

Currency Assumptions¹



- **Current FX assumptions²:**
 - **If the USD strengthens relative to the EUR or GBP, both net revenue and EPS would decrease**
 - **If the USD strengthens relative to the CAD or SEK, expenses would decrease and EPS would increase**

	USD/	FY16 Q1A	FY17 Q1A	FY17 Q2-4E
Revenue	EUR	1.10	1.13	1.11
	GBP	1.52	1.46	1.35
Expense	CAD	1.23	1.29	1.30
	SEK	8.46	8.18	8.48

Note: Our financial guidance includes the forecasted impact of the FX cash flow hedging program.

¹ These forward-looking statements are valid as of August 2, 2016 only. Electronic Arts assumes no obligation to update these forward-looking statements.

² For FY16 Q1A and FY17 Q1A, FX rates are a simple average of EA's actual monthly P&L rates. For FY17 Q2-4E, the same FX rates are used for all forecast periods. As of Q1 FY17, EA has removed the rule of thumb quantification because EA is no longer reporting financial guidance on a non-GAAP basis.

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 are adjusted for the items referenced below, as applicable in a given reporting period, from the Company's unaudited condensed consolidated statements of operations. The adjustments to the non-GAAP financial measures exclude the following items (other than shares from the Convertible Bond Hedge, which are included):

- Acquisition-related expenses
- Amortization of debt discount and loss on conversion of notes
- Change in deferred net revenue (online-enabled games)
- Income tax adjustments
- Shares from convertible bond hedge
- Stock-based compensation

Electronic Arts' management uses 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 August 2, 2016 and in the slides herein, Electronic Arts has provided a reconciliation of the most comparable GAAP financial measures to the non-GAAP financial measures.

Q1 FY17 Reconciliation



GAAP to Non-GAAP Financial Measures

Three Months Ended June 30, 2016

	GAAP Results	Acquisition-related expenses	Shares from convertible bond hedge	Amortization of debt discount and loss on conversion of notes	Change in deferred net revenue (online-enabled games)	Stock-based compensation	Income tax adjustments	Non-GAAP Results
Net revenue	\$ 1,271	\$ -	\$ -	\$ -	\$ (589)	\$ -	\$ -	\$ 682
Cost of revenue	179	(13)	-	-	-	(1)	-	165
Gross profit	1,092	13	-	-	(589)	1	-	517
Operating expenses:								
Research and development	294	-	-	-	-	(27)	-	267
Marketing and sales	128	-	-	-	-	(7)	-	121
General and administrative	108	-	-	-	-	(13)	-	95
Amortization of intangibles	2	(2)	-	-	-	-	-	-
Total operating expenses	532	(2)	-	-	-	(47)	-	483
Operating income	560	15	-	-	(589)	48	-	34
Interest and other income (expense), net	(8)	-	-	2	-	-	-	(6)
Income before provision for income taxes	552	15	-	2	(589)	48	-	28
Provision for income taxes	112	-	-	-	-	-	(106)	6
Net income	\$ 440	15	-	2	(589)	48	106	\$ 22
Earnings per share								
Basic	\$ 1.46							\$ 0.07
Diluted	\$ 1.40							\$ 0.07
Number of shares used in computation								
Basic	301	-	-	-	-	-	-	301
Diluted	315	-	(2)	-	-	-	-	313

Internally, management is using a 21% tax rate in FY17 to assess the Company's operating results, as well as to plan, forecast and analyze future periods.

In millions, except per share data.

Q1 FY16 Reconciliation



GAAP to Non-GAAP Financial Measures

Three Months Ended June 30, 2015

	GAAP Results	Acquisition- related expenses	Shares from convertible bond hedge	Amortization of debt discount	Change in deferred net revenue (online- enabled games)	Stock-based compensation	Income tax adjustments	Non-GAAP Results
Net revenue	\$ 1,203	\$ -	\$ -	\$ -	\$ (510)	\$ -	\$ -	\$ 693
Cost of revenue	173	(12)	-	-	-	-	-	161
Gross profit	1,030	12	-	-	(510)	-	-	532
Operating expenses:								
Research and development	296	-	-	-	-	(26)	-	270
Marketing and sales	123	-	-	-	-	(5)	-	118
General and administrative	98	-	-	-	-	(14)	-	84
Amortization of intangibles	1	(1)	-	-	-	-	-	-
Total operating expenses	518	(1)	-	-	-	(45)	-	472
Operating income	512	13	-	-	(510)	45	-	60
Interest and other income (expense), net	(3)	-	-	6	-	-	-	3
Income before provision for income taxes	509	13	-	6	(510)	45	-	63
Provision for income taxes	67	-	-	-	-	-	(53)	14
Net income	\$ 442	\$ 13	\$ -	\$ 6	\$ (510)	\$ 45	\$ 53	\$ 49
Earnings per share								
Basic	\$ 1.42							\$ 0.16
Diluted	\$ 1.32							\$ 0.15
Number of shares used in computation								
Basic	311	-	-	-	-	-	-	311
Diluted	335	-	(10)	-	-	-	-	325

Internally, management is used a 22% tax rate in FY16 to assess the Company's operating results, as well as to plan, forecast and analyze future periods.

TTM Q1 FY17 Reconciliation



GAAP to Non-GAAP Financial Measures

Trailing Twelve Months Ended June 30, 2016

	GAAP Results	Acquisition- related expenses	Amortization of debt discount and loss on conversion of notes	Change in deferred net revenue (online- enabled games)	Stock-based compensation	Income tax adjustments	Non-GAAP Results
Net revenue	\$ 4,464	\$ -	\$ -	\$ 91	\$ -	\$ -	\$ 4,555
Cost of revenue	1,360	(48)	-	-	(3)	-	1,309
Gross profit	3,104	48	-	91	3	-	3,246
Operating expenses:							
Research and development	1,107	-	-	-	(104)	-	1,003
Marketing and sales	627	-	-	-	(26)	-	601
General and administrative	416	-	-	-	(48)	-	368
Amortization of intangibles	8	(8)	-	-	-	-	-
Total operating expenses	2,158	(8)	-	-	(178)	-	1,972
Operating income	946	56	-	91	181	-	1,274
Interest and other income (expense), net	(26)	-	23	-	-	-	(3)
Income before provision for (benefit from) income taxes	920	56	23	91	181	-	1,271
Provision for (benefit from) income taxes	(234)	-	-	-	-	514	280
Net income	\$ 1,154	\$ 56	\$ 23	\$ 91	\$ 181	\$ (514)	\$ 991

Internally, management used a 22% tax rate in FY16 and is using a 21% tax rate in FY17 to assess the Company's operating results, as well as to plan, forecast and analyze future periods.

In millions.

TTM Q1 FY16 Reconciliation



GAAP to Non-GAAP Financial Measures

Trailing Twelve Months Ended June 30, 2015

	GAAP Results	Acquisition- related expenses	Amortization of debt discount	Change in deferred net revenue (online- enabled games)	Stock-based compensation	Income tax adjustments	Non-GAAP Results
Net revenue	\$ 4,504	\$ -	\$ -	\$ (267)	\$ -	\$ -	\$ 4,237
Cost of revenue	1,235	(50)	-	-	(2)	-	1,183
Gross profit	3,269	50	-	(267)	2	-	3,054
Operating expenses:							
Research and development	1,125	-	-	-	(92)	-	1,033
Marketing and sales	640	-	-	-	(22)	-	618
General and administrative	396	-	-	-	(44)	-	352
Acquisition-related contingent consideration	(2)	2	-	-	-	-	-
Amortization of intangibles	12	(12)	-	-	-	-	-
Total operating expenses	2,171	(10)	-	-	(158)	-	2,003
Operating income	1,098	60	-	(267)	160	-	1,051
Interest and other income (expense), net	(18)	-	23	-	-	-	5
Income before provision for income taxes	1,080	60	23	(267)	160	-	1,056
Provision for income taxes	98	-	-	-	-	164	262
Net income	\$ 982	\$ 60	\$ 23	\$ (267)	\$ 160	\$ (164)	\$ 794

Internally, management used a 25% tax rate in FY15 and used a 22% tax rate in FY16 to assess the Company's operating results, as well as to plan, forecast and analyze future periods.

In millions.

Q1 FY17/FY16 Adjusted EBITDA Reconciliation



The following table provides a reconciliation of GAAP net income to Electronic Arts' Earnings Before Interest, Taxes, Depreciation, Amortization and Stock-based Compensation ("Adjusted EBITDA"). In addition, we provide Electronic Arts' Adjusted EBITDA after adjusting for the change in deferred net revenue.

	Three Months Ended June 30,	
	2016	2015
Net income	\$ 440	\$ 442
Adjustments:		
Stock-based compensation	48	45
Depreciation	29	30
Amortization of acquisition-related intangibles	15	13
Interest and other (income) expense, net	8	3
Provision for income taxes	112	67
Total adjustments	<u>212</u>	<u>158</u>
Adjusted EBITDA	<u>\$ 652</u>	<u>\$ 600</u>
Change in deferred net revenue (online-enabled games)	<u>\$ (589)</u>	<u>\$ (510)</u>
Adjusted non-GAAP EBITDA	<u>\$ 63</u>	<u>\$ 90</u>

Q1 FY17/FY16 Cash Flow Selected Data



	Three Months Ended June 30,		Trailing Twelve Months Ended June 30,		
	2016	2015	2016	2015	
Cash Flow Data					
Investing Cash Flow	(81)	(140)	(425)	(403)	
Financing Cash Flow	(119)	(47)	(378)	(269)	
Operating Cash Flow	A	(248)	(71)	1,046	992
Capital Expenditures	B	40	24	109	92
Free Cash Flow	A - B	(288)	(95)	937	900

\$ In millions