



Prepared remarks
Q4 Fiscal 2021

CHRIS:

Thank you.

Welcome to EA's fourth quarter fiscal 2021 earnings call. With me from their homes today are Andrew Wilson, our CEO, and Blake Jorgensen, our CFO and COO.

Please note that our SEC filings and our earnings release are available at ir.ea.com. In addition, we have posted earnings slides to accompany our prepared remarks. Lastly, after the call, we will post our prepared remarks, an audio replay of this call, our financial model, and a transcript.

Once again, I'd like to direct you to the earnings slides this quarter. They now contain the metrics and color that we historically have included in Blake's remarks.

With regards to our calendar: our Q1 fiscal 2022 earnings call is scheduled for Wednesday, August 4. As a reminder, we post the schedule of our entire 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, May 11, 2021, and disclaims any duty to update them.

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:

Thanks, Chris. I hope this finds all of you staying healthy and well.

I want to start today by saying welcome to our newest teammates from Codemasters, Glu Mobile, and Metalhead Software. We're very excited to have added these incredibly talented teams to the EA family, and we're looking forward to creating some amazing new experiences together.

FY21 was a record year for Electronic Arts. Engagement in our games continues to expand worldwide, leading industry transformation and fueling demand from a new generation of players that will continue for years to come. We delivered 13 new games in FY21, and welcomed more than 42 million new players to our network of more than 500 million unique accounts. The tremendous engagement across our leading live services is a powerful demonstration of how players are coming together and forming social networks through our experiences. We drove net bookings growth of more than \$600 million above our original guidance for the fiscal year, and achieved bottom line results significantly ahead of our expectations. Our teams continue to deliver for our players despite the challenges of the pandemic, and our execution of long-term strategies to create exceptional, high-quality experiences, drive growth through our leading live services, and expand our reach to more players, are continuing to build strength in our business. As we look forward into FY22, we are accelerating, powered by organic growth in our existing business, development of new businesses, and layering in growth from recent acquisitions.

We're forecasting strong growth in FY22. Our net bookings guidance reflects 18% year-over-year growth to \$7.3 billion. This includes organic growth in our core business and the addition of the Glu, Codemasters and Metalhead acquisitions. From this position of strength, we are

also investing in the future of our business, and we expect to continue to grow underlying profitability.

I want to spend time today on three primary growth drivers for us in FY22: expanding the EA SPORTS business, growing our Apex Legends and Battlefield franchises, and our mobile growth strategy. We have a foundational strategy for growing these blockbuster brands that we are applying here: best-in-class premium experiences, deeply engaging live services that create social networks in our games, and expansion to more platforms, new business models, and new geographies. This model is how we've built FIFA, Apex Legends, Madden NFL and The Sims into some of the most successful, global live service businesses in the industry, and we are applying it as a blueprint across our franchises.

As the undisputed leader of sports games, EA SPORTS is moving from strength to strength as we grow our current business and include more sports and reach new audiences. In FY21, our EA SPORTS games brought players together at record levels. Our EA SPORTS FIFA experiences continue to engage more than 100 million players worldwide. More than 20 million players played FIFA Ultimate Team in the last year, and FUT matches were up an incredible 180%. Madden NFL had its biggest year ever, and games across our EA SPORTS portfolio continue to acquire more players than ever before. We'll now build on that strength with a massive year of innovation and expansion. All of our new EA SPORTS games in FY22 are designed for next-gen console platforms, including FIFA, Madden, NHL and EA SPORTS PGA Tour, our return to golf that is set for Q4 of this year. We're very excited by the opportunity to deliver for baseball fans around the world with the addition of *Super Mega Baseball* from Metalhead Software, and *MLB TapSports Baseball* on mobile from the Glu team. EA SPORTS is also now publishing the highest-rated sports franchise in the world with *F1 2021*, our first title from our recently-completed Codemasters acquisition. And with the combined expertise of the Glu and EA teams focused on engaging more sports fans, we plan to grow our sports mobile

business by over 50% this year. We continue to see the consumption of sports move from linear to interactive, representing a major growth opportunity for us spanning more sports and more platforms, especially mobile. From premium experiences to live services to mobile, EA SPORTS is in an unparalleled position to reach more players with new ways to play, watch and connect.

With *Apex Legends* and *Battlefield*, we have two leading franchises in their category. We are positioned for continued global growth in FY22 through new launches, expansion to mobile, and preparing for the addition of new business models that will expand our total addressable audience. *Apex Legends* is one of the most successful games in the market today. We now have more than 100 million unique players in the game on console and PC, with player engagement growing globally at incredible levels throughout the last year -- and we are forecasting continued growth. Season 8 saw well over 12 million weekly active users, the highest levels we've seen since season 1 in 2019. We're also seeing explosive growth for *Apex* in Asia, especially in Japan where it has grown significantly for the last three quarters. As Respawn continues to deliver more new content and evolve the main game this year, we are also beginning regional beta testing of *Apex Legends Mobile*. This is a new experience designed specifically for touchscreens, which we expect to launch worldwide later this fiscal year. *Apex Legends* continues to have tremendous momentum and is growing in every dimension. We are forecasting close to 20% year-over-year growth to \$750 million in net bookings for *Apex Legends* in FY22, with significant potential for upside this year and beyond as we launch the mobile game.

We are realizing the next phase of growth in our vision for *Battlefield* with two new experiences launching in FY22. Three world-class studios – DICE Stockholm, Criterion and DICE LA – and our technology team in Gothenburg now form our largest-ever *Battlefield* development team. They are working in lock-step to deliver the definitive next-gen experience for *Battlefield* fans.

The game has everything fans love about Battlefield - epic scale, all-out warfare, unexpected moments and game-changing destruction - and takes it all to the next level through the power of next-gen consoles and PCs. We're excited to reveal the game to fans next month and share a lot more about the game throughout the summer. We also have a Battlefield game for mobile platforms in development at Industrial Toys, in close partnership with DICE. Built from the ground up for mobile, the game is going into early testing now, and we're looking forward to players around the world getting their hands on this innovative Battlefield experience later in FY22. As I mentioned before, our strategy is to grow Battlefield as we have with our other blockbuster franchises like FIFA and Apex – best-in-class gameplay, deeply-engaging live service, a new mobile experience, and more ways to play that we will introduce to reach more players all over the world.

Throughout FY22, we will continue transforming mobile into a growth center for our business. With the recent re-organization and hiring of new leadership and talent into our EA mobile teams, we are in position to maximize our leading mobile live services – including *Star Wars: Galaxy of Heroes*, *The Sims* and *Real Racing* – by growing player acquisition, deepening engagement and player investment, and driving new opportunities in non-western markets. We will grow in sports mobile with innovation in our leading franchises including FIFA, Madden, and UFC, as well as the addition of *MLB TapSports Baseball* to our mobile sports portfolio. We expect our two biggest shooter franchises to launch on mobile for the first time in FY22, which is another demonstration of our multi-platform strategy for our leading global franchises. With the addition of Glu layered onto our EA mobile growth plans, we expect to more than double our mobile business to \$2 billion in annual net bookings within the next three years.

We have a year of strong growth ahead in FY22, and we see many more opportunities as we continue to lead in the expansion and transformation of the industry. We have a very clear long-term growth strategy for our biggest blockbuster franchises. This is the foundation of our

business, and you're seeing us grow across all major platforms and business models. We're thrilled to have the teams from Codemasters, Glu and Metalhead join our Electronic Arts family, and together we expect to develop many games and experiences that will delight our growing player base and be catalysts for growth in the years to come. We have a deep pipeline of new content, including new franchises and new IP, deeper focus on mobile games, and experiences that will lean into user-generated content. We're also continuing to invest in opportunities where we have differentiated ability to reach and engage more players – including our growing subscription service, and our esports content and competitions that will expand in scope this year. The three growth drivers that I've focused on today – expanding our EA SPORTS portfolio, growing our blockbuster shooter franchises, and the transformation of our mobile business – provide clear growth and significant upside for Electronic Arts in FY22 and beyond.

We're excited to bring some amazing new games and content to our players and viewers around the world this year. Now I'll turn the call over to Blake.

BLAKE:

Thanks, Andrew.

We delivered a big beat this quarter, driven by live services, primarily, an extraordinary performance by *Apex Legends*. GAAP net revenue was \$1.35 billion and net bookings of \$1.49 billion was a new record for Q4.

Andrew gave you Apex's phenomenal engagement stats. As a result of that engagement, Apex delivered its largest net bookings quarter on record. It also delivered the best day, the best 24-hour period, the best week, the best month and best in-game event. We suggested it would deliver over \$1 billion in life-to-date net bookings by the end of the quarter; it actually passed

that milestone with half of the quarter to go. *Apex Legends* delivered over \$600 million for the year, well above our original expectation of \$300 million to \$400 million.

Importantly, *Apex Legends* steadily grew through the last year. While Apex surely benefited from a stay-at-home tailwind, the upwards trajectory is driven by the games team and the content they are delivering. That is, this strength is structural. To this point, Season 8 was the first season built by a new content team we've put together in Vancouver, proving our ability to scale resources on our fastest-growing franchise.

Our two major shooter franchises, *Apex Legends* and *Battlefield*, and our ongoing strength in *Ultimate Team*, provide a tremendous foundation for growth in FY22. The addition of Glu and Codemasters accelerates this to 18% year-on-year. I'll go through the details of our guidance in a moment.

First, though, I'll start with a quick look at what we achieved in fiscal 2021. We closed out the year with \$5.63 billion in net revenue. We delivered **net bookings** of \$6.19 billion, the highest in our history, and about \$640 million above our original expectations. Underlying profit was also an all-time record, as was **full year operating cash flow** of \$1.93 billion.

Of that \$6.19 billion in net bookings, \$4.6 billion was live services. There couldn't be a more dramatic illustration of the way the business has evolved, with our focus on engagement and ongoing entertainment now generating three-quarters of our net bookings. To give some perspective, that \$4.6 billion is equivalent to the sale of around 130 million copies of console games.

Digital represented 62% of full game units sold through in fiscal 2021 for consoles, up 13 percentage points from last year.

Turning to Q4 specifically, the beat was driven by live services, primarily by *Apex Legends* and FIFA Ultimate Team. Mobile also beat our expectations, driven by outperformance from *Star Wars: Galaxy of Heroes* and *SimCity BuildIt*.

Operating expenses came in very slightly above our expectations for the quarter, driven by acquisition-related expenses.

Turning now to guidance.

We expect fiscal 2022 GAAP revenue to be \$6.8 billion, **cost of revenue** to be \$1.828 billion, and **earnings per share** of \$1.34. Remember that this EPS calculation does not factor in future buybacks under our two-year, \$2.6 billion share repurchase program.

We expect **operating cash flow** of \$1.750 billion and **capital expenditures** of around \$250 million, which would deliver **free cash flow** of about \$1.500 billion. Cash flow is down year on year, primarily due to tax integration costs associated with the acquisitions. The level of these costs reflects the strength of the IP Glu and Codemasters have developed and bring to EA. Capex is up temporarily, with office build outs in Bucharest, LA, Orlando and the UK. See our earnings slides and press release for further cash flow information.

We expect fiscal 2022 **net bookings** to be \$7.3 billion, up about 18% over fiscal 2021. We expect to continue to drive strong organic growth in *Apex Legends* in fiscal 2022, and expand the franchise to new platforms with the launch of Apex Mobile in the back half of the year. In sports, we expect FIFA and Madden to be strong and we're launching a new PGA Tour golf. *F1 2021*, developed by Codemasters and which now sits under the EA Sports banner, will launch on July 16. And, of course, rounding out a big year for our shooter franchises is the launch of Battlefield in the holiday season.

Because this is the first time we're forecasting Glu and Codemasters, we took a very conservative posture on net bookings from those businesses. In addition, we're not yet modeling any synergies from the two acquisitions; for fiscal 2022, we've assumed simple addition of their existing businesses. Revenue and capability synergies will come further out, as we combine our IP with Glu's mobile expertise to build a suite of new casual mobile games, leverage our sports know-how with Codemasters' F1 franchise, and implement a holistic strategy for racing games.

Meanwhile, opex this year will be impacted by some one-time costs associated with the acquisitions. We're also leaning heavily into our biggest franchises, with increased R&D investments, and marketing ahead of the key launches of Battlefield and Apex Mobile. We expect these near-term investments to pay off in the years to come.

For the **first quarter**, we now expect **GAAP net revenue** of \$1.475 billion, **cost of revenue** to be \$287 million, and **operating expenses** of \$955 million. This results in an **earnings per share** of \$0.24 for the first quarter.

We anticipate **net bookings for the first quarter** to be \$1.25 billion.

We expect *Apex Legends* momentum will carry through to fiscal 2022. Given what we've seen of the game already, we believe our financial model of Battlefield may be conservative, and we're looking forward to player reaction when we reveal the title next month. In addition, we're very excited for the franchise as a whole, as we add new platforms and business models. We expect strong organic growth this year, growth that is further accelerated by the addition of the talented teams at Codemasters, Glu and Metalhead.

Now I'll hand back to Andrew.

ANDREW CLOSING:

Thanks, Blake.

As we wrap up our remarks here, I want to share a heartfelt congratulations to Respawn Entertainment. The team achieved another amazing milestone last month, when they received the gaming industry's first Academy Award for co-producing the documentary short subject "Colette," which was released within the *Medal of Honor: Above & Beyond* VR experience. Congratulations to Vince, Dusty, Peter and the entire team – it is a truly outstanding achievement, and such an incredible recognition of the creativity and passion for groundbreaking work that all of our teams put into our games.

Games are bringing joy to more players around the world than ever before, and our experiences are bringing hundreds of millions of players together. Our business has never been stronger, we have clear growth drivers accelerating our trajectory in FY22, and our acquisitions are new catalysts for growth. As we continue building blockbuster franchises with best-in-class live services that reach and connect players on more platforms and in more geographies around the world, we see significant upside for Electronic Arts this year and in the years to come.

Thank you to our teams for their incredible work delivering for our players every day.

Now Blake and I are here for your questions.

Forward-Looking Statements

Some statements set forth in this document, including the information relating to EA's fiscal 2022 guidance information 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: the impact of the COVID-19 pandemic; sales of the Company’s products and services; the Company’s ability to develop and support digital products and services, including managing online security and privacy; outages of our products, services and technological infrastructure; the Company’s ability to manage expenses; the competition in the interactive entertainment industry; governmental regulations; the effectiveness of the Company’s sales and marketing programs; timely development and release of the Company’s products and services; the Company’s ability to realize the anticipated benefits of, and integrate, 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; changes in our tax rates or tax laws; 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 Electronic Arts’ latest Annual Report on Form 10-K, filed with the Securities and Exchange Commission on May 20, 2020.

These forward-looking statements are current as of May 11, 2021. 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 Annual Report on Form 10-K for the fiscal year ended March 31, 2021. Electronic Arts assumes no obligation and does not intend to update these estimates prior to filing its Form 10-K for the fiscal year ended March 31, 2021.