



Electronic Arts Inc. Q2 FY 2019 Results

October 30, 2018

Safe Harbor Statement



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

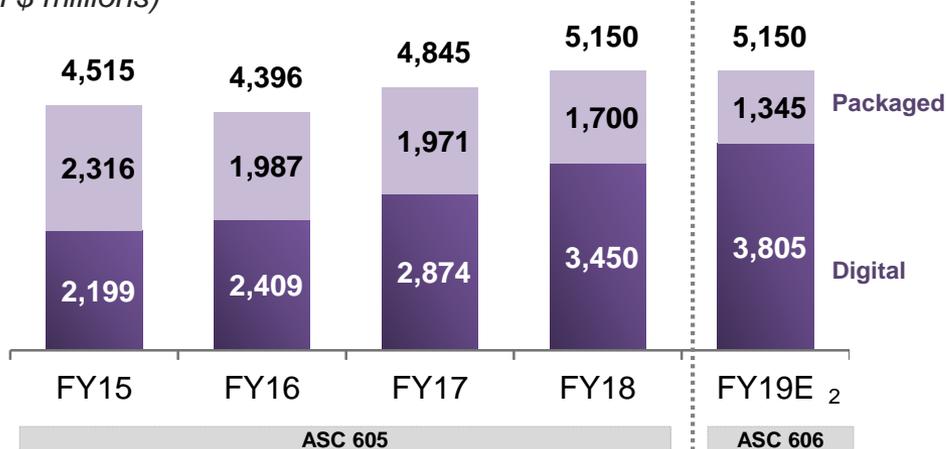
- Some statements set forth in this document, including the information relating to EA's fiscal year 2019 guidance and title slate, contain forward-looking statements that are subject to change. Statements including words such as "anticipate," "believe," "expect," "intend," "estimate," "plan," "predict," "seek," "goal," "will," "may," "likely," "should," "could" (and the negative of any of these terms), "future" and similar expressions also identify forward-looking statements. These forward-looking statements are not guarantees of future performance and reflect management's current expectations. Our actual results could differ materially from those discussed in the forward-looking statements. Some of the factors which could cause the Company's results to differ materially from its expectations include the following: sales of the Company's titles; the Company's ability to develop and support digital products and services, including managing online security and privacy; 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 the Company's 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 develop and implement new technology; foreign currency exchange rate fluctuations; general economic conditions; and other factors described in Part II, Item 1A of Electronic Arts' latest Quarterly Report on Form 10-Q under the heading "Risk Factors", as well as in other documents we have filed with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ended March 31, 2018.
- These forward-looking statements are valid as of October 30, 2018 only. We assume no obligation to revise or update any forward-looking statement for any reason, except as required by law.
- 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 September 30, 2018. Electronic Arts assumes no obligation and does not intend to update these estimates prior to such filing.



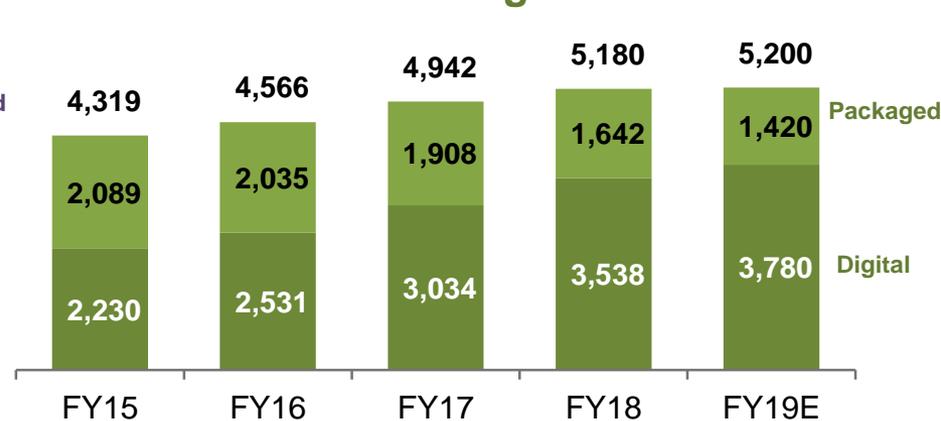
EA Growth Trends

(in \$ millions)

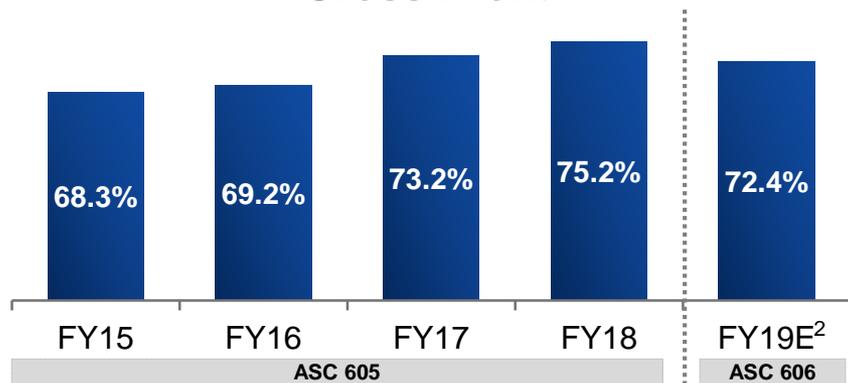
Net Revenue¹



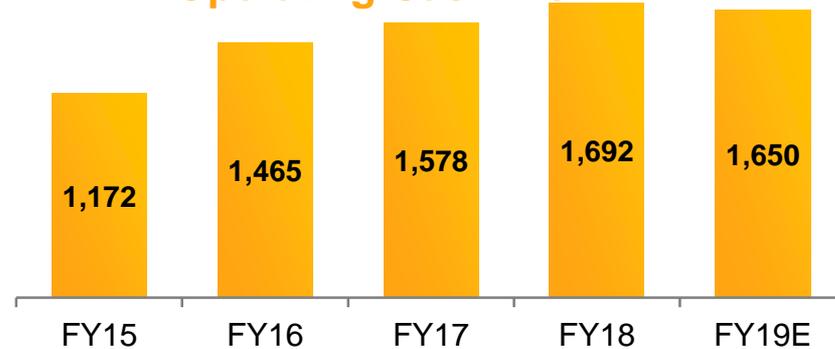
Net Bookings³



Gross Profit¹



Operating Cash Flow¹



1. Net revenue, gross profit and operating cash flow are presented on a GAAP basis.

2. At the beginning of fiscal year 2019, April 1, 2018, EA adopted FASB ASU 2014-09 (Topic 606), Revenue from Contracts with Customers. Topic 606 significantly changes how EA recognizes and reports revenue and diluted earnings per share; however, it does not materially impact net bookings, EA's operational metric. For more information about the adoption of Topic 606, including information with respect to mobile platform fees, please refer to the Investor Accounting FAQ on our IR website. Financial data for periods prior to April 1, 2018 has not been restated.

3. Net bookings is an operating metric that EA defines as the net amount of products and services sold digitally or sold-in physically in the period. Net bookings is calculated by adding total net revenue to the change in deferred net revenue for online-enabled games and, for periods after Q4:FY18, mobile platform fees. A calculation of net bookings can be found in the "Net Bookings" tab of the Financial Model provided on our IR website.

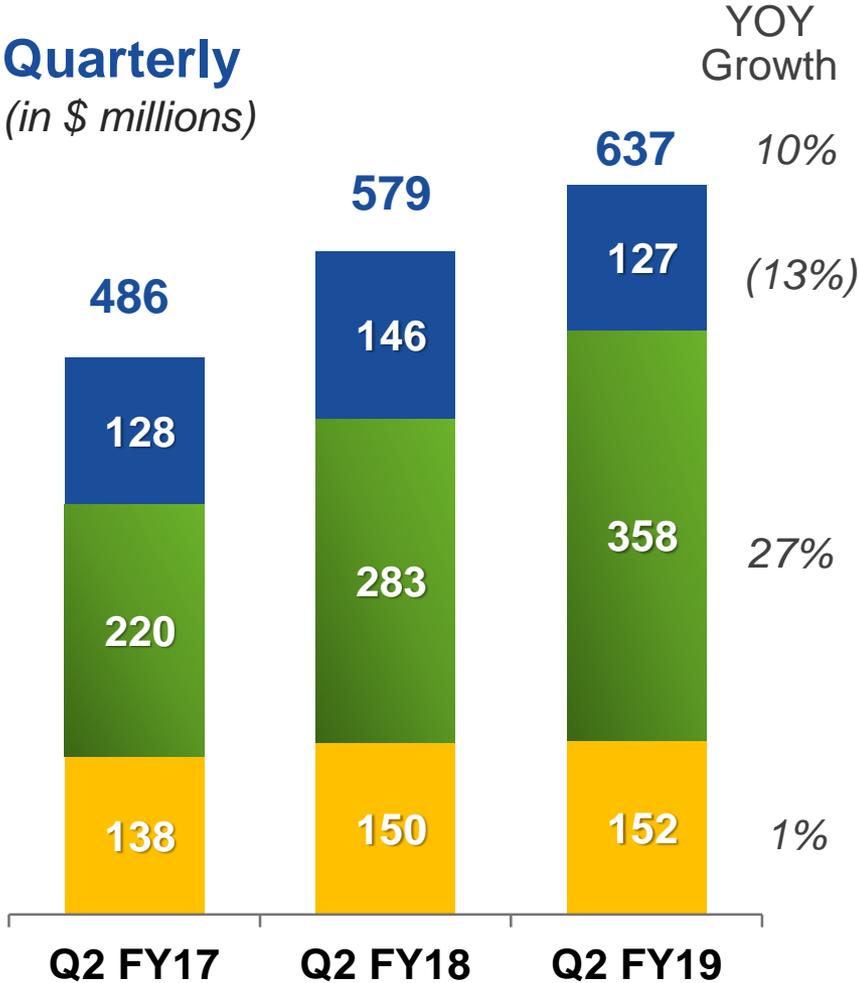
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EA Digital Net Bookings by Platform

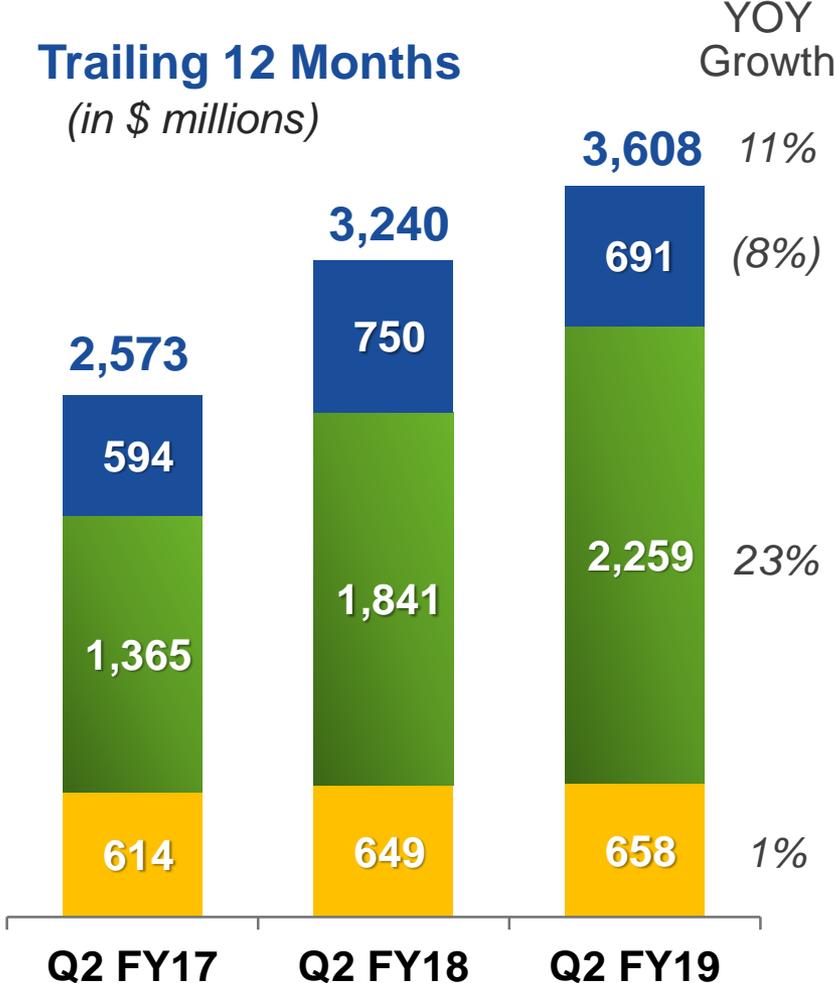


■ PC & Other
 ■ Console
 ■ Mobile

Quarterly
(in \$ millions)



Trailing 12 Months
(in \$ millions)



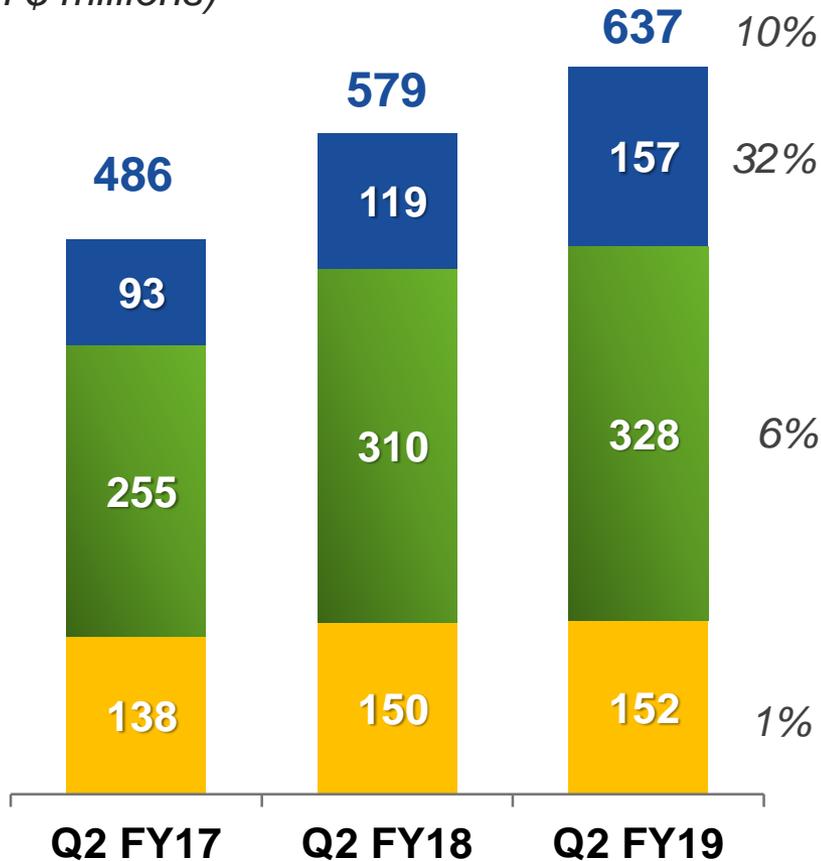
EA Digital Net Bookings by Composition



■ Full Game Downloads
 ■ Live Services
 ■ Mobile

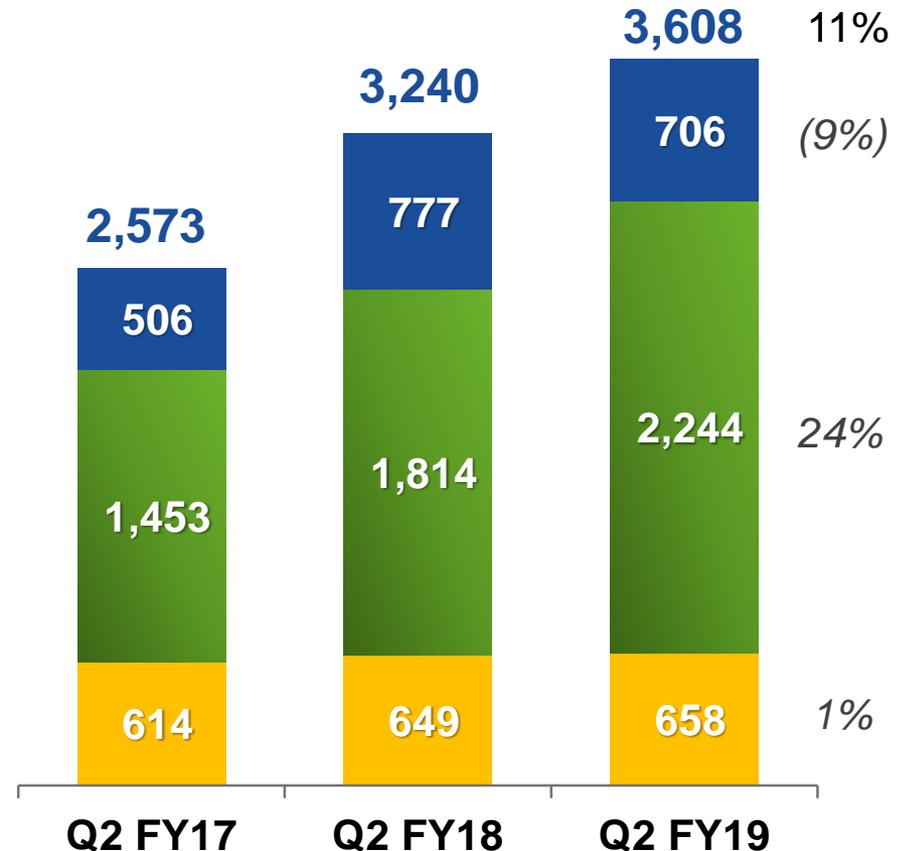
Quarterly (in \$ millions)

YOY Growth



Trailing 12 Months (in \$ millions)

YOY Growth



FY19 Announced Console/PC Titles



Launch	Title	Platform(s)	
Q1	Unravel Two	Console	PC
Q2	FIFA 19	Console	PC
	Madden NFL 19	Console	PC
	NBA Live 19	Console	
	NHL 19	Console	
Q3	Battlefield V	Console	PC
Q4	Anthem	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 Mobile



Console/PC

Mobile

Active Q2 FY19

FY19 Guidance



The following table provides guidance for EA's FY19 financial performance. These preliminary estimates and expectations are based on current information as of October 30, 2018 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 18% are used internally by EA to adjust our GAAP expectations to assess EA's operating results and plan for future periods.

For more information about the nature of the GAAP-based financial data, please refer to EA's Form 10-Q for the fiscal quarter ended June 30, 2018. For more information about mobile platform fees, please refer to the Investor Accounting FAQ on our IR website.

	Twelve Months Ending March 31, 2019				
	GAAP-Based Financial Data				
	GAAP Guidance	Acquisition- related expenses	Change in deferred net revenue (online- enabled games)	Mobile platform fees	Stock-based compensation
<i>(in \$ millions)</i>					
Digital net revenue	3,805	-	195	(220)	-
Packaged goods & other net revenue	1,345	-	75	-	-
Total net revenue	5,150	-	270	(220)	-
Cost of revenue	1,423	(5)	-	(220)	(2)
Operating expense	2,703	(35)	-	-	(298)
Income before provision for income taxes	1,086	40	270	-	300
Net income	962				
Number of shares used in computation:					
Diluted shares	309				

FY19 guidance has been prepared in accordance with FASB ASU 2014-09 (Topic 606), Revenue from Contracts with Customers, which EA adopted at the beginning of FY19. Topic 606 significantly changes how EA recognizes and reports revenue and diluted earnings per share; however, it does not materially impact net bookings, EA's operational metric. For more information about the adoption of Topic 606, including information with respect to mobile platform fees, please refer to the Investor Accounting FAQ on our IR website. Financial data for periods prior to April 1, 2018 has not been restated. These forward-looking statements are valid as of October 30, 2018 only. Electronic Arts assumes no obligation to update these forward-looking statements.

Q3 FY19 Guidance



The following table provides guidance for EA's Q3 FY19 financial performance. These preliminary estimates and expectations are based on current information as of October 30, 2018 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 18% are used internally by EA to adjust our GAAP expectations to assess EA's operating results and plan for future periods.

For more information about the nature of the GAAP-based financial data, please refer to EA's Form 10-Q for the fiscal quarter ended June 30, 2018. For more information about mobile platform fees, please refer to the Investor Accounting FAQ on our IR website.

	Three Months Ending December 31, 2018				
	GAAP-Based Financial Data				
	GAAP Guidance	Acquisition- related expenses	Change in deferred net revenue (online- enabled games)	Mobile platform fees	Stock-based compensation
<i>(in \$ millions)</i>					
Total net revenue	1,375	-	405	(55)	-
Cost of revenue	446	(1)	-	(55)	-
Operating expense	730	(10)	-	-	(80)
Income before provision for income taxes	212	11	405	-	80
Net income	188				
Number of shares used in computation:					
Diluted shares	306				

FY19 guidance has been prepared in accordance with FASB ASU 2014-09 (Topic 606), Revenue from Contracts with Customers, which EA adopted at the beginning of FY19. Topic 606 significantly changes how EA recognizes and reports revenue and diluted earnings per share; however, it does not materially impact net bookings, EA's operational metric. For more information about the adoption of Topic 606, including information with respect to mobile platform fees, please refer to the Investor Accounting FAQ on our IR website. Financial data for periods prior to April 1, 2018 has not been restated. These forward-looking statements are valid as of October 30, 2018 only. Electronic Arts assumes no obligation to update these forward-looking statements.

Guidance – Phasing



FY19 Quarterly Net Revenue and Net Bookings

	Q1A	Q2A	Q3E	Q4E	FY19E
GAAP Net Revenue %	22%	25%	27%	26%	100%
GAAP Net Revenue \$M	\$1,137	\$1,286	\$1,375	\$1,352	\$5,150
Change in Deferred Net Revenue \$M	(\$339)	(\$20)	\$405	\$224	\$270
Mobile Platform Fee \$M	(\$49)	(\$44)	(\$55)	(\$72)	(\$220)
Net Bookings %	14%	24%	33%	29%	100%

At the beginning of fiscal year 2019, April 1, 2018, EA adopted FASB ASU 2014-09 (Topic 606), Revenue from Contracts with Customers. Topic 606 significantly changes how EA recognizes and reports revenue and diluted earnings per share; however, it does not materially impact net bookings, EA's operational metric. For more information about the adoption of Topic 606, including information with respect to mobile platform fees, please refer to the Investor Accounting FAQ on our IR website. Financial data for periods prior to April 1, 2018 has not been restated. These forward-looking statements are valid as of October 30, 2018 only. Electronic Arts assumes no obligation to update these forward-looking statements.

Currency Assumptions



- **Current FX assumptions¹:**

	USD/	FY18 Q2A	FY19 Q2A	FY19 Q3-4E
Net Bookings	EUR	1.16	1.16	1.17
	GBP	1.29	1.31	1.32
Operating Expenses	CAD	1.27	1.31	1.30
	SEK	8.29	8.93	8.82

- **Rule of thumb**

- If the U.S. dollar strengthens 10% against the Euro and British pound sterling:
 - With hedging, total net bookings decrease 2.1%
 - Total cost of revenue and operating expenses decrease 1.6%
- If the U.S. dollar strengthens 10% against the Canadian dollar and Swedish krona:
 - Total net bookings decrease 0.4%
 - With hedging, total cost of revenue and operating expenses decrease 0.7%

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

¹ For FY18 Q2A and FY19 Q2A, FX rates are a simple average of EA's actual monthly P&L rates. For FY19 Q3-Q4E, the same FX rates are used for all forecast periods.

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Cash Flow Selected Data

(in \$ millions)		Actuals			
		Q2 2019	Q2 2018	Q2 TTM 2019	Q2 TTM 2018
Cash Flow Data					
Investing Cash Flow		(601)	(120)	326	(918)
Financing Cash Flow		(271)	(136)	(951)	(586)
Operating Cash Flow	A	(126)	52	1,458	1,802
Capital Expenditures	B	31	30	107	117
Free Cash Flow	A - B	(157)	22	1,351	1,685