



Electronic Arts Reports Q3 FY19 Financial Results

REDWOOD CITY, CA – February 5, 2019 – [Electronic Arts Inc.](http://www.ea.com) (NASDAQ: EA) today announced preliminary financial results for its third fiscal quarter ended December 31, 2018.

News and ongoing updates regarding EA and its games are available on EA's blog at www.ea.com/news.

“The video game industry continues to grow through a year of intense competition and transformational change,” said CEO Andrew Wilson. “Q3 was a difficult quarter for Electronic Arts and we did not perform to our expectations. We are now applying the strengths of our company to sharpen our execution and focus on delivering great new games and long-term live services for our players. We're very excited about Apex Legends, the upcoming launch of Anthem, and a deep line-up of new experiences that we'll bring to our global communities next fiscal year.”

“FIFA stands out as a robust franchise through a tumultuous year in the video game industry,” said COO and CFO Blake Jorgensen. “Elsewhere in the business, we're making adjustments to improve execution and we're refocusing R&D. Looking forward, we're delighted to launch Anthem, our new IP, to grow Apex Legends and related Titanfall experiences, to deliver new Plants vs. Zombies and Need for Speed titles, and to add Star Wars Jedi: Fallen Order to our sports titles in the fall.”

Selected Operating Highlights and Metrics

- Digital net bookings* for the trailing twelve months was \$3.577 billion, up 6% year-over-year and represents 74% of total net bookings.
- During the quarter, launched Battlefield™ V and Command & Conquer™: Rivals.
- On February 4, 2019, launched Apex Legends™, a new battle royale experience from Respawn.
- During the quarter, FIFA Ultimate Team™ matches played increased 15% year-over-year.
- During calendar 2018, FIFA 19 was the highest-selling console game in Europe.

** Net bookings is defined 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 the fourth quarter of fiscal 2018, mobile platform fees.*

Selected Financial Highlights and Metrics

All financial measures are presented on a GAAP basis.

- Net cash from operating activities was \$954 million for the quarter and \$1.563 billion for the trailing twelve months, a record third quarter trailing twelve months.
- EA repurchased 3.2 million shares for \$292 million during the quarter and 9.0 million shares for \$1.039 billion during the trailing twelve months.

Impact of Recently Adopted Accounting Standard

At the beginning of fiscal year 2019, April 1, 2018, EA adopted FASB ASU 2014-09 (Topic 606), Revenue from Contracts with Customers. For more information about the adoption of Topic 606, please refer to the Investor Accounting FAQ on our IR website. Financial data for periods prior to April 1, 2018 has not been restated.

Quarterly Financial Highlights

	Three Months Ended	
	December 31,	
	2018	2017
(in \$ millions, except per share amounts)		
Digital net revenue	908	780
Packaged goods and other net revenue	381	380
Total net revenue	<u>1,289</u>	<u>1,160</u>
Net income (loss)*	262	(186)
Earnings (loss) per share*	0.86	(0.60)
Operating cash flow	954	849
Value of shares repurchased	292	150
Number of shares repurchased	3.2	1.4

*During the three months ended December 31, 2017, EA recognized \$176 million of incremental income tax expense, or approximately \$0.57 per share, due to the application of the Tax Cuts and Jobs Act.

The following GAAP-based financial data and tax rate of 18% was used internally by company management to adjust its fiscal 2019 GAAP results in order to assess EA's operating results:

	Three Months Ended December 31, 2018				
	GAAP-Based Financial Data				
	Statement of Operations	Acquisition-related expenses	Change in deferred net revenue (online-enabled games)	Mobile platform fees	Stock-based compensation
(in \$ millions)					
Total net revenue	1,289	-	368	(48)	-
Cost of revenue	413	(1)	-	(48)	(1)
Gross profit	876	1	368	-	1
Total operating expenses	634	(7)	-	-	(74)
Operating income	242	8	368	-	75
Interest and other income, net	23	-	-	-	-
Income before provision for income taxes	265	8	368	-	75
Number of shares used in computation:					
Diluted	304				

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 September 30, 2018.

TTM Financial Highlights

	Twelve Months Ended December 31,	
	2018	2017
(in \$ millions)		
Digital net revenue	3,747	3,282
Packaged goods and other net revenue	1,547	1,813
Total net revenue	5,294	5,095
Net income*	1,417	1,002
Operating cash flow	1,563	1,514
Value of shares repurchased	1,039	578
Number of shares repurchased	9.0	5.6

*Due to the application of the Tax Cuts and Jobs Act, EA recognized incremental income tax expense of \$59 million for the twelve months ended December 31, 2018 and \$176 million for the twelve months ended December 31, 2017.

The following GAAP-based financial data and tax rate of 18% in fiscal year 2019 and 21% in fiscal year 2018 was used internally by company management to adjust its GAAP results in order to assess EA's operating results:

	Twelve Months Ended December 31, 2018				
	GAAP-Based Financial Data				
			Change in deferred net revenue (online- enabled games)	Mobile platform fees	Stock-based compensation
(in \$ millions)	Statement of Operations	Acquisition- related expenses			
Total net revenue	5,294	-	(318)	(141)	-
Cost of revenue	1,279	(4)	-	(141)	(4)
Gross profit	4,015	4	(318)	-	4
Total operating expenses	2,462	(26)	-	-	(276)
Operating income	1,553	30	(318)	-	280
Interest and other income, net	61	-	-	-	-
Income before provision for income taxes	1,614	30	(318)	-	280

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 September 30, 2018.

Operating Metric

The following is a calculation of our total net bookings for the periods presented:

	Three Months Ended December 31,		TTM Ended December 31,	
	2018	2017	2018	2017
(in \$ millions)				
Total net revenue	1,289	1,160	5,294	5,095
Change in deferred net revenue (online-enabled games)	368	811	(318)	(78)
Mobile platform fees	(48)	-	(141)	-
Net bookings	1,609	1,971	4,835	5,017

Business Outlook as of February 5, 2019

The following forward-looking statements reflect expectations as of February 5, 2019. Electronic Arts assumes no obligation to update these statements, except as required by law. Results may be materially different and are affected by many factors detailed in this release and in EA's annual and quarterly SEC filings.

Fiscal Year 2019 Expectations – Ending March 31, 2019

Financial metrics:

- Net revenue is expected to be approximately \$4.875 billion.
 - Change in deferred net revenue (online-enabled games) is expected to be approximately \$65 million.
 - Mobile platform fees are expected to be approximately \$(190) million.
- Net income is expected to be approximately \$980 million.
- Diluted earnings per share is expected to be approximately \$3.20.
- Operating cash flow is expected to be approximately \$1.350 billion.
- The Company estimates a share count of 306 million for purposes of calculating fiscal year 2019 diluted earnings per share.

Operational metric:

- Net bookings is expected to be approximately \$4.750 billion.

In addition, 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:

	Twelve Months Ending March 31, 2019				
	GAAP-Based Financial Data				
			Change in deferred net revenue (online- enabled games)	Mobile platform fees	Stock-based compensation
	GAAP Guidance	Acquisition- related expenses			
(in \$ millions)					
Digital net revenue	3,615	-	50	(190)	-
Packaged goods & other net revenue	1,260	-	15	-	-
Total net revenue	4,875	-	65	(190)	-
Cost of revenue	1,311	(3)	-	(190)	(3)
Operating expense	2,581	(27)	-	-	(284)
Income before provision for income taxes	1,055	30	65	-	287
Net income	980				
Number of shares used in computation:					
Diluted shares	306				

Fourth Quarter Fiscal Year 2019 Expectations – Ending March 31, 2019

Financial metrics:

- Net revenue is expected to be approximately \$1.163 billion.
 - Change in deferred net revenue (online-enabled games) is expected to be approximately \$56 million.
 - Mobile platform fees are expected to be approximately \$(49) million.
- Net income is expected to be approximately \$170 million.
- Diluted earnings per share is expected to be approximately \$0.56.
- The Company estimates a share count of 303 million for purposes of calculating fourth quarter fiscal year 2019 diluted earnings per share.

Operational metric:

- Net bookings is expected to be approximately \$1.170 billion.

In addition, 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:

	Three Months Ending March 31, 2019				
	GAAP-Based Financial Data				
	GAAP	Acquisition-	Change in	Mobile	Stock-based
	Guidance	related	deferred net	platform	compensation
		expenses	revenue	fees	
			(online-		
			enabled		
			games)		
(in \$ millions)					
Total net revenue	1,163	-	56	(49)	-
Cost of revenue	265	-	-	(49)	-
Operating expense	715	(6)	-	-	(76)
Income before provision for income taxes	195	6	56	-	76
Net income	170				
Number of shares used in computation:					
Diluted shares	303				

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 September 30, 2018.

Conference Call and Supporting Documents

Electronic Arts will host a conference call on Tuesday, February 5, 2019 at 2:00 pm PT (5:00 pm ET) to review its results for the fiscal third quarter ended December 31, 2018 and its outlook for the future. During the course of the call, Electronic Arts may disclose material developments affecting its business and/or financial performance. Listeners may access the conference call live through the following dial-in number (866) 393-4306 (domestic) or (734) 385-2616 (international), using the Conference ID 7589409 or via webcast at EA's IR Website at <http://ir.ea.com>.

EA has posted a slide presentation, a financial model of EA's historical results and guidance, and an Investor Accounting FAQ on EA's IR Website. After the conference call, EA will also post the prepared remarks and a transcript from the conference call on EA's IR Website.

A dial-in replay of the conference call will be available until February 19, 2019 at (855) 859-2056 (domestic) or (404) 537-3406 (international) using pin code 7589409. An audio webcast replay of the conference call will be available for one year on EA's IR Website.

Forward-Looking Statements

Some statements set forth in this release, including the information relating to EA's fiscal 2019 expectations under the heading "Business Outlook as of February 5, 2019," and other information regarding EA's fiscal 2019 and fiscal 2020 expectations 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 current as of February 5, 2019. Electronic Arts assumes no obligation to revise or update any forward-looking statement for any reason, except as required by law. In addition, the preliminary financial results set forth in this release 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 December 31, 2018. Electronic Arts assumes no obligation and does not intend to update these estimates prior to filing its Form 10-Q for the fiscal quarter ended December 31, 2018.

About Electronic Arts

Electronic Arts (NASDAQ: EA) is a global leader in digital interactive entertainment. The Company develops and delivers games, content and online services for Internet-connected consoles, mobile devices and personal computers. EA has more than 300 million registered players around the world.

In fiscal year 2018, EA posted GAAP net revenue of \$5.15 billion. Headquartered in Redwood City, California, EA is recognized for a portfolio of critically acclaimed, high-quality brands such as The Sims™, Madden NFL, EA SPORTS™ FIFA, Battlefield™, Need for Speed™, Dragon Age™ and Plants vs. Zombies™. More information about EA is available at www.ea.com/news.

EA SPORTS, Battlefield, The Sims, Need for Speed, Dragon Age, Apex Legends, Respawn, Command & Conquer, Ultimate Team and Plants vs. Zombies are trademarks of Electronic Arts Inc. John Madden, NFL and FIFA are the property of their respective owners and used with permission.

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