



Electronic Arts Inc. Q1 FY 2016 Results

July 30, 2015

Safe Harbor Statement

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



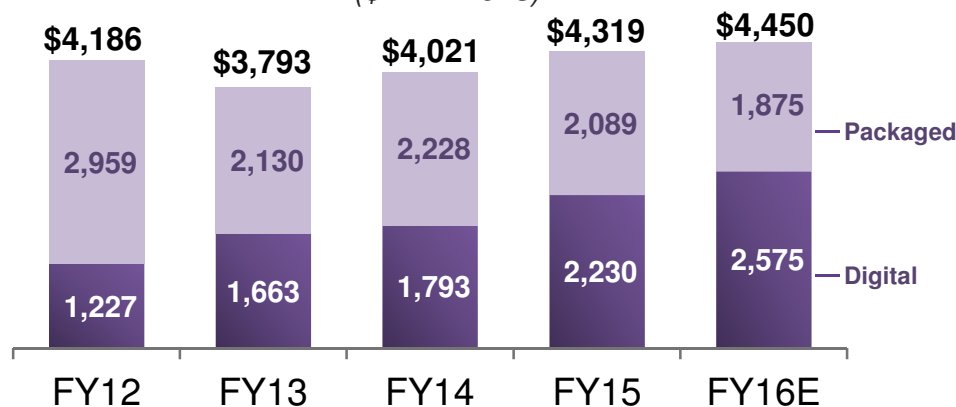
- Some statements set forth in this document, including the information relating to EA's fiscal year 2016 guidance and title slate, contain forward-looking statements that are subject to change. Statements including words such as "anticipate," "believe," "estimate" or "expect" and statements in the future 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, 2015.
- These forward-looking statements are valid as of July 30, 2015 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, 2015. Electronic Arts assumes no obligation and does not intend to update these estimates prior to such filing.

EA Growth Trends

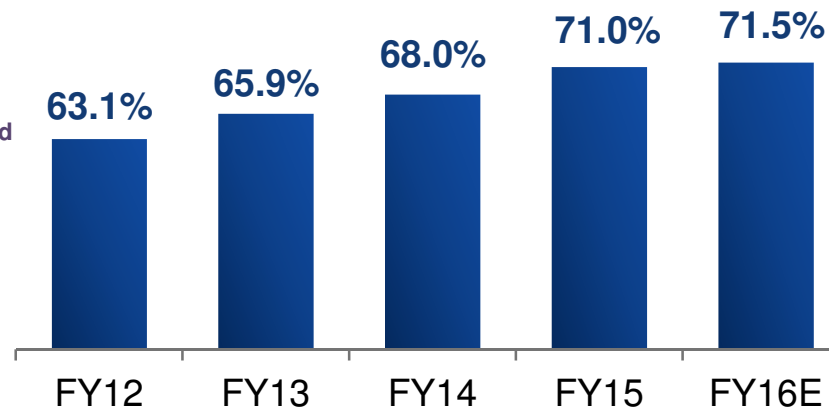


Net Revenue ¹

(\$ in Millions)

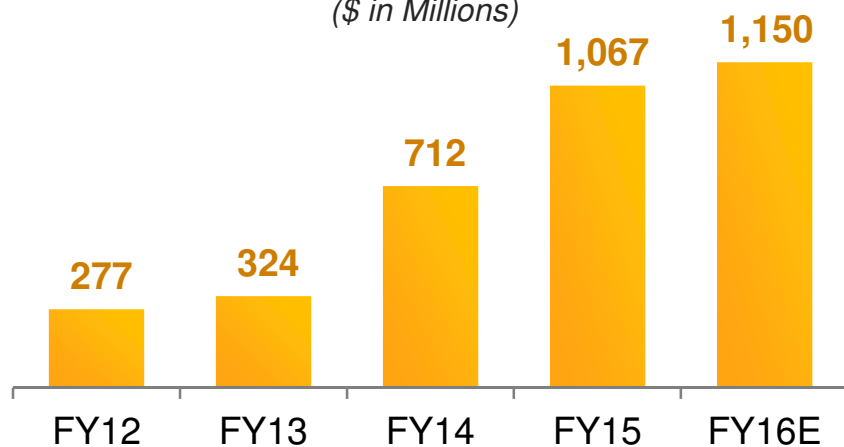


Gross Profit ¹

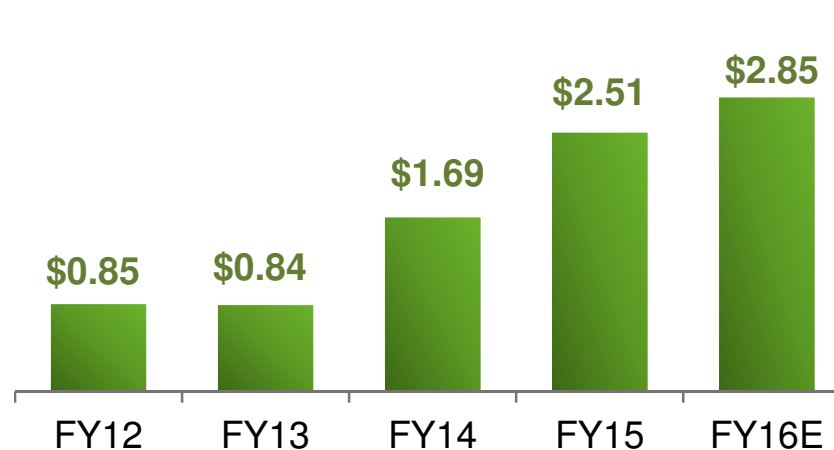


Operating Cash Flow

(\$ in Millions)



Diluted EPS ¹



¹ On a non-GAAP basis. FY16E non-GAAP tax rate is 22%. FY14 & FY15 non-GAAP tax rate was 25%. Through FY13, the non-GAAP tax rate was 28%.₃

Q1 FY16 Guidance vs. Actuals



	GAAP		Non-GAAP	
	Guidance	Actuals	Guidance	Actuals
Net Revenue	\$1,140	\$1,203	\$640	\$693
Gross Profit Margin	84.6%	85.6%	74.5%	76.8%
Operating Expense	\$522	\$518	\$475	\$472
Tax Expense ¹	\$50	\$67	\$0	\$14
Net Income	\$385	\$442	\$0	\$49
Diluted Earnings Per Share	\$1.14	\$1.32	\$0.00	\$0.15
Diluted Shares / Basic Shares	337	335	328 / 312	325

In millions, except per share data.

¹Non-GAAP tax rate: 22%, down from 25% in FY14 and FY15.

Q1 FY16 Financial Summary



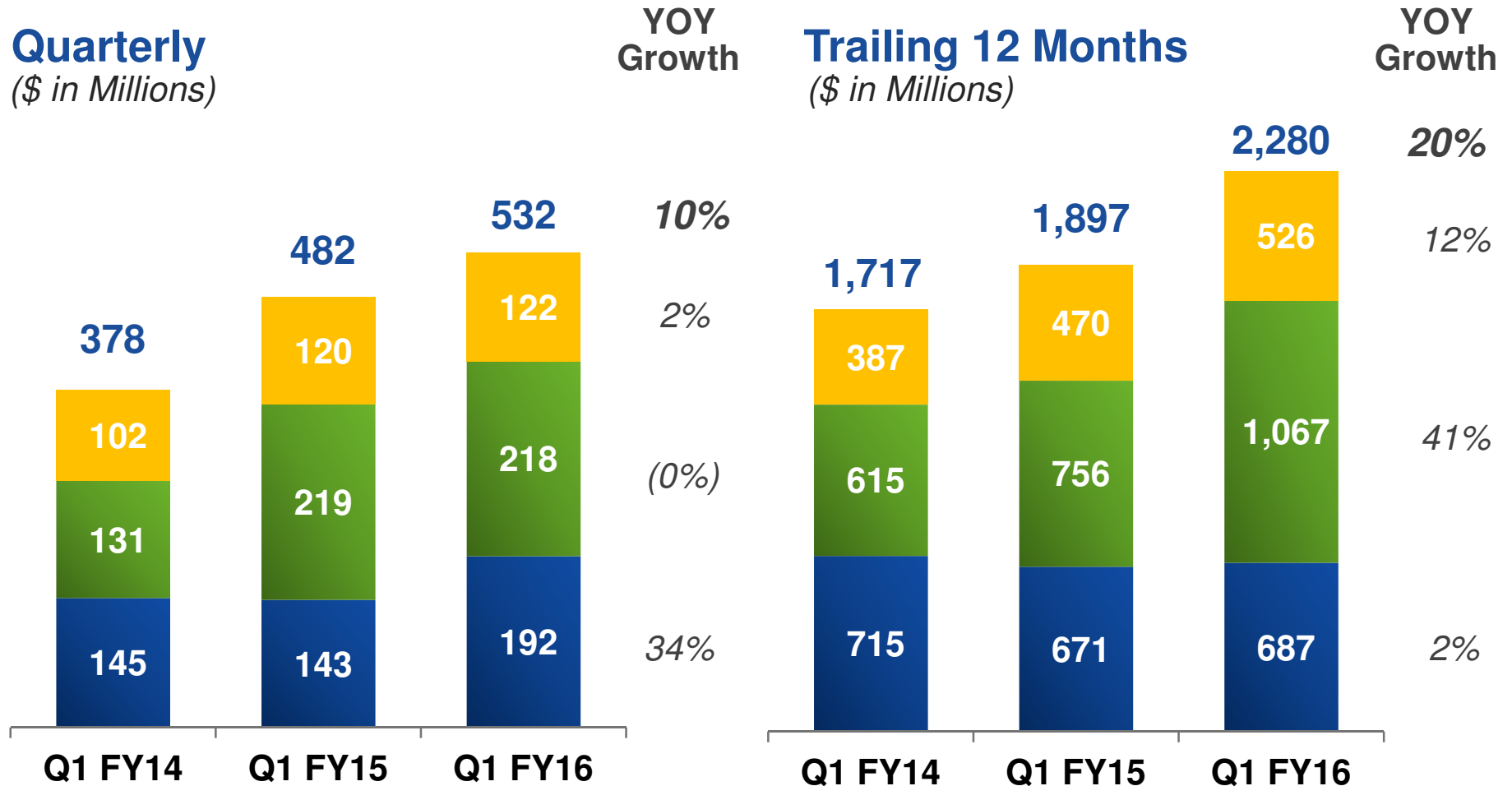
	GAAP		Non-GAAP	
	Q1 FY15	Q1 FY16	Q1 FY15	Q1 FY16
Net Revenue	\$1,214	\$1,203	\$775	\$693
Gross Profit Margin	69.8%	85.6%	70.2%	76.8%
Operating Expense	\$485	\$518	\$459	\$472
Operating Income	\$362	\$512	\$85	\$60
Operating Margin	29.8%	42.6%	11.0%	8.7%
Diluted Earnings Per Share	\$1.04	\$1.32	\$0.19	\$0.15
Operating Cash Flow	\$4	(\$71)		
EBITDA	\$439	\$600	\$116	\$90

In millions, except per share data.

EA Digital Net Revenue¹ by Platform



■ PC & Other ■ Console ■ Mobile²



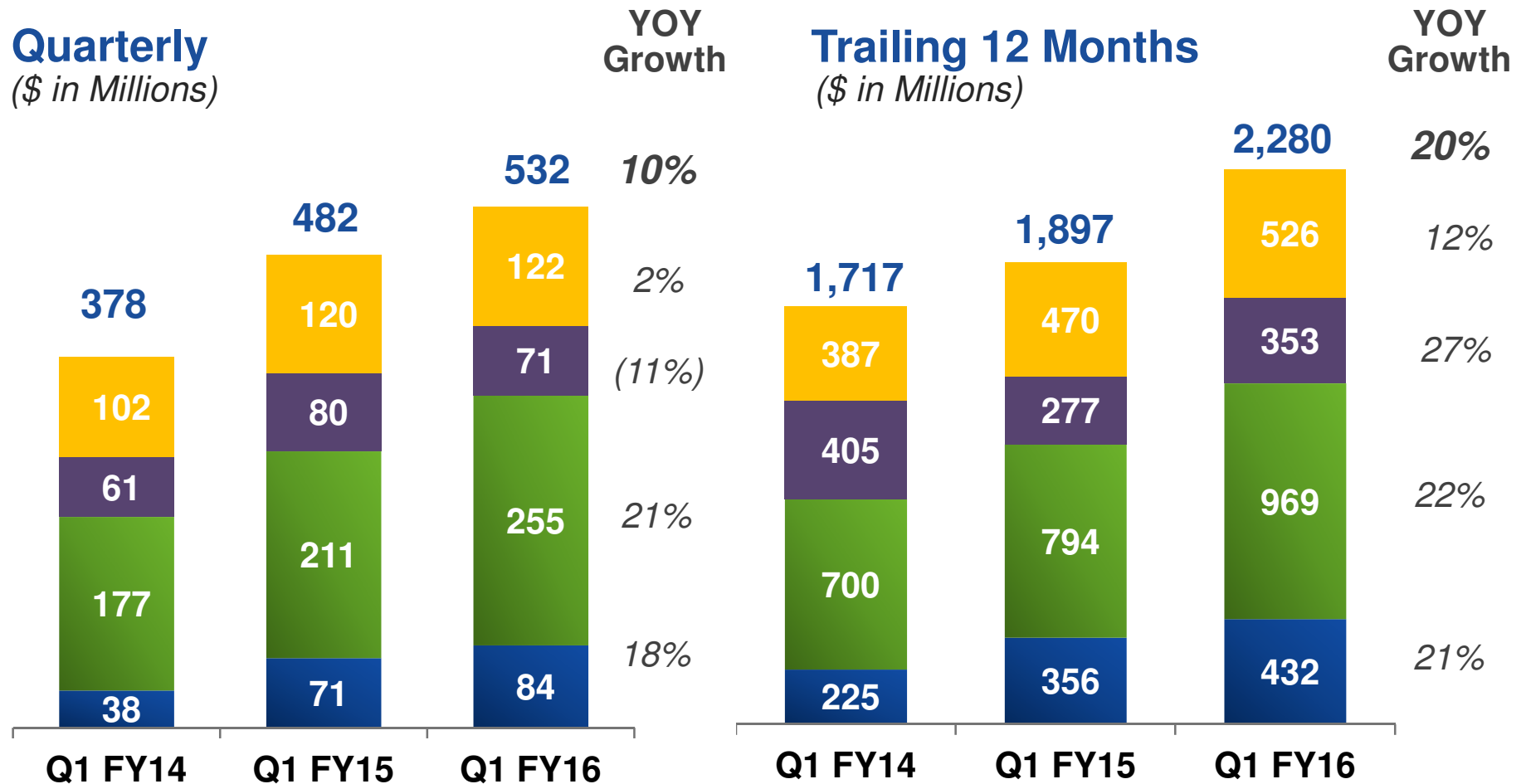
1 In millions, on a non-GAAP basis.

2 Mobile revenue reflects the sum total of revenue from Smart Phones and Feature Phones. Handheld revenue, previously grouped with Feature Phones through Q4-FY14, is captured in PC & Other.

EA Digital Net Revenue¹ by Type



■ Full Game Downloads
 ■ Extra Content
 ■ Subs / Ads / Other
 ■ Mobile²













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 through Q4-FY14.

FY16 Announced Console/PC Titles



Launch	Title	Platform(s)	
Q1			
Q2	 FIFA 16	Console	PC
	 MADDEN NFL 16	Console	
	 NBA LIVE 16	Console	
	 NHL 16	Console	
	 RORY MCILROY PGA TOUR 16	Console	
Q3	 NEED FOR SPEED	Console	PC
	 STAR WARS BATTLEFRONT	Console	PC
Q4	 MIRROR'S EDGE CATALYST	Console	PC
	 PLANTS vs. ZOMBIES GW2	Console	PC
	 UNRAVEL	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 Q1'16



1. Includes revenue from sources such as micro-transactions, subscriptions, and downloadable content. Includes announced titles only.

Guidance – Q2 FY16

Ending September 30, 2015



	GAAP	Non-GAAP
Net Revenue	\$815	\$1,075
Gross Profit Margin	49.7%	63.0%
Operating Expense	\$557	\$510
Tax Expense	\$20	\$37
Net Income	(\$181)	\$131
Earnings Per Share	(\$0.58)	\$0.40
Diluted Shares	313	328

In millions, except per share data.

Non-GAAP Tax Rate: 22%, down from 25% in FY14 and FY15.

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Guidance – Full Year FY16

Ending March 31, 2016



	GAAP	Non-GAAP
Packaged Goods and Other	\$1,875	\$1,875
Digital Net Revenue	\$2,425	\$2,575
Total Net Revenue	\$4,300	\$4,450
Gross Profit Margin	69.4%	71.5%
Operating Expense	\$2,168	\$1,980
Tax Expense	\$120	\$265
Net Income	\$672	\$938
Earnings Per Share	\$1.98	\$2.85
Diluted Shares	339	329
Operating Cash Flow	\$1,150	

In millions, except per share data.

Non-GAAP Tax Rate: 22%.

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Guidance – Phasing

FY16 Quarterly Revenue¹



Net Revenue	Q1A	Q2E	Q3E	Q4E
Non-GAAP	16%	24%	39%	21%
GAAP	28%	19%	24%	29%

¹ These forward-looking statements are valid as July 30, 2015 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).



Supplemental Financial Information

Currency Assumptions¹



- **Current FX assumptions²:**

USD/	FY16 Q1A	FY16 Q2-Q4E
EUR	1.097	1.107
GBP	1.520	1.563
CAD	1.232	1.256
SEK	8.474	8.345

- **Rule of thumb for FY16 Q2-Q4E**

- If the U.S. dollar strengthens 10% against the Euro and British pound sterling:
 - Total net revenue decreases 1.5% and EPS decreases 0.8%
- If the U.S. dollar strengthens 10% against the Canadian dollar and Swedish krona:
 - Company operating expenses decrease 1.4% and EPS increases 0.8%

Note: Our financial guidance and the rule of thumb include the forecasted impact of the FX cash flow hedging program.

¹ These forward-looking statements are valid as of July 30, 2015 only. Electronic Arts assumes no obligation to update these forward-looking statements.

² For FY16 Q1A, FX rates are EA's weighted average actual P&L rates based on EA's monthly operating income. For FY16 Q2-Q4E, the same FX rates are used for all forecast periods.

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 (other than shares from the Convertible Bond Hedge, which are included), 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 on licensed intellectual property commitment (COGS)
 - Restructuring and other
 - Shares from convertible bond hedge
 - Stock-based compensation

The Company uses a fixed, long-term projected tax rate 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 applies the same tax rate to its non-GAAP financial results. During fiscal year 2016 the Company is applying a tax rate of 22 percent to its non-GAAP financial results. For fiscal years 2014 and 2015, a 25 percent tax rate was applied, and through fiscal year 2013 the Company applied a 28 percent tax rate.

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 30, 2015 and in the following slides, Electronic Arts has provided a reconciliation of the most comparable GAAP financial measures to the non-GAAP financial measures.

Q1 FY16 Reconciliation



GAAP to Non-GAAP Unaudited Condensed Consolidated Statement of Operations

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

In millions, except per share data.

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:										
Research and development	265	-	-	-	-	-	-	(16)	-	249
Marketing and sales	130	-	-	-	-	-	-	(4)	-	126
General and administrative	88	-	-	-	-	-	5	(9)	-	84
Acquisition-related contingent consideration	(1)	1	-	-	-	-	-	-	-	-
Amortization of intangibles	3	(3)	-	-	-	-	-	-	-	-
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.

TTM Q1 FY16 Reconciliation



GAAP to Non-GAAP Unaudited Condensed Consolidated Statement of Operations

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

In millions

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:										
Research and development	1,112	-	-	-	-	-	-	(86)	-	1,026
Marketing and sales	663	-	-	-	-	-	-	(23)	-	640
General and administrative	413	-	-	-	-	(43)	-	(35)	-	335
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

Q1 FY16 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, 2015				
	GAAP Results	Acquisition-related expenses	Change in deferred net revenue (online-enabled games)	Stock-Based compensation	Non-GAAP Results
Operating income	\$ 512	\$ 13	\$ (510)	\$ 45	\$ 60
Adjustments:					
Stock-based compensation	45	-	-	(45)	-
Depreciation	30	-	-	-	30
Amortization of acquisition-related intangibles	13	(13)	-	-	-
Total adjustments	88	(13)	-	(45)	30
EBITDA	\$ 600	\$ -	\$ (510)	\$ -	\$ 90

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

Q2 FY16 Guidance Reconciliation



The following table provides a reconciliation of the non-GAAP financial measures regarding Electronic Arts' Q2 FY16 guidance to the nearest comparable GAAP financial measures. These are preliminary estimates and expectations based on current information as of July 30, 2015 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>Stock-Based Compensation</u>	<u>Tax Adjustments</u>	<u>Non-GAAP Guidance</u>
Approximate Net Revenue	\$ 815	-	-	260	-	-	\$ 1,075
Approximate Gross Margin %	49.7%	1.5%	-	11.8%	-	-	63.0%
Approximate Operating Expense	\$ 557	(2)	-	-	(45)	-	\$ 510
<i>Approximate Tax Expense (Benefit)</i>	\$ 20	-	-	-	-	17	\$ 37
Net Income (Loss)	\$ (181)	14	10	260	45	(17)	\$ 131
Earnings (Loss) Per Share	\$ (0.58)						\$ 0.40
Number of shares used in computation							
Basic	313						328
Diluted	313						328

In millions, except per share data.

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FY16 Guidance Reconciliation



The following table provides a reconciliation of the non-GAAP financial measures regarding Electronic Arts' FY16 guidance to the nearest comparable GAAP financial measures. These are preliminary estimates and expectations based on current information as of July 30, 2015 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>
<i>Approximate Net Revenue</i>	\$ 4,300	-	-	150	-	-	-	\$ 4,450
<i>Approximate Gross Margin %</i>	69.4%	1.1%	-	1.0%	-	-	-	71.5%
<i>Approximate Operating Expense</i>	\$ 2,168	(8)	-	-	-	(180)	-	\$ 1,980
<i>Approximate Tax Expense (Benefit)</i>	\$ 120	-	-	-	-	-	145	\$ 265
Net Income	\$ 672	56	25	150	-	180	(145)	\$ 938
Earnings Per Share	\$ 1.98							\$ 2.85
Number of shares used in computation								
Diluted	339	-	-	-	(10)	-	-	329

In millions, except per share data.

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