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EA.OQ - Q4 2021 Electronic Arts Inc Earnings Call

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## OVERVIEW:

EA reported FY21 GAAP net revenue of \$5.63b and 4Q21 GAAP net revenue of \$1.35b. Expects FY22 GAAP revenue of \$6.8b and GAAP EPS of \$1.34. Also expects 1Q22 GAAP net revenue of \$1.475 and GAAP EPS of \$0.24.

## CORPORATE PARTICIPANTS

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**Blake J. Jorgensen** *Electronic Arts Inc. - COO & CFO*

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

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## PRESENTATION

### Operator

Good afternoon. My name is Mike, and I will be your conference operator today. At this time, I would like to welcome everyone to the Electronic Arts Q4 2021 Earnings Conference Call.

Mr. Chris Evenden, VP of Investor Relations, you may begin your conference.

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

Thanks, Mike. Welcome, everyone, 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](http://ir.ea.com). In addition, we've posted earnings slides to accompany our prepared remarks. Lastly, after the call, we'll 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've historically included in Blake's remarks. With regards to our calendar, our Q1 fiscal 2022 earnings call is scheduled for Wednesday, August 4. And 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 Wilson** - *Electronic Arts Inc. - CEO & Director*

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.

FY '21 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 FY '21 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 our 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 to FY '22, we are accelerating, powered by organic growth in our existing business, development of new businesses and layering growth from recent acquisitions. We're forecasting growth in FY '22. 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 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 3 primary growth drivers for us in FY '22, 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 of more platforms, new business models and new geographies.

The model is how we've got 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 in 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 FY '21, 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 FIFA Ultimate Team 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 FY '22 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 Tap Sports Baseball on mobile from the

(technical difficulty)

EA SPORTS is also 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 achieve more players with new ways to play, watch and connect. With Apex Legends and Battlefield, we have 2 leading franchises in that category. We are positioned for continued growth in FY '22 through new launches, expansion of 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 in the last 3 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 FY '22, 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 2 new experiences launching in FY '22. 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 lockstep 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 it 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 this summer. We also have a Battlefield game for mobile platforms in development and 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 a hand on this innovative Battlefield experience later in FY '22.

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'll introduce to reach more players all over the world.

Throughout FY '22, we will continue transforming mobile into a growth center for our business. With the recent reorganization and hiring of new leadership and talent into our EA Mobile teams, we are in a position to maximize our leading mobile live services, including Star Wars: Galaxy of Heroes and Sims and Real Racing by growing player acquisition, deepening engagement and player investment and driving new opportunities in non-Western markets.

We'll grow in sports model with innovation in our leading franchises, including FIFA, Madden and UFC as well as the addition of MLB Tap Sports Baseball to our mobile sports portfolio. We expect our 2 biggest shooter franchises to launch on mobile for the first time in FY '22, which is another demonstration of our multi-platform strategy for leading global franchises. With the addition of Glu late into our EA Mobile growth plans, we expect to more than double our Mobile business to \$2 billion in annual net bookings within the next 3 years.

We have a year of strong growth ahead in FY '22, 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 all major platforms and business models. We're thrilled to have the team from Codemasters, Glu and Metalhead join the Electronic (technical difficulty) 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 3 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 FY '22 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 J. Jorgensen** - *Electronic Arts Inc. - COO & CFO*

Thanks, Andrew. We delivered a big beat this quarter, driven by live services, primarily and extraordinary performance by Apex Legends. GAAP net revenue was \$1.35 billion and net bookings of \$1.49 billion, which were new records for Q4. Andrew gave you Apex's phenomenal engagement stats. As a result of this 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 expectations of \$300 million to \$400 million. Importantly, Apex Legends steadily grew through the year. While Apex surely benefited from a stay-at-home tailwind, the upwards trajectory is driven by the game teams and the content they are delivering. That is the strength -- that is, this strength is structural, to the point Season 8 was the first season built by a new content team we put together in Vancouver, proving our ability to scale resources on our fastest-growing franchise.

Our 2 major shooter franchises, Apex Legends and Battlefield, and our ongoing strength in the Ultimate Team provides a tremendous foundation for growth in FY '22. The addition of Glu and Codemasters accelerates this to 18% revenue growth year-on-year.

I'll go through the details of our guidance in a moment. First though, I thought I'd 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 3/4 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 represents 62% of our full game units sold in fiscal 2021 for consoles, up 13 percentage points from last year.

Turning to Q4, specifically. The beat was driven by live services, primarily 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 slightly above our expectations for the quarter, driven by acquisition-related expenses.

Now turning 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 2-year \$2.6 billion share repurchase program. We expect operating cash flows of \$1.75 billion and capital expenditures to be around \$250 million, which would deliver free cash flow of around \$1.5 billion.

Cash flow is down year-on-year, primarily due to tax integration costs associated with the acquisitions. The level of these costs reflect the strength of the IP Glu and Codemasters have developed and bring to EA. CapEx is up temporarily with office build-outs in Bucharest, Los Angeles, Orlando and the United Kingdom. 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 game. F1 2021, developed by Codemasters, and which now sits under the EA SPORTS banner as well, will launch on July 16.

And of course, rounding out the 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 2 acquisitions. For fiscal 2022, we've assumed simple addition of their existing businesses into EA. Revenue and synergies will come further out as we (technical difficulty) with Glu Mobile expertise to build out a suite of new casual mobile games, leverage our sports know-how with Codemasters' F1 franchise and others, and implement a holistic strategy for racing games.

Meanwhile, OpEx this year will be impacted by some onetime costs associated with the acquisitions. We're also leaning heavily into our biggest franchises, with increased R&D investments and marketing ahead of key launches from Battlefield and Apex Mobile. We expect these near-term investments to pay off in years to come. For the 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. We've seen the game already. We believe our financial model of Battlefield may be conservative. And we're looking forward to player reaction when we reveal this game 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 talented teams at Codemasters and Glu and Metalhead. It is an exciting time for Electronic Arts. Now I'll hand it back to Andrew.

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

Thanks, Blake. As we wrap up our remarks here, I want to share our heartfelt congratulations to Respawn Entertainment. The team achieved another amazing milestone last month when they received the gaming industry's first Academy Award for documentary short subject, Colette, which was released within the Medal of Honor: Above and 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 will begin -- 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 FY '22, and our acquisitions are new catalysts for growth.

As we continue building blockbuster brands 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 clients every day. Now Blake and I are here for your questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Your first question comes from Colin Sebastian from Baird.

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**Colin Alan Sebastian** - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

First off, Blake, it looks like services on console and PC increased almost 40% in fiscal Q4, if I have the apples-to-apples numbers there right. So curious how you expect that portion of the business to track in Q1 and in the next fiscal year? And then secondly, Andrew, within core EA, it sounds like you have a pretty ambitious road map for new releases and live ops. So I'm curious if you have the studio structure and the development team and resources in place now where you're comfortable with in order to execute on that pipeline. Or are there still some gaps that need to be filled in?

**Blake J. Jorgensen** - *Electronic Arts Inc. - COO & CFO*

Thanks, Colin. It's Blake. We've seen across-the-board live services increases. Clearly, Apex has driven a huge change in that business. It's up dramatically year-over-year. In the fourth quarter alone, year-over-year, it's up 145%. And the way we've done that, as you know, is continue to add amazing content, amazing characters, amazing things for people to play, and it's engaging more and more people all the time.

While COVID, as horrible as it has been, brought a lot of people into gaming. And what we've done is try to do our best to bring more and more people into social networks around the games they love, be it sports, be it a shooter game, be it The Sims. And that's what we've been able to leverage over time, and those people stay in those social networks because they enjoy the game and enjoy the people they're playing with.

And so we see, across all of our live services, Ultimate Team, Apex, The Sims, all of our mobile games that has helped us get the confidence that we could give a guidance that we just provided for next year. And I think you're going to continue to see that as a huge part of our business. It's going to be a huge part of the industry's business, as we've already seen, but it will continue on for us, and we'll continue to add to that with new content, new ways to play, new opportunities for people to deeply get connected with other people that like what they like to do.

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

And on the second question, great question. We feel really good about our studio organization. As you heard in the prepared remarks and you've heard me talk about before, over the last year, we really reorganized our mobile group. We brought in new leadership both at the very top of the organization and throughout the organization who really bring great mobile expertise and experience and knowledge and know-how and, of course, bringing in Codemasters -- bringing in Glu Mobile to that group puts us in a really, really strong position for an increased focus on mobile where we see tremendous growth opportunity.

Across the rest of our studio structure, I also feel really, really good about our leadership and all of our creative talent there. Again, we've brought in Codemasters, which are some of the leading racing developers in the world, and you'll see more from us around our holistic racing strategy. But F1 is already looking really, really strong for this year.

And we've been recruiting, over the last 12 to 18 months, some amazing industry-leading talent. Some of those have been announced, some [haven't been] announced yet, but we have a very ambitious growth plan ahead, and we feel really good about the structure we have in place. Of course, we'll always be tuning and balancing that over time, but I feel blessed and lucky to have the creative leadership and the creative talent that we do to achieve the things that we have planned.

**Operator**

Your next question comes from Stephen Ju from Credit Suisse.

**Stephen D. Ju** - *Crédit Suisse AG, Research Division - Director*

Okay. So Andrew, Blake, I think investors have been waiting for the audience unlock from mobile for some time now, particularly as it comes to your larger franchises. So can you talk about the initial integration plans with the good folks at Glu and what that might look like from a franchise-by-franchise standpoint? So what are the opportunities to get you to 1 plus 1 to be more than 2 so that you'll break your forecasting guidance parameters that's going to be greater than just a straightforward addition of these on to EA's existing results?

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

I would say from a philosophical standpoint, our orientation around Glu is to protect and amplify, ensure that we protect the creative integrity, the cultural integrity of that organization. They've been very, very successful in developing great games like Design Home and Tap Sports Baseball and

many others. But we also want to give them access to our IP, to our technology, to our market -- our global marketing reach and the network of 500 million unique accounts that we have. We think that the combination of those 2 things represents an extraordinary opportunity.

But at the same time, also been working on our organic -- on the EA model team around our organic growth. And you've heard me talk about significant increase in investment in our shooter franchise, a relaunch of Madden and UFC, aggressive plans around The Sims and a number of other properties, including Battlefield and Apex Legends. And so our sense is with the reorganization and focus on mobile, bringing in Glu to the organization with kind of a protect and amplify orientation and the collective growth plans that we have and investment that we're making, we have tremendous upside opportunity at a time where brands are breaking through more strongly than most anything else in the mobile market.

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**Operator**

Your next question comes from Brian Fitzgerald from Wells Fargo.

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**Brian Nicholas Fitzgerald** - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

Maybe a bit of a follow-on to Stephen's question, and that's around -- with all the M&A activity you've seen on the mobile side, AppLovin and Machine Zone and then they also just bought Adjust, and then you guys with Glu and Zynga with Chartboost, is the mobile piece, the advertising piece of that and the cross-platform piece, is that an initiative that's going to kind of catalyze a more vertically integrated approach to the business, a more holistic and robust approach to consumer engagement on how you monetize those guys, lifetime value yield perspective? Are you missing anything on the ad tech side, do you think, from your kind of holistic mobile approach?

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**Blake J. Jorgensen** - *Electronic Arts Inc. - COO & CFO*

Yes. I would say it's too early to say on ad tech. We know there's a lot of changes going on in the market as you guys know. And we'll watch closely as to how those changes may impact advertising inside of mobile games. We also know that most mobile game advertising is for other mobile games, and we've always wanted to try to keep people in our own network, right or wrong, but that's been our focus.

I think the near-term opportunity is really the talent that these teams have that could impact our own franchises and the IP that we have with those franchises. So building more casual games, for example, building new sports games, I think that's where we were most excited about Glu and the reason we bought them. And I think longer term, over the next couple of years as we see how the ad business changes, we might be more aggressive there. But really, this is about building new franchises with great talent.

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**Operator**

Your next question comes from Alexia Quadrani from JPMorgan.

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**Alexia Skouras Quadrani** - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

Can you elaborate on the success, the tremendous success you've seen in Apex Legends? I mean is it a core group of players planning the game more and more season after season? Or have you notably expanded the player base as well? And any update on time line of Apex for China?

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

I would say, as we look at the data on Apex Legends, we have seen, from season to season, what the Apex Legends team have been able to do is grow pretty much every meaningful metric around the business. The amount of players, the amount of time players spend, the amount of connections players have on the game, the amount of touch points the players have and, of course, revenue generation from that growing player base.



I think as we project forward, what they have done from the very beginning is ensure that they always protect the gaming community, that they're very close and listen to the gaming community and offering all that community wants. The day-to-day retention is off the charts for free-to-play game, and that's why we're confident in projecting future growth around both the existing business and of course, Apex Mobile.

And what we've talked about is releasing or soft-launching Apex Mobile later this year. As is the nature of mobile games, we have a series of closed beta tests, open beta tests and then soft launches to ensure we're appropriately treating the metrics. We've now got big numbers in our plan this year forth, Blake can comment more on that. But what we've really done is apply the same orientation the team has had around the core franchise, which is let's make sure we get the gameplay right, let's make sure we get the event strategy around the gameplay right and let's make sure we're listening to players and delivering on what players want out of that experience. That has grown every meaningful metric of Apex Legends every single season since launch. And our expectation is that we'll also be able to grow that in the same way in mobile.

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**Blake J. Jorgensen** - *Electronic Arts Inc. - COO & CFO*

Yes. And we've put -- as I think Andrew mentioned in his prepared remarks, we put relatively little revenue in for Apex Mobile in this coming year because you don't know exactly when you will release a mobile game. You want to make sure you test it, tune it and then release it at the right time, and that's globally, including China.

We believe there are some huge markets for Apex Mobile, as Andrew also mentioned. Japan is one of our largest markets for the console and PC game and the Switch game. And so we believe it will be a huge market for mobile. So we'll prioritize some of those markets. But we also know people love the game all around the world. So more to come on that. I would just trust that we have not put a large number in our forecast for Apex Mobile yet because of some of those unknowns.

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**Operator**

Your next question comes from Mike Ng from Goldman Sachs.

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

I was just wondering if you could elaborate a little bit on the comment about how the new EA SPORTS are designed for next-gen. What does that enable from a pricing perspective? And then separately, I think you made similar comments around Battlefield as well. For Battlefield specifically, will that be available for both current-gen and next-gen?

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

So yes, so Battlefield will be available for both current-gen and next-gen as well our sports titles. The reference specifically from our prepared remarks was around the nature of gameplay. What we can do with fidelity of the game, what we can do with physics, artificial intelligence and the immersive nature of the game, and in the case of Battlefield, what we can do with respect to the amount of plays that we can have in the game, and the nature of destruction in those only in Battlefield moments that are truly next-gen opportunities that we're able to do in the context of our next-gen franchises because of the increased processing power and memory and output of the new consoles.

We're really excited about what that means for our products. If you look back through the history of our industry, every time we are able to deliver high-fidelity, more meaningfully immersive products as a result of increased processing power as platform transitions, we've been able to grow the market dramatically. And sports and games like Battlefield have been leaders on that every platform generation shift. And we're excited by the fact our entire EA SPORTS portfolio and Battlefield will be developed specifically around features for next-gen plays.

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

Great. And just a follow-up, if I may. I was just wondering if you could talk a little bit more about Ultimate Team live services content in the quarter and if you have any outlook for the year. Are there any notable events that you'll be rolling out? And sorry if I missed it, but did you talk about Ultimate Team growth in the quarter?

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**Blake J. Jorgensen** - Electronic Arts Inc. - COO & CFO

Yes. We didn't call out Ultimate Team growth in the coming quarter, which we don't typically do. We just talked about Ultimate Team growth in last quarter, which year-over-year, it was up 30%. The team has done an amazing job across all sports to find ways to continue to innovate and add new events. And that's what's always drives -- it brings people into Ultimate Team and drives people to play Ultimate Team. And we've gotten better and better at that over the life of the product, and we'll continue to do that and we have optimism for the coming year and many years to come around all the sports' Ultimate Teams because we will continue to innovate on those and look for new ways for people to play them.

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**Operator**

(Operator Instructions) Your next question comes from Mario Lu from Barclays.

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

Great. I have one on Apex and one on Battlefield. So the first one on Apex. I know it's only been a week since that launch, but can you comment on how the second permanent mode arena is performing versus your expectations? And do you expect this mode to kind of bring in more new players or just increasing the engagement of existing?

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

It's still too early to tell in terms of macro numbers other than the demand was pretty incredible first week and out to the point where we had a few stability issues in the community. We're able to resolve those very quickly. Just the nature of demand was so extraordinary. In terms of do we expect that just to engage more existing players by bringing new plays, I think we believe both of those things will happen. What you have seen from the Apex team each and every season, and whether it's launching new maps, new characters or new modalities of play, every season has grown both players and the engagement of the existing player base and the player investment that comes from those 2 things.

And so it's too early to tell other than to say, Season 8 was the biggest season since Season 1 in 2019. And Season 9 as of right now looks like it will be bigger than Season 8, meaningfully so. And we're very excited about what these new modes will do. And you should expect many more new modes from Apex over the coming years.

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

Great. And then on the one on Battlefield, the new mobile title that's coming in late fiscal '22, I believe it's developed by Industrial Toys. So can you provide some background on how you decided to choose that studio versus partnering with one of the Chinese companies like Tencent or NetEase?

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

Great question. Industrial Toys, we acquired some number of years ago now. It's led by the original team who helped create [Hi-Lo] as a franchise and then had gone on to work in a number of kind of mobile companies. And we're really committed to building a truly innovative experience around first-person shooter mechanics. When we met the team, we just thought they were an incredible team. They had really unbelievable design ideas. And when we talked with them about the opportunity to work on Battlefield, they were as excited as we were.

And so we brought that team to the company a while ago now. They've been working a number of -- of a number of years through a number of cycles, and we've got to a place where we're really, really excited about the mechanic. It's a different kind of shooting mechanic to our Apex Legends. We believe they will speak to 2 very different markets, both of which have tremendous upside and tremendous opportunity for us, and both games are coming from really talented studios.

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**Operator**

Your next question comes from Mike Hickey from Benchmark Company.

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

Just curious again on Battlefield here. If you see an opportunity to annualize the premium experience, obviously, you've done well with that in sports. And prior to Battlefield, I think you had some experience with the Battle Royale. I'm curious if that's still a consideration for you and for the franchise moving forward.

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

Nothing to announce at the moment on either an annualized (technical difficulty) Battlefield and/or the nature of the modes in the upcoming Battlefield game. We're going to talk about a lot around that in the months to come starting next month with our reveal trailer, which I had the chance of seeing the work in progress last week. And it is incredible. What the team has been able to do in the context of next-generation consoles and epic-scale battles, unbelievable player count, destruction (inaudible) is really incredible. And there's some very innovative and creative modes for the future of the franchise.

The other thing that you should know and I talked about in the prepared remarks is we do have a blueprint, which is how do we start with a AAA premium experience that is truly innovative in its category? How do we build out live service for long-term engagement? And then how do we think about modalities of play in business models to further extend our reach and penetration of that game on a global basis across platforms, across geographies, across business models?

And so you'll hear a lot more from us in the months ahead. But I would just -- I would finish by saying we're really excited about Battlefield. Everything I've seen in the game is spectacular. And I think it's going to be an amazing relaunch of that franchise this year and lead us into an incredible live service for the future.

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**Blake J. Jorgensen - Electronic Arts Inc. - COO & CFO**

Yes. And Mike, you know that we believe that won't give the Battlefield fans many ways to play and let them play for a long time. And I think you'll see that in what we'll talk about in the future. It is an opportunity to extend the Battlefield experience for people because it is such an engaged community.

I'd love to tell you what I said when I saw the trailer last week, but I would -- I can't because we'll get censored. But it's -- to emphasize Andrew's point, I think people are going to be really blown away. And I'll tell you, on (inaudible), it is even more spectacular. But it will be great on the either consoles, but it's going to be very exciting, I think.

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

Nice. Excited to play it. Last question for me. I think last call, you noted that development of Battlefield was ahead of expectations. Obviously, you've seen it, it's exciting. Maybe buzz is building. But at the same time, it looks like (inaudible) or Criterion, that studio to do additional work with the base. I'm just curious on the decision to do that and what your plans are for need for speed in the future.

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

Yes. There was 2 things at play here. One is we have incredible ambition around Battlefield. We've got DICE Stockholm, DICE LA, Criterion, our technology team in Gothenburg and our entire Frostbite team, quite honestly, focused on making this the best possible Battlefield that can be. We've made tremendous progress. The teams have admirable ambition to be truly creative and innovative experience. And having Criterion who have delivered some of the most amazing experiences in our history and have worked really closely with DICE in the past, come together to help realize the fullness of that ambition was just a no-brainer for us this year.

What has also happened, of course, is we had acquired Codemasters and a number of new racing games, including the F1 franchise, which is shaping up to be really strong this year. And it was an opportunity for us to really think more broadly about our holistic racing strategy. Need for Speed will absolutely be a meaningful part of our future. We actually think there is -- with the culmination of EA and Codemasters, we can actually expand and extend and enhance an interesting franchise. But those 2 things together meant that having Criterion work on Battlefield this year was absolutely the right choice for us.

**Blake J. Jorgensen** - *Electronic Arts Inc. - COO & CFO*

Yes. And Mike, you know that Criterion actually delivered (inaudible) associated with or flying associated with Battlefield I and Battlefield II. They've worked very closely with DICE for a long time. And they are experts in driving flying, the things that are really hard to do. And so it's not the first time that we pulled them into projects and they love it. They love to be able, and this -- we've tried to create a culture where people want to work together. And I think that's what you're seeing here versus some other idea that, well, something must be wrong. No, no, this is an opportunity (technical difficulty) talent in at the right time. And we always are measuring how that might impact future schedules. But as Andrew said, with the addition of Codemasters, we have a plethora of driving game opportunities right now that we can go after, and Criterion will continue to work on those going forward.

**Operator**

Your next question comes from Drew Crum from Stifel.

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

Wondering if you'd be willing to discuss the pipeline for Glu and what's contemplated in fiscal '22 net bookings guidance. They previously planned to release a new Deer Hunter game and Table & Taste. And then separately, Blake, I think you mentioned some onetime expenses related to the Codemasters and the Glu acquisitions. Are those cash or noncash? And is it embedded in the 70% non-GAAP EPS growth that you're forecasting? And if not, what's the disconnect between that and the 18% net bookings growth that you're forecasting?

**Blake J. Jorgensen** - *Electronic Arts Inc. - COO & CFO*

Yes. We basically took their forecast that we used when we did the acquisition, which were fairly consistent with what they had done in the past. We didn't -- we wanted to make sure we didn't overinflate those. We wanted to make sure we were pretty consistent with how they have talked about their (technical difficulty). So you should assume they're pretty similar to what you've seen historically.

In terms of the onetime costs, they are cash costs. They are, in most cases, there might be some tax or R&D capitalization that occurs that will go into our P&L. But at the end of the day, the core cost in OpEx are things like deal fees, legal fees, closing fees, integration fees. And those impact mainly the first quarter and not the full year.

But there will be longer term a -- on our GAAP EPS, there will be some accounting for acquisitions that are collection of buying in of IP, which is a positive, right, because they have great IP; some amortization of intangibles related to the acquisition and some onetime cash tax charges that may impact cash taxes and cash flow. The other 2 that I mentioned most likely will not impact cash flow.

So -- but we wanted to make sure we were transparent about that. I would not worry about it because I think we will be able to continue to grow these businesses and generate higher returns off the businesses than they have in the past. And as I said, we did not put into our forecast any of the synergies associated with those acquisitions yet. More to come on that in a couple -- next couple of quarters. It just -- we literally just closed Glu, what, a few weeks ago and Codemasters a month ago. So we're just getting to a point where we truly understand what the integrations are going to look like, what the cash and noncash charges will look like. We'll keep everyone informed.

I would say it is not a big swing in the year on a non-GAAP side. It's only a swing on the GAAP EPS side just because of the way the accounting works for acquisition.

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### Operator

Your next question comes from Andrew Uerkwitz from Jefferies.

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

Just 2 quick ones. The first one, how should we read into EA PLAY moving into July from June? Lots of reasons why that could be moved back. Just curious how you're thinking about that and the future of marketing for your titles. And then secondly, it sounds like Battlefield and your future sports franchises are really trying to take advantage of next-gen consoles. How should we think about, obviously, some games that have tried doing that struggled on previous consoles for being too ambitious. How should we think about those titles relative to the 2 different generation of consoles?

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### Andrew Wilson - Electronic Arts Inc. - CEO & Director

Yes. On EA PLAY, I think that typically, E3 governed the key promotional time frame across most of the industry happened in June. Given COVID and virtual marketing and the nature of these things, I think we've been able to kind of think about what's the most appropriate time line for us. And given the launch schedules in our games, we feel like July is the right time frame from that.

But what I'd also say is, as we talked about, you'll hear a lot from our build in June. And we'll kind of ramp up to that July. So it's not like you won't hear anything from us until July. The July time frame, just optimally time for our title launches, better suits us. We've showed up in June in the past because the whole industry has at that time. But with the world that we live in now, we have greater flexibility to do what's more relevant for our business.

With respect to current-generation versus next-generation titles or maybe we should say current-generation versus past-generation platform titles, this is (technical difficulty) we have done exceptionally well for decades. I have a great fortune of growing up in this company and building games on multiple generations. And I think when you think about our infrastructure around our Frostbite team, our digital services teams and our game teams who have unbelievable experience gaining the very best out of the past generation consoles to ensure that even as we move to the next generation, we're getting more and more out of the old generation platforms. And so those games are going to look great.

When we think about new platform generations, again, with the advances that we make in Frostbite, with the advances that we make in our digital ecosystem and with the advances that we're making at a feature design level with the new unlocks that come from power, the games on next-generation consoles are going to be extraordinary. And remember, we've already launched FIFA and Madden on those platforms. It's only going into year 2 of those. And we gained a lot of learning with our other franchises as we move into the second year of the platform.

**Blake J. Jorgensen** - *Electronic Arts Inc. - COO & CFO*

Yes. The only other thing I would add to that is, remember, if our business is approaching 70-plus percent live services, what is critical is getting people into a franchise because once they're in a franchise or in a social network with other people that love the same thing they do and that means they'll engage in a live service, which means they're going to stay longer, they may spend, but most importantly, it becomes something that they do for a long time because it is that network that holds them together.

You love football, you want to engage in football with all the people that love the same thing you do, the same team, the same league, whatever it might be. So part of the logic around building out the subscription platform on multiple vehicles is making sure we're continuing to bring people (technical difficulty) services, which we know people will love over time to play.

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**Operator**

Your next question comes from Matthew Thornton from Truist Securities.

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

Maybe a couple of quick ones from me. First on Apex, you talked about obviously layering in mobile growth. I guess if we think about just the base game this year, do you expect growth in the base game, maybe just driven by the full year of the launch on Apex? Any color there.

Secondly, as it relates to Battlefield, I don't know if you can maybe give us any context as to how you're thinking about that in the fiscal '22 guidance maybe relative to prior precedent for the game. Again, any color there. And then just lastly, I'm not sure if you'd be willing to bite, but on any developments or progress you'd be willing to talk about as it relates to maybe the out-year pipeline in several of the titles that you've disclosed and discussed in the past.

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**Blake J. Jorgensen** - *Electronic Arts Inc. - COO & CFO*

Well, I'll start. What I would say is in our guidance, you know we're traditionally conservative. So in our guidance for Battlefield, we have a lot of expectations, a lot of excitement, but I would tell you we don't have a number that is unachievable there. I think we clearly can achieve it and we hope to exceed it because we know that the Battlefield title is going to be very strong.

Apex, we've seen growth year -- or quarter-over-quarter basically since it started, and we have high confidence that the team can continue to do that even before the mobile product comes out. And mobile obviously will accelerate that. And I think as we said earlier, we don't have a giant number in there for mobile this year because we don't -- it's hard to predict exactly when it goes live and monetizes.

So I think we're (technical difficulty) if you look at our forecast, it's a large forecast, probably the biggest that we've ever done. But I would say there's still conservatism in that forecast around both mobile, Battlefield and other titles where we are all focused on trying to grow them. I can't remember what your third question was, so I apologize.

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

It was around out-year content and would we buy from that.

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**Blake J. Jorgensen** - *Electronic Arts Inc. - COO & CFO*

Yes.

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

So what I would offer is I think that what we talked about earlier was we had been recruiting amazing talent into the organization from across the industry. We feel really, really good about our best strength both in the context of mobile and the context of our HD organization, and you've also seen us growing in really good ways in Asia. We've talked about a college football game. We've talked about a state game. We've talked about a new game from Motive. We've talked about new packs. We've talked about a number of new FIFA titles from our mobile group and new mobile titles in Asia.

I would tell you that we still feel really good and really strong about all of those. They are tracking as we believe they had, including a new title coming out of BioWare. So nothing new to give you beyond that other than we still feel very confident in our outgoing -- our out-year portfolio. And we also have some other things that we're kind of incubating that we think will further add to them in the years to come.

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**Operator**

Your next question comes from Todd Juenger from Sanford Bernstein.

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**Todd Michael Juenger** - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

I appreciate you squeezing me in here at the end, which is perfect for this question. I think -- I guess I'm struck, having been sitting here listening, that the issue of how consumers will behave as we move through this next year and beyond has barely been discussed, especially given the fact that you're in a position on the calendar where you're giving us -- thank you for a year forward. So I guess I just wanted to visit that briefly. And just given everything you've observed and learned during this, have you -- do you want to just share with us what your underlying assumptions are in your guidance for however consumers are going to change their lives as we move through this? And have you basically concluded that it doesn't matter that much to your own success? Or how should we be thinking about that? I appreciate it.

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**Blake J. Jorgensen** - *Electronic Arts Inc. - COO & CFO*

Yes. We -- go ahead. Sorry, Andrew.

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

I'll let Blake kind of put some further things around this. But I would say pre-pandemic, we had seen 2 fundamental secular trends. Social interaction was moving in digital to digital and the consumption of sport entertainment was moving from linear to interactive. So that was already happening. What happened through COVID was those 2 secular trends were accelerated exponentially. And we saw almost all interaction happen digitally and almost all consumption of sport and much of entertainment was done through interactive forms versus linear forms.

As we project forward, we don't see that going backwards in any means or way. In fact, we think it will continue to grow stronger as we've really established social networks inside of our games and inside of our network. And we're really offering players a more intimate way to connect with the sports and leagues and teams and entertainment content they love. So we think about the growth of our business.

We think -- we don't think anything ever goes back to where it was before. We think this growth continues. There will, of course, be some changes as various parts of the world moves through the post-pandemic stages. But this notion of social interaction moving from physical to digital and the consumption of sport entertainment moving from linear to interactive, we don't think that goes back, and we think that underpins and it's foundational to the ongoing strength of our business going forward.

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**Blake J. Jorgensen** - *Electronic Arts Inc. - COO & CFO*

Yes. I'd just add to that. We obviously know that our Q1 last year was extremely strong because that was when everyone essentially went home and many people even didn't work, right? So clearly, we benefited from that. But if you look at Q2 through Q4 of last year, what you saw is still strength, not strength of Q1 but still strength every quarter, beating guidance every quarter, unbelievable strength across Ultimate Team, Apex and others.

And to Andrew's point, we were able to steer people into games and social networks that were very (technical difficulty) for them and they stayed around. And we're seeing that trend going forward. And even if we all go back to, maybe someday, normal life, which we all hope, we believe we've brought a lot of new people into games and into social networks that they want to be in and they enjoy being in and will continue to play in. So we -- no one quite knows how to predict COVID going forward, but we're very confident that we have done something that we never anticipated at the start of last year. But it has worked to our advantage to bring people into games that they love and networks that they love and we think that will help us long term.

So with that, I think that was our last question. We appreciate everybody's constant attention and help and look forward to seeing people hopefully in person one day, but if not, by Zoom. So thank you for everybody taking your time today.

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

Thank you, all.

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**Operator**

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

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