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EA.OQ - Q3 2022 Electronic Arts Inc Earnings Call

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OVERVIEW:

Co. reported 3Q22 GAAP net revenue of \$1.79b. Expects full-year 2022 GAAP revenue to be \$6.925b and GAAP EPS to be \$2.43. Also expects 4Q22 GAAP net revenue to be \$1.759b and GAAP EPS to be \$0.46.

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PRESENTATION

Operator

Good afternoon, my name is Nika, and I will be your conference operator today. At this time, I would like to welcome everyone to the Electronic Arts Q3 2022 Earnings Conference Call. Mr. Chris Evenden, VP of Investor Relations, you may begin your conference.

Chris Evenden - *Electronic Arts Inc. - VP of IR*

Thank you, Nika. Welcome to EA's Third Quarter Fiscal 2022 Earnings Call. With me on the call are Andrew Wilson, our CEO; and Blake Jorgensen, our CFO. 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. And 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 Q4 fiscal 2022 earnings call is scheduled for Tuesday, May 10. And as a reminder, we posted 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-Q 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, February 1, 2022, and disclaims any duty to update.

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 - *Electronic Arts Inc. - Chairman & CEO*

Thanks, Chris. I hope all of you and your families and loved ones are staying healthy. Let me first say thank you to our talented teams in Electronic Arts, all 12,000 people putting so much energy every day into doing amazing things for our players.

As we begin, I would also like to say a few words about John Madden. John's passing was a tremendous loss for the American football community, for the sports world at large and for all of us in Electronic Arts. Through his years as a winning coach, as a beloved broadcaster and as the pioneering namesake of our game, Coach Madden was football for tens of millions of fans. He taught us many things of nearly 35 years of partnership. Some of his most important lessons, including authenticity, are things which held close to EA SPORTS ever since. We feel incredibly fortunate to have been part of coach's legacy and just as fortunate to be part of how it will live on through the future of our Madden NFL games.

We'll have more to share about how we are honoring Coach Madden in the weeks ahead. And from all of us at Electronic Arts, our thoughts and sympathies continue to be with his family, friends and many, many fans.

It has been a year of outstanding growth so far in FY '22. Q3 was a record quarter, with our live services across our portfolio delivering strong recurring revenue and year-over-year growth. Our franchises like Apex Legends, our EA SPORTS titles, The Sims and more have universal appeal. And as we expand to more ways to play across more platforms and business models, we are growing our total players' engagement, net bookings and underlying profitability.

We did have a charge in Q3 as the launch of Battlefield 2042 did not meet expectations. Battlefield 2042 was always an ambitious game, and our teams pushed to innovate across many dimensions, including massive scale and 128 planned matches, new modes, new dynamic gameplay and more. Developing this game with our teams working from home for nearly 2 years ultimately proved to be challenging. Through our process for testing and preparation, we believe the experience is ready to be put in our players' hands. We launched with strong stability. However, as more players experienced the full game, it became clear that there were unanticipated performance issues that we would need to address.

Some of the design choices we made with the game also did not resonate with everyone in our community. We are fully committed to realizing the full potential of this game and fully committed to our Battlefield fans. We have already implemented a series of major updates to the game, and there is more to be done.

Players can expect meaningful updates to continue in the weeks ahead, and we are shifting the first season of live service content to early summer as we work closely with our community to evolve and improve the core experience in Battlefield 2042.

Despite Battlefield's miss against our expectations, with the strength of our business, we are continuing to deliver record growth and performance in FY '22. With Battlefield's performance to date and our decision to move the first season of live service into Q1 FY '23, so we can focus on the core experience, we have adjusted our full year net bookings guidance to \$7.525 billion, which remains \$225 million above our original net bookings guidance for FY '22.

On the strength of our live services, operational discipline and continuing digital transformation, we're reaffirming our full year expectations for underlying profitability. We expect strong growth to continue in FY '23.

Looking across our portfolio, we saw continuing year-over-year growth in total players' engagement, net bookings, cash flow and underlying profitability in Q3. I'll touch on each of those pieces here.

Beginning with total players, our games and experiences connect a global network that continues to scale. Over the last year, our network has grown to more than 540 million unique active accounts across more than 18 games and 25 live services, spanning all major platforms, from console, to PC, to mobile and cloud.

From an engagement standpoint, more players are spending more time on our titles. Looking across our portfolio in all platforms, we've had more than 180 million monthly active accounts on average in our games during FY '22. Apex Legends monthly active players are up more than 30% year-over-year in Q3. And across our combined EA SPORTS portfolio, monthly active players are also growing year-over-year. Engagement is deepening as well, with players spending nearly 20% more time in games across our portfolio in FY '22 compared to the previous year.

Growth in our network and engagement continues to drive growth in our business, with our top franchises delivering strong recurring revenue. Our net bookings for Q3 grew 7.4% year-over-year for the quarter and the full year, we project 22% growth in net bookings over last year. Performance across the business and operational discipline also continue to deliver strong cash flow and underlying profitability growth in Q3.

The continued growth is anchored by proven franchises where we have a strong track record for execution. Apex Legends is now one of the biggest and most successful ongoing live services in the industry and is built on our owned IP. With more than 28 million new players joining in the last year and new seasons and in-game events that continue to lever new experiences to a deeply engaged community, FY '22 is the biggest year yet for Apex. Average player investment in the game has grown significantly year-over-year, and we expect -- and we continue to expect net bookings for Apex to approach \$1 billion in FY '22.

We are expanding to reach more players and viewers with new original content on the way. Our growing Apex Legends esports ecosystem and Apex Legends Mobile will soon be moving into soft launch as we continue our worldwide rollout. We've had strong engagement and community feedback during Closed Beta testing, and we're excited for more players to experience Apex Legends Mobile soon.

Mobile is a core growth engine for us, and it is accelerating. With new launches and acquired expertise and technologies leveraged across our portfolio, we expect mobile to be a major catalyst in FY '23, with growth well into the double digits. Led by Apex Mobile, our newly updated future mobile game, Golf Clash, and more unannounced projects, we are expanding our portfolio of more than 15 top-level live services to reach new audiences and grow our recurring revenue.

EA SPORTS is a powerhouse in the sports and entertainment world. We've driven hundreds of millions of dollars in net bookings growth year-to-date, with our EA SPORTS business up nearly 10% year-over-year. We continue to see incredible growth for the future of global soccer, and our global soccer franchise was the #1 title in the Western world in calendar 2021. Madden NFL 22 was the #1 sports title in the U.S. during the holiday period, and it was the #3 top-selling game in the U.S. for all of last year.

Under our leadership, F1 2021 also continues to perform well above expectations, with unit sales nearly doubling year-over-year during the holiday period. In our mobile sports portfolio, we just launched the latest version of our EA SPORTS FIFA Mobile game around the world. This was the biggest update of the game ever, and early performance has been exceptional. Engagement is up more than 50% over the previous season, and retention in the first week is nearly double.

With the added expertise of Playdemic and Glu and a deep pipeline of new sports experiences in development, EA SPORTS continues to be an exceptional growth business, built on predictable and recurring revenue, with outstanding opportunities ahead.

Our pipeline further amplifies our strength. In addition to our core franchise, we are building new experiences in some of the biggest enduring IP in entertainment. Last week, we announced a new agreement with Disney and Lucasfilm Games to develop new experiences in the Star Wars universe, continuing our collaboration of more than a decade. Respawn is leading development of the next game in our action-adventure Star Wars Jedi series as well as 2 additional Star Wars titles. This adds to our deep pipeline of announced and unannounced projects with our wholly owned IP, including Need for Speed, our BioWare franchises, The Sims, Skate, Dead Space and more.

Looking ahead, we're continuing to build on the structural advantages of our portfolio and accelerating growth by executing against our core strategy. We are focused on creating amazing games and content, providing creation tools for the community to engage more deeply with our experiences, aggregating and distributing our content experiences to more players on more platforms in more geographies and more business models and harnessing the power of the social ecosystems in and around our games.

The demand for amazing games and new ways to play, watch, share and create has never been stronger and one of the industry's largest, most profitable businesses with strong recurring revenue, we are well positioned to take advantage of this continued secular growth. We look forward to delivering against these opportunities through FY '23 and beyond.

Now I'll hand the call over to Blake.

Blake J. Jorgensen - *Electronic Arts Inc. - Executive VP & CFO*

Thanks, Andrew. Q3 was a quarter that demonstrated the strength of our live services portfolio. Despite a tough Battlefield launch, we came within a couple of percent of our net booking guidance and beat our expectations for underlying profitability. The quarter was the largest in our company's history for net bookings, underlying profitability and cash generation.

Sales of Battlefield 2042 were disappointing, but they are offset by a strong showing from FIFA and continued strength from Apex and our other franchises. We delivered net revenue of \$1.79 billion and net bookings of \$2.58 billion.

FIFA 22's strong start continued into this quarter, with unit sales now up double digits over last year, launch-to-date, and players continue to engage in FIFA Ultimate Team and invest in their teams. This has made it the strongest FIFA launch ever measured from launch to the end of Q3.

Apex Legends' net bookings continues to grow at an extraordinary rate and will deliver close to \$1 billion for the year. Digital represents 64% of our full-game units sold through on a trailing 12-month basis, up 2 percentage points from last year. The strong digital mix for full-game sales, aided by growth in live services, pushed underlying Q3 gross margins 2.3 percentage points above last year.

Operating expenses, which include recent acquisition costs, came in below our expectations driven by variable compensation and savings and phasing of marketing spend. It's worth noting that we were able to hire more people than in any other quarter in our history, and we're continuing to invest in our game teams.

We now expect fiscal 2022 GAAP net revenue to be \$6.925 billion, cost of revenue to be \$1.844 billion and earnings per share of \$2.43, up from our original expectation of \$1.34. We are taking our net bookings guidance for the year to \$7.52 billion. Although a \$100 million reduction on our position at the end of Q2, it is still \$225 million above our original guidance for the year.

The reduction was driven by Battlefield 2042 in both Q3 and Q4, but offset by the strength in the rest of our business, particularly in FIFA and Apex Legends. We're committed to turning Battlefield around and building a sustainable live service even if some of the actions we're taking by moving the first season into FY '23 impact net bookings for the short term.

Reflecting the strength of our portfolio, our operating cash flow guidance is now \$1.9 billion. This would be close to the largest full year operating cash flow in the company's history, despite nearly \$200 million of onetime tax payments related to acquisitions this year. With capital expenditures still around \$200 million, that would deliver free cash flow of \$1.7 billion. Note that this is \$200 million above our original expectations for FY '22 free cash flow. See our earnings slides and press release for further cash flow information.

For the fourth quarter, we expect GAAP net revenue of \$1.759 billion, cost of revenue to be \$404 million and operating expenses of \$1.086 billion. This results in an earnings per share of \$0.46 for the fourth quarter. We expect Q4 fiscal 2022 net bookings to be \$1.761 billion. This would be our largest Q4 ever even if we only count organic growth. We'll formally guide FY '23 in May when we report Q4, but we've heard that some of you are concerned that the Battlefield performance might impact next year's growth.

Let me emphasize here again that we are a portfolio company. As originally forecast, the Battlefield franchise would have accounted for significantly less than 10% of this year's net bookings and well below 5% of next year's. We're revising those numbers, but you can see it has little impact on FY '23 growth.

The main drivers of growth next year remains FIFA on console, Apex Legends, Apex Mobile and FIFA Mobile. Golf Clash will also contribute to year-on-year growth since we acquired Playdemic halfway through the year. With regard to new launches in FY '23, we've disclosed that Need for Speed is on the slate, and we'll announce more titles closer to the time. In total, we still expect mid- to high single-digit growth next year.

To summarize, we just delivered the largest quarter in the company's history. FIFA goes from strength to strength. Apex Legends continued to show extraordinary growth. Battlefield disappointed, but our broad portfolio of games and live services insulates us from the impact of any one title. Our portfolio approaches -- approach enables us to deliver double-digit organic growth this year and continue to deliver strong cash flow and provide a strong foundation for growth as we look to the future.

Before I hand the call to Andrew, you may have noticed that, yesterday, we announced a new CFO for the company. And I think the new CFO, Chris, is going to be a fabulous addition and will do a much better job probably than I've ever done. I thank Andrew and the team of our executives as well as the entire company for the amazing partnership that I've had here for 9.5 years at EA. It has been the most enjoyable experience of my entire career.

I also thank the buy-side and sell-side analysts and partners for all of their support over the years and wonderful interaction. And last, but not least, I thank Chris Evenden, [Aaron Green] and [Fabiola] for their amazing IR performance that interacts with all of you.

So now, I'll hand the call back to Andrew.

Andrew Wilson - *Electronic Arts Inc. - Chairman & CEO*

Thank you, Blake. These are exciting times in our industry. Interactive entertainment continues to grow by every measure, and our audiences are expanding and diversifying, major franchises that are the center of culture and entertainment and the world is recognizing how games have the power to connect global communities.

Our focus continues to be on our people, our players and our amazing portfolio of games, content and services and extraordinary growth opportunities in the future. Thanks to our incredibly talented teams at Electronic Arts, we are delivering entertainment to hundreds of millions of people around the world and connecting them through some of the most powerful, enduring franchises.

With the breadth and depth of our business that continue to expand our network, deepen engagement and drive growth in our recurring net bookings and ongoing profitability, we are well positioned and strategically -- well-positioned strategically to continue building on our success and delivering for our players.

As we look ahead, and as Blake just referenced, we were excited to announce yesterday that Chris Suh is joining Electronic Arts as our next CFO. Chris is coming to us after more than 25 years at Microsoft, where he served as Corporate Vice President and Chief Financial Officer of the Cloud + AI group, which he led with incredible success during Microsoft's transformation to a cloud-first company.

We have a big vision for the future. And in addition to Chris' financial leadership of our organization, I look forward to having him as a strategic partner, with extensive experience driving scale and growth to help us achieve our goals.

As we've announced previously, Blake will be leaving our team after nearly a decade of leadership and partnership at EA. Blake has been an incredible leader, partner and adviser. But most importantly, he is a dear friend, and I feel deeply grateful for our time working together. His expertise and the team he has built have been instrumental in our growth and financial achievements and have positioned us well for continued success. Blake will remain with us until the summer to assist with the transition and special projects. Thank you, Blake, for everything you've done and continue to do for our company. And again, thank you for your friendship.

Now we are here for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Benjamin Soff from Deutsche Bank.

Benjamin Soff - *Deutsche Bank AG, Research Division - Research Associate*

Just a quick thank you to Blake for being a great partner and looking forward to meeting Chris. 2 questions. So first, just around Battlefield, can you guys sort of frame for us how you think about the vision for the future of that franchise and in particular, how the new leadership for the Battlefield team is thinking about expanding and adapting that franchise over time? And then I've got a second question.

Andrew Wilson - *Electronic Arts Inc. - Chairman & CEO*

Yes. Great question. Again, we have a very bold vision for where this franchise goes. This franchise has always led the category in creativity, innovation, scale, gameplay, community. And as we go into launch, again, we had a very bold vision for this game. As it turns out, we've had some challenges, not least of all trying to build this game and [farm] this game from home, and so our focus now is really making sure that core experience lives up to our fans, to the community's expectations.

Beyond that, we'll continue to invest and grow the franchise. We have great leadership, with Vince and [Byron] and others, with tremendous background from other great shooters in the industry kind of leading the future. I believe that we're going to see this game do really well over the course of time. And it will expand to mobile and will expand to other new and interesting ways to play. But certainly, this is just a moment where we take a pause and do all that we can for the core game and the core community.

Benjamin Soff - *Deutsche Bank AG, Research Division - Research Associate*

Got it. And then just in light of the announcement that you guys are working on those 3 new Star Wars games, can you talk a little bit more about your vision for that IP? And is it fair to say that, going forward, you're planning to lean more towards investing in your own IP? And if so, what are the like some of the potential pros and cons of that as a strategy?

Andrew Wilson - *Electronic Arts Inc. - Chairman & CEO*

Yes, the very strength of our business is our balanced portfolio. We have both a deep and a broad portfolio. And what we've demonstrated over the course of our -- the best part of 40 years, is to really develop both our own IP over time, like Need for Speed, The Sims, Battlefield, Apex Legends, our BioWare franchises. We have Skate in development now, Dead Space on the way, so an incredible portfolio of owned IP that has an extraordinary following across the industry.

Combined with other long-term enduring IP, we have the power of our sports franchises. And they are true evergreen franchises, and this is not just about licensing content, this is about working with over 300 partners across the various sports industries to deliver a true connection with the sports, the leagues, the teams, the plays that our fans love. And we've been doing that now for well over 30 years, and I think that we'll continue to do that for many, many years in the future.

And things like the Star Wars franchise, again, a long-term relationship we've had with Disney, for more than a decade. And this is not simply about building or revisiting things that already exist in the universe, but really adding to that Star Wars universe and really delivering new opportunities for Star Wars fans to experience great Star Wars content.

And so when you think about our strategy going forward and the strength of our company, it really comes down to our ability to develop and build and publish industry-leading owned IP, but also work with partners over decades to truly deliver fan favorites with long and enduring fan bases, like our sports franchises and like Disney.

Operator

Your next question comes from the line of Andrew Uerkwitz from Jefferies.

Andrew Paul Uerkwitz - Jefferies LLC, Research Division - Equity Analyst

Just to reiterate the positive sentiment for Blake, it has been a great run, I really enjoyed it. I guess I just had really one question, no follow-up. Your -- one of your bigger competitors was just taken out. You guys have quite the portfolio and have taken a portfolio approach for years. How do you think the industry will look in 3 or 4 years? Do you guys see yourself as a consolidator, a potential seller? How do you see this industry shaking out over the next 3 to 5 years?

Andrew Wilson - Electronic Arts Inc. - Chairman & CEO

Yes, great question. And you should imagine, we've been thinking about this for some time as it turns out. And part of the reason why we have built the strength in our broad and deep portfolio and why we have gone out in search of the best teams in the industry to bring them into our company and build great entertainment for a global player base of what is now well over 0.5 billion fans is because we do believe in the power of entertainment, we do believe in the power of interactive entertainment. I think what we're seeing now in the marketplace is the motion of the value of what we do in particular.

And so as I think about the future of the industry, I do believe that we will start to see entertainment coming together. You're seeing some other companies talk about this. But when we think about our players and we think about the things that they engage in, they play our games more than any other form of entertainment, but they also consume linear media and scripted entertainment and sports broadcast and music and other things.

And so as we look at the future, we are building strength in our core ability to deliver interactive entertainment to our fans, which we think will continue to grow well north of 1 billion fans over time. But we're also aware that our fans are expecting us to find new and interesting ways for them to experience entertainment.

And so as we think about the future, you should think about it with IP at the center and engagement around play, watch, create and experience all built on a deep social ecosystem that brings fans together around the content they love. And when you look at our strategy of what we're doing and creating great entertainment around building tools so that our community can engage more deeply around the aggregation and distribution of content across platforms, across business models, across geographies and really leaning into the social ecosystem, that are borne out of the engagement with our games, I think you should imagine that's what the world looks a lot more like 4 or 5 years from now.

Operator

Your next question comes from the line of Mike Hickey from Benchmark.

Michael Joseph Hickey - The Benchmark Company, LLC, Research Division - Senior Equity Analyst

And Blake, I'm going to miss you, bud. I'm sure you'll be getting a lot of skiing in now, so I'm not feeling sorry for you. So it's been great working with you. So question is, I guess, on Battlefield, obviously disappointed. Can you give us -- can you size the units you sold in the quarter?

I think you guided for 12 or so, but sort of curious where you ended up versus expectations? And then thinking about how you sort of reengage that audience, there's been some ideas around free-to-play, curious about the possibility. And then I didn't hear mobile. Did you drive mobile for Battlefield, or is that just delayed?

Blake J. Jorgensen - *Electronic Arts Inc. - Executive VP & CFO*

So let me -- Mike, thanks for your nice comment, to the other analysts as well. Unfortunately, I'm sure I won't get as much skiing as I would like. But we're going to refrain from trying to give updates on units because we know that they're -- remember, Battlefield is less than 10% of our revenue. So I'm not sure what you would do with that.

Clearly, we sold less units than we thought we would. But what I would say is that, remember, these gains are long tails. And so our goal is to add new content, new ways to play, new excitement to stretch this out. And in some ways, we hope it benefits FY '23 since we've had a pretty strong FY '22. And so it helps us in the future.

I'll let Andrew address the second part of your question.

Andrew Wilson - *Electronic Arts Inc. - Chairman & CEO*

Yes. So I think that you'll remember coming into the launch, the demand metrics were very high. And so that reaffirms for us that the core underlying creative for the game still has really strong demand around it. I think we -- as I've mentioned, we had some challenges around stability, particularly on high-end PC machines, and performance. And there were some design decisions that not all in the community really agreed with. And so our focus right now is to really go back in and make sure we get that stuff right.

And as much as I hate to admit it, DICE is a studio that has been able to do this a number of times now, and really go back in, rebuild at the core and reengage the community, as long as we do that in conjunction with the community, and that's what that studio is so great at doing. And so I think the combination of guys with the new leadership and a strong vision for the future, we will build out the core, we will reengage the community, and we will manifest that demand that we saw coming into launch over the course of time.

Mobile is still developing and the metrics are showing up really strong. I think, right now, we're looking at going to the next Closed Beta at the end of this month. And as is the case of mobile, we'll continue to tune and test in the environment. And then as it relates to free-to-play and other modalities of play, again, we have a big bold vision for this franchise.

This franchise, since its inception, has been a leader in creativity and innovation, with how it's played and how it's delivered. And you should expect that we will continue to work to deliver new and interesting ways to engage with this game over the course of time. And while I'm disappointed with how it launched, I'm still very excited for the future.

Operator

Your next question comes from the line of Eric Handler from MKM Partners.

Eric Owen Handler - *MKM Partners LLC, Research Division - MD*

Andrew, I wonder if you could just talk a little bit about when you think about the expansion that's going on in the video games industry in the last year or so and we're seeing a lot of user-generated content and platforms around that start to proliferate. We've seen a lot of venture capital funding into blockchain NFT gaming. Wondering how you're thinking about those channels eventually. And is it easier to build from within? Is it better to buy once there's some established players there? I just want to get your mindset there.

Andrew Wilson - *Electronic Arts Inc. - Chairman & CEO*

Yes. Great question. I would tell you, I started in this industry over 20 years ago. At that point in time, it was the fastest-growing entertainment industry on the planet by a wide margin. I think it has been the fastest-growing entertainment industry on the planet every year since then. But still, people seem to be surprised by this. So we're not surprised by it at all. And I think as technology has continued to evolve, we have been able to deliver new and interesting and fun ways to engage with content.

And what we've seen more recently is just how powerful the social ecosystem, the social networks borne out of engagement of our games truly are. And these are now -- is not now just about ingesting entertainment in the same way you do traditional scripted media or traditional broadcast, [official music]. This is about experiencing entertainment with your friends. And that's unbelievably powerful. I think that has been really the fuel that has driven the growth in recent times.

As part of that, of course, the ability to create your own content and put it into that ecosystem has become a really valuable part of what our industry offers to our players and our fans. The traditional media just doesn't. And this is something that we hold true. Again, it's been at the very center of The Sims for a long time. It's at the very center of modes like FIFA Ultimate, even Madden Ultimate Team, to the very center of the design of Skate, which we'll be launching soon.

And so this concept of UGC or user-generated content is really just an extension of the social interaction that I'm able to have with my friends in and around experiencing what is the best entertainment on the planet. And so I believe that's going to be a really important part of our future.

Now to the extent whether we want to build that out or buy that over time, right now, we are building, we're building technology, we're building [credit], we're building assets, and we're offering that out to communities around the world and we're seeing great uptake of that. If there was an acquisition opportunity in the future, we would ultimately look at that, but we don't -- we're not looking at anything at this juncture.

Around the NFT and where VCs are investing, again, we see this also happen in our industry. We saw it with 3D, we saw it with AR/VR, we're now seeing with NFTs, there's always something in and around our industry that is driving a lot of external investment.

The way I look at this is collectability is really built on 4 key metrics: it's around high-quality content; it's around scarcity; it's around provable authenticity; and it's around a group of people that find value in that content. And we've seen that happen in the real world. And we've seen that happen in the virtual world. We've certainly seen that happen in and around our games for some number of years. And I believe that collectability will continue to be an important part of our industry and the games and experiences that we offer our players.

Whether that's as part of NFT and the blockchain, well, that remains to be seen. And I think the way we think about it is we want to deliver the best possible player experience we can. And so we're going to -- we'll evaluate that over time, but right now, it's not something that we're driving hard against.

Operator

Your next question comes from the line of Matthew Thornton from Truist Securities.

Matthew Corey Thornton - *Truist Securities, Inc., Research Division - VP*

And Blake, absolute best of luck to you in your future endeavors here. It's been a pleasure. I guess 2 questions. First for me, you guys talked about, in the back half of the fiscal year, obviously, Battlefield missed. That's partially offset by strength in FIFA, Apex and others. With FIFA, in particular, I guess, you talked a lot about kind of unit strength year-on-year. I'm just kind of curious how you felt about or are feeling about Ultimate Team and the live services component into the back half of the year, I guess, is the first question.

Second question, curious, coming back to mobile and maybe some of the recent acquisitions. Kind of curious if you could talk a little bit about how you're thinking about advertising. I know it's come up a bit. Other companies might get 10% to 20% of their mobile bookings from advertising. Glu brings some new capabilities to you. So I'm curious how you're thinking about advertising. Curious how you're thinking about the Glu pipeline almost a year into that deal and then also, when we might start to hear a little more about kind of what your plans are with Metalhead and Super Mega Baseball.

Blake J. Jorgensen - *Electronic Arts Inc. - Executive VP & CFO*

So let me -- I'll start on the live service piece, and then I'll let Andrew hit the second question. Live service growth in the quarter was 9%, and trailing 12 months is 21%. And that's across all of our live services. And so if you look at something like Apex or FIFA, they're clearly well north of that. And we feel -- continue to feel it is one of the cores of our business because it is recurring and highly dependent on the social networks that we've created in our games. And particularly on sports, those are evergreen networks that continue every year.

And so the metrics we see are exceptional, up well over last year. You look at the Apex numbers as we reported, the dramatic improvement year-over-year, and everything they do is continuing to try to drive engagement with people. They've brought in a large number of new players into the game, retained players, and continue to come up with amazing and unique ideas for ways to play.

So we're very excited about how that continues and it continues across all of our sports, and we're looking as to how do we do that across more and more games going forward.

So I'll let Andrew talk about Glu a little bit.

Andrew Wilson - *Electronic Arts Inc. - Chairman & CEO*

Yes. Again, we are working close with Glu. It's still relatively early days, with the acquisition for both them and Playdemic. And we're working both on bolstering our existing 15 live services and building out new ones. And as per my prepared remarks, we're projecting well into double-digit growth next year. And that includes Apex Mobile and the renewed FIFA Mobile and a full year of Golf Clash and ongoing growth across the portfolio. And we're excited about that.

With respect to advertising specifically, we are taking the Glu advertising stack and then applying it across our games. And it's a little early to know just yet exactly how that will manifest, but based on what we're seeing across the industry, we expect that, that represents some revenue growth there also. So overall, mobile now really is a strength of ours. It's a very important part of how we drive growth in the business, both in our existing games, in our new launches and with the potential of mobile advertising across the portfolio.

Operator

Your next question comes from the line of Drew Crum from Stifel.

Andrew Edward Crum - *Stifel, Nicolaus & Company, Incorporated, Research Division - VP and Analyst*

And Blake, best of luck. Curious as to your thoughts on where the business is in terms of engagement normalizing. Is the reopening headwind behind you? Or is this something we should anticipate in calendar '22? Is it contemplated in your fiscal '23 net bookings forecast? And then separately, your OpEx growth year-to-date is approaching 30% year-on-year. Should we see that slow materially once you start to anniversary acquisitions? Or how should we be thinking about OpEx going forward?

Blake J. Jorgensen - *Electronic Arts Inc. - Executive VP & CFO*

Yes. I can take the OpEx question quickly, Drew. I mean clearly, most of that was driven by 2 things. One is our acquisitions, probably the biggest driver of it, but second is driven by the fact that we've used this opportunity of some questions in the gamer community about which companies are going to be around and which aren't. And we've been able to hire some amazing talent during that because of our stability. And so that doesn't continue on forever.

Obviously, the acquisition growth is a onetime component. So I think we're -- remember, our OpEx really comes down to 2 things, headcount and marketing expense. So the marketing expense will swing by the titles that are in any 1 year, but we're pretty good at managing that. And the headcount, we're also very good at managing. And so I don't think you're going to see a jump like we've seen this past year.

But remember, even with the OpEx growth that you see, look at the Q3 EPS number, I mean, clearly, we've been able to manage that even with a downdraft of \$48 million in revenue that we didn't originally plan. And so we're a pretty flexible organization to be able to try to manage that to keep margins going. And so I think you'll see that going forward.

Andrew Wilson - *Electronic Arts Inc. - Chairman & CEO*

On engagement, through or post-COVID, depending on how you think about it, I think we've been on a rolling situation around the world of kind of coming back and slowing down a little and coming back. Broadly speaking though, much of the world is out and about. They're at sporting events, they're going to theme parks, they're watching movies, they're going to dinner. So much of the world has returned mostly to normal at this juncture by our calculation.

Even as part of that, we've seen not only number of players grow again, over 540 million people now in our network, we've also seen time spent in our games grow by over 20%. And I kind of looked at that as not just about creating amazing games and entertainment, but it is the social interaction. I think what COVID has taught us is that games are a great way not just to get our entertainment fix, to remain deeply connected with our friends and fans and rivals.

And what we're seeing now, I believe, is actually the long-term effect of the discovery of not just the value of our -- of what we do in terms of entertainment, but also the value in maintaining connections with those we care most about. And we would expect that to continue and actually create a flywheel for added growth.

Operator

Your next question comes from the line of Jason Bazinet from Citi.

Jason Boisvert Bazinet - *Citigroup Inc., Research Division - MD, Global Head of EMT & Analyst*

I think it's a little bit early to talk about this, but I would be very curious about how you're thinking about your business and strategy as it relates to the metaverse as that becomes more real. Is that something that you view as just another opportunity for you to engage your fans? Is it a battle about time spent? Does it potentially sort of change industry, sort of rev shares? Or is it just sort of a nonevent and you guys think you can sort of continue to focus on your IP and engagement, and it's really sort of not material?

Andrew Wilson - *Electronic Arts Inc. - Chairman & CEO*

Yes. I mean a great question and certainly, another one of these things that is kind of the topic du jour at the moment. And many people are talking about it in different context, quite frankly. At the end of the day, the metaverse is a 3-dimensional social space where you come together to experience things with your friends. And so now, much of that happens in the 2-dimensional Internet, around the social networks that we see. But I would tell you, a lot of that happens in the context of our games.

And as I look at the nature of our games, I look at the engagement that we're seeing inside these 3D spaces that we create in and around sports and other worlds, what you see with our industry is the beginnings of what a metaverse might be. And over the course of time, you should expect us to continue to expand and extend the world that we have been creating for the last 30 years and deliver more experiences beyond the core [kind of center] the game. So what can you do in FIFA beyond playing football, what would you do in Need for Speed beyond the driving game, what will you do in The Sims as you come together with your friends beyond the creation of content?

And you'll see that continue to evolve for us over the course of time. And I don't know ultimately what the metaverse will become. But what I do know is that the games we create are becoming more important as social spaces than they are just as places to enjoy great entertainment. As we continue to build out those experiences and as whatever the metaverse becomes, it's an almost certainty that we will play a very important role in it and that our players will be on the leading edge of the evolution of what these spaces might become.

Operator

Your next question comes from the line of Mike Ng from Goldman Sachs.

Michael Ng - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

I just have 2. First, I was just wondering if you could talk a little bit about EA PLAY. Where are we with EA PLAY subscribers today? And how do you see the outlook for video game subscription services changing, particularly with recent consolidation? And then second, it was encouraging to hear the reiteration of the mid- to high single-digit top line growth for next year. I'm just wondering if you could go a little bit more in detail around some of the drivers. What do you see driving some of the FIFA's trends? And are there new games or unannounced titles embedded in that outlook?

Andrew Wilson - *Electronic Arts Inc. - Chairman & CEO*

Yes. Let me quickly hit on the EA PLAY component, and then I'll let Blake talk about the mid- to high single-digit growth. EA PLAY continues to grow for us. It continues to be a really, really positive consumer experience in getting access to some of the greatest content in the industry. What we see more broadly across entertainment is that subscription continues to be a core driver. And what we're able to do is drive ongoing engagement, perhaps in a way even if -- that's stronger than traditional linear or scripted entertainment.

I think that you'll -- we will continue to see consumers engage in our content through subscription, and we will continue to provide our content that way. And I think we'll start to see more and more growth across the platform.

And we continue to be the leading provider of a gaming subscription across platforms in our industry, and with the depth and breadth of our portfolio and the new experiences we have coming, we believe that we're going to continue to drive growth there. And over the course of time, back to my earlier point around entertainment, you might expect us to do more things beyond just games and the context of that subscription around a broader service for our players. And we're pretty excited about what that might become over the course of time.

Blake J. Jorgensen - *Electronic Arts Inc. - Executive VP & CFO*

And on the '23 question, obviously, as we said, we're not yet ready to give guidance, which we normally don't do at this time of the year, but we did give some hints. And the keys to driving growth are obviously our core portfolio, things like FIFA, for example, and live services associated with it, Madden, Hockey and other sports.

Apex Legends obviously has continued to evolve and shown amazing growth. We will have an Apex Legends Mobile game in the market. We don't know exactly what time that will be, and there will be a global build for that game as well as a Chinese build for that game. And we're working with a partner there, and things are going very well in test. But we're excited about that as a major growth driver.

We will have more growth, we think, out of the FIFA Mobile game that we just put in to the market. And remember that we only had or booked really 0.5 year of Playdemic's called Clash game. We'll have a full year of that next year. And we're working with Playdemic on how they can take that Clash mechanic into other sports areas where we have licenses already.

And then we've got a Need for Speed game coming. And there are 3 or 4 more things to -- that we haven't announced yet, but you can imagine we are always trying to find ways to grow the portfolio year-over-year through new titles, new IP and expansion and as well acquisitions, which, right now, we're in the digest mode, but it doesn't mean that we won't keep looking at everything going forward.

So we're excited about next year. It looks like a strong year to come. And as Andrew said, we know that this is one of the greatest entertainment vehicles in the world right now, and so we're really in the sweet spot and that's what gets us excited about it.

Michael Ng - Goldman Sachs Group, Inc., Research Division - Research Analyst

Great. That was incredibly helpful. And Blake, best of luck in your next chapter.

Operator

Your next question comes from the line of Mario Lu from Barclays.

X. Lu - Barclays Bank PLC, Research Division - Research Analyst

And Blake, it's been a pleasure interacting with you over the years.

Blake J. Jorgensen - Electronic Arts Inc. - Executive VP & CFO

I appreciate that.

X. Lu - Barclays Bank PLC, Research Division - Research Analyst

Yes. I guess the first question is more high level. You guys said in your slides, spending -- playing time has increased 20% in this quarter compared to the year prior. What was the largest driver of that? And I don't know if you have this data, but what's the typical lag historically between growth and time spent and monetization?

And then secondly, you guys did not really talk about Madden as much on this call. So just wondering what the delta is between its performance versus like a FIFA. Are things like maybe [Apex Legends] are kind of driving the growth here? Anything, I would imagine, that you can talk about [next].

Andrew Wilson - Electronic Arts Inc. - Chairman & CEO

So let me start with Madden. Madden is also having a great year, and we're seeing tremendous growth. For all of you who followed the season, this has been an unbelievably exciting season of football. And what we know...

Blake J. Jorgensen - Electronic Arts Inc. - Executive VP & CFO

[As I'm sure 49ers did well].

Andrew Wilson - *Electronic Arts Inc. - Chairman & CEO*

Well, it was exciting for us for a second, and then it was -- the playoff games and the season overall has been an unbelievably exciting game. The ratings for the NFL have been extremely strong through the year, and that's driving really strong engagement in and around our Madden franchise. And it continues to go from strength to strength.

With respect to what drove the engagement, again, we have this great portfolio. And while we certainly saw extraordinary growth in Apex Legends, we saw great growth in FIFA. We also saw growth across the portfolio. And on -- Apex was 30%. FIFA was -- our EA SPORTS portfolio was up 10% on what is a very big number. But we've seen growth across the portfolio, and that speaks to the value of the breadth and the depth of our portfolio.

In terms of lag between engagement and monetization growth, which I think was one part of your question there, I don't have exact numbers for you on that. What I would tell you is our teams work very closely with the communities and ensure that they're always providing new and interesting content. And what we know about all of our communities, [when they play], is they make a choice of do they want to invest more time or do they want to invest more money in the experience. And it's really the ability to build that balanced ecosystem that speaks to the strength of our live services over time.

And so it's a very symbiotic relationship that happens between the investment of time and the investment of money over the course of the experience. And our teams have become very, very good at that and work very, very closely with their communities to drive it.

Blake J. Jorgensen - *Electronic Arts Inc. - Executive VP & CFO*

Yes. And one thing I would just remind everybody, and we may have already said this, but I'll say it again, we shipped last year FIFA in the third quarter due to the pandemic. We delayed it 3 weeks and moved it into the third quarter. We shipped it this year in the second quarter. So when you look at the growth of the third quarter, knowing that, that didn't include the initial ship in of FIFA, it's almost hard to believe the strength of the business.

And so I just want people not to forget that. And we're not going to provide numbers or details around that exactly, but just know that to see the growth that we saw after having moved it back to the second quarter, it's pretty impressive.

Operator

Your next question comes from the line of Andrew Marok from Raymond James.

Andrew Jordan Marok - *Raymond James & Associates, Inc., Research Division - Analyst*

And I wanted to pass my best wishes on to Blake as well. On Apex Legends, so Season 12 seems like a more substantial content drop than a typical season. So whether it's amount of content or type of content, is there anything that particularly stands out as a driver for new player acquisition and engagement, whether it's game modes, new maps or things like that?

And then second, on FIFA, around the growth in unit sales year-over-year, I guess, at this point, who was interested in FIFA 22 that maybe wasn't in FIFA 21? Were there any particular markets or customer segments that saw solid unit growth?

Andrew Wilson - *Electronic Arts Inc. - Chairman & CEO*

Wow, some detailed questions. And great questions, so thank you. On Apex, again, as we -- as the teams put together these seasons of content and they think about new content and new modalities of play and new ways to connect, remember, Apex is now well over 100 million players. And so there's no one-size-fits-all component that really attracts new players or engages any broad group of players deeply.

I think that what the Respawn team and the Apex team, in particular, have been able to demonstrate is they work very closely with their community, they're deeply engaged with their community and they're delivering content modalities of play, maps, these things that really speak to what the community are asking for and need. And what we've seen since the very beginning of the launch of this game is them being able to work in a very calculated way around the delivery of really interesting new content, new maps and new modalities of play on a season-by-season basis, that has continued to grow the overall player base, continued to grow the overall experience, continued to grow the engagement that player base has with the experience and the investment those players are making as part of their engagement. And so we're very excited about that.

And then with respect to FIFA, again, this is another team that has demonstrated the power of working very closely with the community in and around a live service. Football or soccer, as we call it in this country, continues to grow. The leagues, the teams, the players are going from strength to strength in popularity. We have over 300 licenses in the game and 300 partners that we work with in the provision of what is a growing, broadening, deepening experience for our player base.

And as the world of football grows, as we build our fan base, again, here, if you think about the fan base we have for our product or our service, it's the largest digital football club in the world, with well over 100 million fans. And we work very closely with that fan base around their ability to experience football in a way that's most meaningful to them, around their leagues, around their teams, around the players they love.

And the reason we continue to drive growth in and around that franchise is because we do work very closely with our global community of fans and we are delivering them, again, content, gameplay, modalities of play that is most interesting and most exciting to them and connect them most deeply with the sport they love and the fans they love it with.

Operator

Your next question comes from the line of Doug Creutz from Cowen.

Douglas Lippl Creutz - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Paramount Plus dropped a pretty expensive looking Halo trailer over the weekend, and Netflix has had some success with The Witcher and League of Legends on their streaming service. So there's absolutely ravenous demand for content right now from half a dozen or so streaming services. And you guys have some IP, particularly within BioWare, that I think would be pretty good as a basis for a show. Are we finally at a point where video game IP has some meaningful transmedia opportunities? Or do you think that's still more theory than a reality?

Andrew Wilson - *Electronic Arts Inc. - Chairman & CEO*

No. I think what -- based on exactly what you just said and what we've experienced, there's -- video game IP or interactive entertainment IP is now some of the most culturally relevant IP in all of entertainment. And I think that's going to continue to grow when you think about hundreds of moons of fans engaging in and around the IP we create, like Apex, like The Sims, like Need for Speed, like our BioWare franchises, like Dead Space, like Skate. It's not unnatural for that to spawn kind of a scripted entertainment element.

I think, traditionally, the scripted entertainment elements in our industry have not been big revenue drivers in and of themselves, but where they have been of high quality, they have lifted the overall engagement of the franchise more deeply. So there's kind of a 1-2 punch that drives growth in the business.

I think as we think about our future, we do believe that this thing that we do, that is interactive entertainment, is becoming more and more important on a daily basis to all fans and that our fans are going to want to experience that in many different modalities, and some of that might be scripted entertainment in nature. And you should expect that we're looking at any and all aspects that allow us to extend and expand our brands for our fan base. But we're doing it very thoughtfully and again, as part of our strategy, doing it profitably.

Douglas Lippl Creutz - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Great. And best wishes, Blake.

Blake J. Jorgensen - *Electronic Arts Inc. - Executive VP & CFO*

Thanks, Doug. Look, everyone, that's the last question. I appreciate everyone's very kind words. And I'll be around for a while and make sure that we get our new CFO fully onboard. And as I said, he'll be much better than me. So everyone, stay healthy, and we look forward to talking to you next quarter.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.

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