

Electronic Arts Inc. Q2 FY 2021 Results

November 5, 2020

Safe Harbor Statement

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

- Some statements set forth in this document, including the information relating to EA’s fiscal 2021 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 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 our Annual Report on Form 10-K for the fiscal year ended March 31, 2020
- These forward-looking statements are current as of November 5, 2020. 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 herein are estimates based on information currently available to Electronic Arts.
- While Electronic Arts believes these estimates are meaningful, they could differ from the actual amounts that Electronic Arts ultimately reports in its Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2020. 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 September 30, 2020.

Executing On Our Key Growth Drivers

1. Delivering amazing games and content

- Launched four games during the fiscal quarter and a total of eight games in the fiscal year to date
- Launched over 125 games and content packs on Steam this fiscal year
- Even prior to launching FIFA 21, our FIFA franchise was having the biggest calendar year ever, with our business across all platforms up 26% year-over-year in net bookings

2. Offering live services that extend and enhance the experience

- EA SPORTS Ultimate Team currently has more than 30 million players this year, up 25% YoY
- Apex Legends net bookings were up 24% YoY
- EA Play now has more than 6.5 million paid subscribers

3. Connecting more players, across more platforms, and more ways to play

- Launched EA Play on Steam and announced partnership with Microsoft Game Pass
- Enabled cross-play in Apex Legends
- Debuted cross-progression between Madden on console and Madden Mobile

Financial Highlights

- **Beat company's expectation on top and bottom line**
- **Delivered record OCF of \$2.04 billion for the trailing twelve months**
- **Announced a new two-year \$2.6 billion share repurchase program**
- **Initiated a quarterly dividend of \$0.17 per share**

Financial Summary

Q2 FY21 (\$ in millions, except EPS)

Actuals

Guidance

Net revenue

\$1,151

\$1,125

Operating expenses

\$716

\$755

GAAP EPS

\$0.63

\$0.21

Year-on-year comparisons should note that FIFA launched in fiscal Q3 this year, rather than fiscal Q2 last year, and that Madden NFL 21 launched weeks later than Madden NFL 20 last year.

Operating expenses were lower than guided, driven by variable compensation and timing of marketing spend. See following slides for further commentary on business drivers.

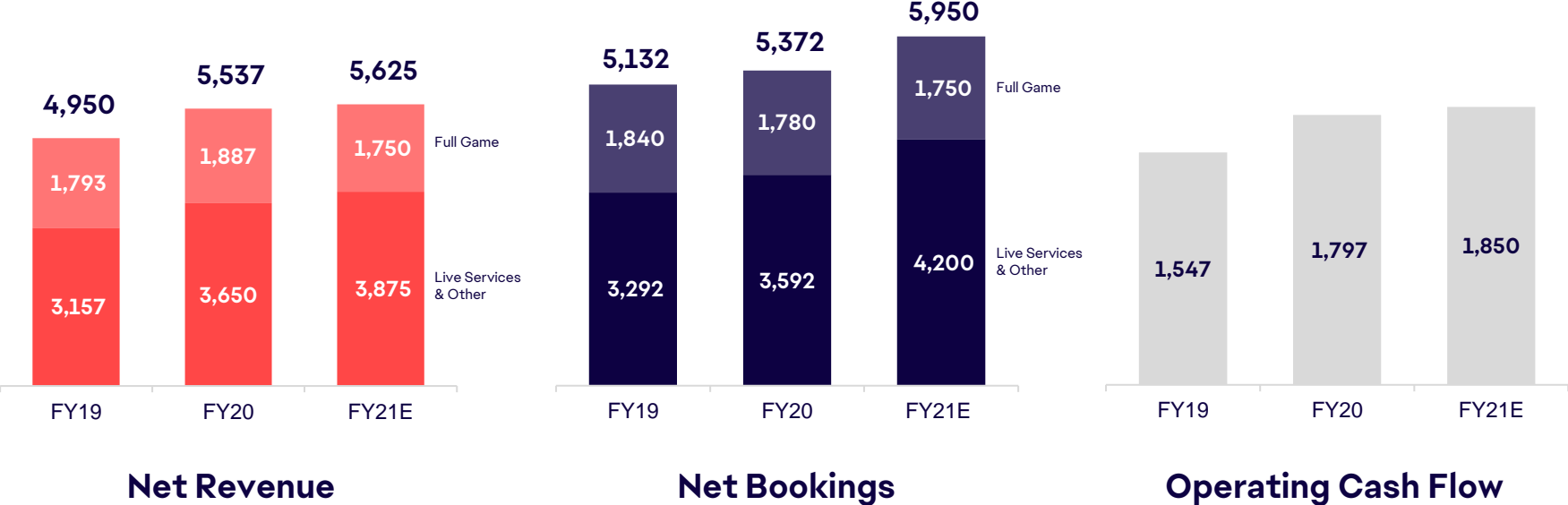
Key Business Drivers – Net bookings

(\$ in millions)

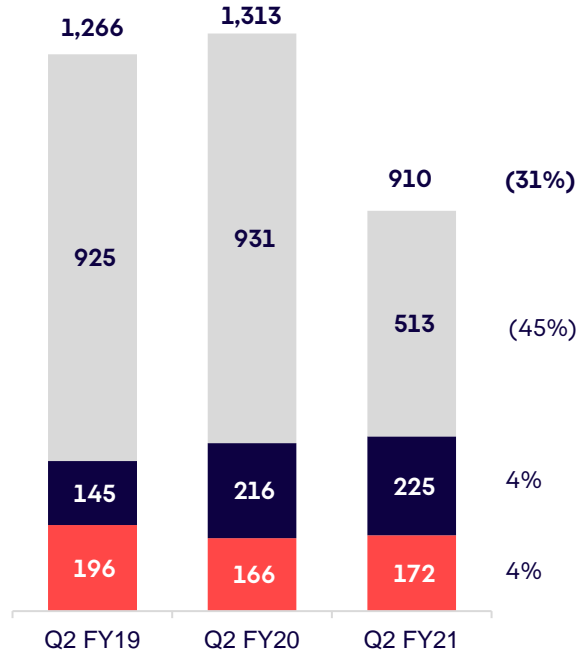
Total	\$910	\$35 million above guidance of \$875 million, driven by outperformance in live services. The currency headwind net of hedges was \$23 million year on year.
Live services & other	\$644	<p>Outperformance primarily driven by Madden Ultimate Team and FIFA Ultimate Team.</p> <p>Apex Legends grew 24% year on year. Now likely to deliver more than \$500M during the fiscal year.</p> <p>Mobile grew 4% year on year.</p>
Full game	\$266	<p>56% of units sold through are now digital rather than physical, measured on Xbox One and PlayStation 4 over the last twelve months.</p> <p>After eight weeks of Madden NFL 21 sales, digital accounted for 66% of units sold through to players. After the first three weeks of FIFA 21, the number was 50%. These are both up 14 points year on year, and we believe this step up is likely a structural change, driven by the COVID shelter-in-place orders.</p>

Growth: Topline to Cash

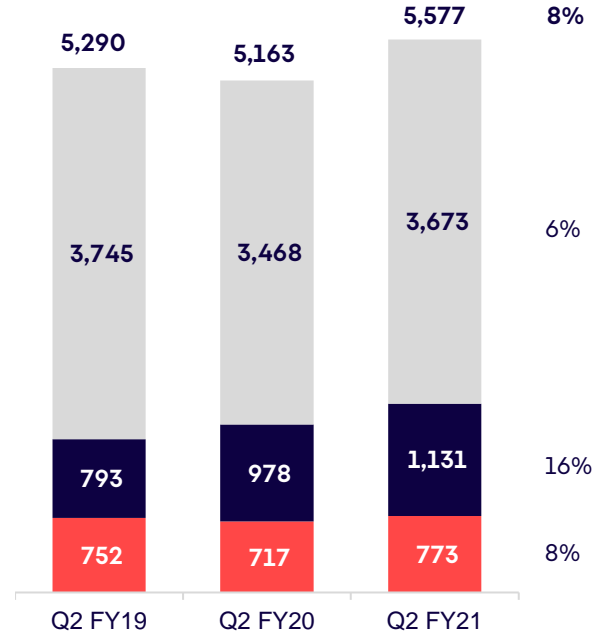
(in \$ millions)



Net Bookings by Platform



Quarterly (in \$ millions) YoY Growth

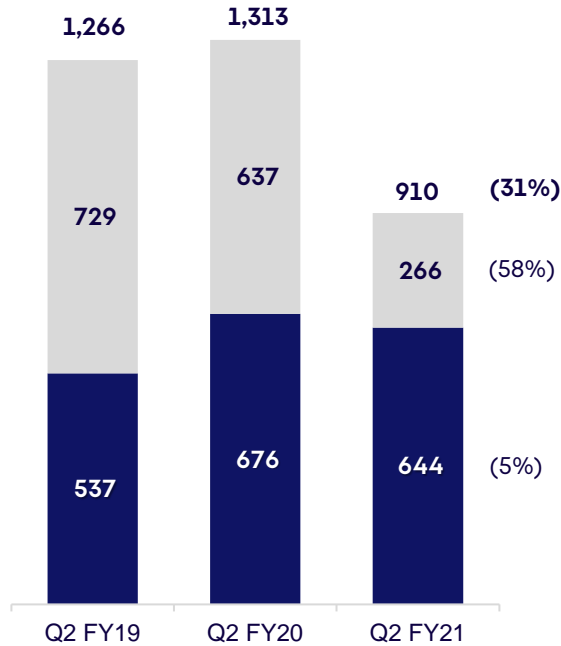


Trailing 12 Months (in \$ millions) YoY Growth

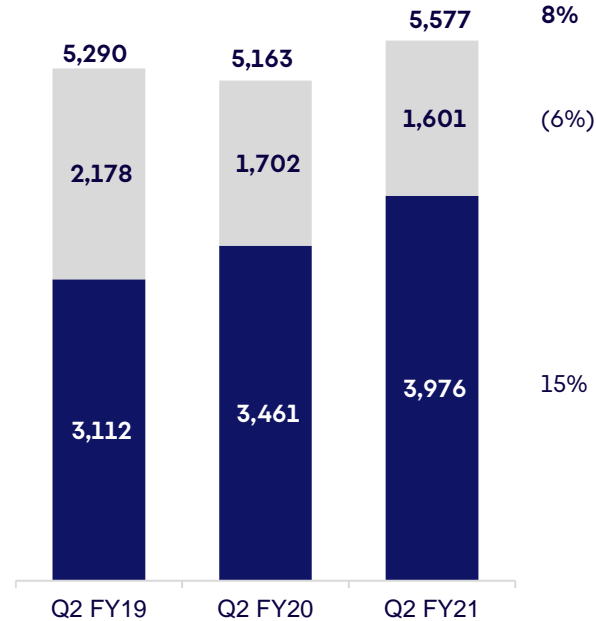
Note: As previously announced, Q2 FY21 includes the impact of launching Madden NFL 21 later than Madden NFL 20 and moving FIFA 21 out of Q2 and into Q3; this resulted in ~\$525 million of net bookings moved from Q2 to Q3/Q4.

■ Console
■ PC & Other
■ Mobile

Net Bookings by Composition



Quarterly (in \$ millions) YoY Growth



Trailing 12 Months (in \$ millions) YoY Growth

Note: As previously announced, Q2 FY21 includes the impact of launching Madden NFL 21 later than Madden NFL 20 and moving FIFA 21 out of Q2 and into Q3; this resulted in ~\$525 million of net bookings moved from Q2 to Q3/Q4.

■ Full Game
■ Live Services & Other

Expanding, Diversified Portfolio of Live Services

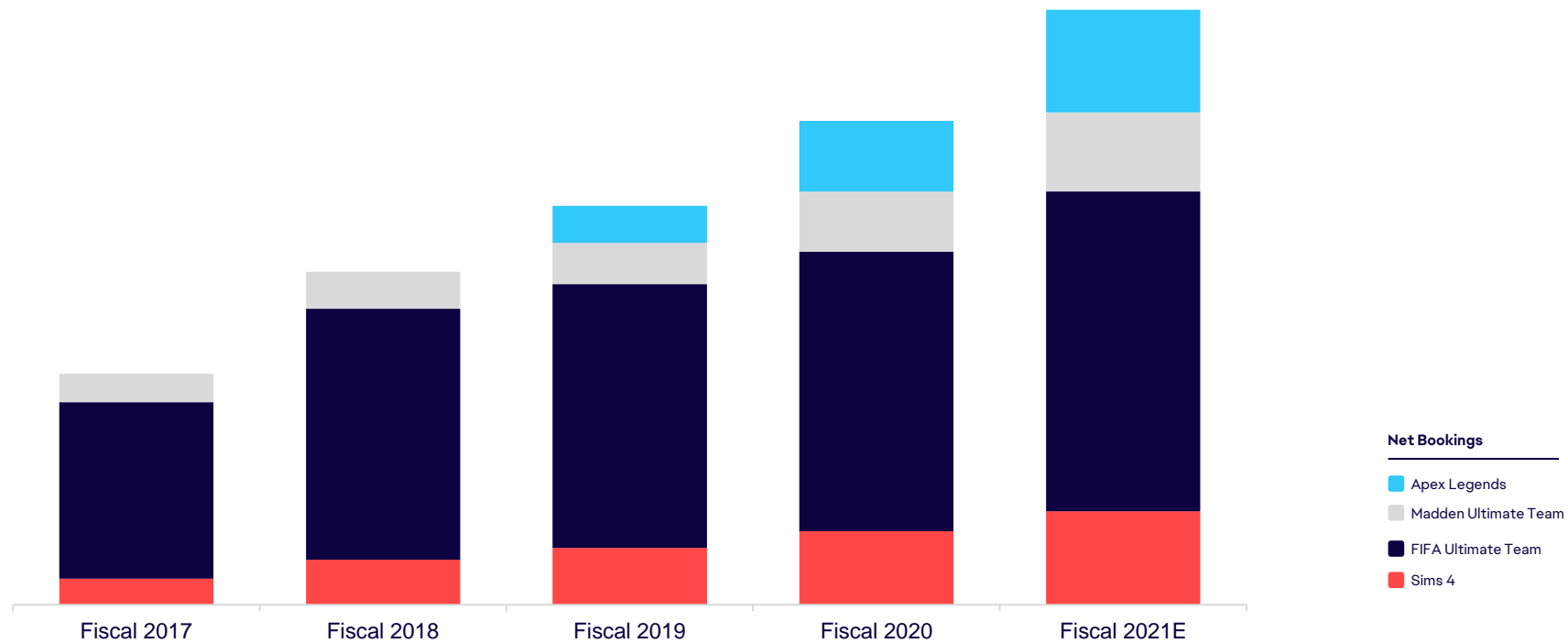
Active Q2 FY21 Console/PC



ANTHEM



Extending Power of Live Services



FY21 Announced Title Slate

- Only announced titles with public launch dates are represented. Titles are reflected in alphabetical order and launch timing is subject to change.
- Over the coming months, we expect to announce the launch dates of additional FY21 title releases, including an EA Originals title and a remastered title.
- In addition, we will see platform expansions for some of our current EA titles. These include previously-announced FIFA 21 and Madden NFL 21 on next-gen consoles as well as Star Wars Jedi: Fallen Order on Google Stadia.

Q1

Burnout Paradise Remastered
Command & Conquer Remastered

Q3

FIFA 21
Medal of Honor: Above and Beyond
Need for Speed Hot Pursuit Remastered
NHL 21

Q2

Madden NFL 21
Rocket Arena
Star Wars: Squadrons
UFC 4

Q4

Mobile: Profitably Leveraging Our IP



Fiscal Year Guidance Notes

(\$ in millions, except EPS)	FY21E	Commentary
Net revenue	\$5,625	
Cost of revenue	\$1,485	
GAAP EPS	\$3.15	Our guidance EPS calculation does not factor in share repurchase.
Operating cash flow	\$1,850	
Net bookings	\$5,950	<p>Strength in live services, offset by the move of Apex Legends on Switch from FY Q3 to FY Q4 and two EA Originals titles out of FY21 into FY22. Estimated impact of ~\$120 million out of FY21 but will benefit FY22.</p> <p>We are forecasting FX headwind of ~\$80 million y/y and a fall in interest income of ~\$80 million y/y.</p>

Fiscal Year Guidance

The following table provides guidance for EA's Fiscal 2021 financial performance. These preliminary estimates and expectations are based on current information as of November 5, 2020 and are subject to business and economic risks and uncertainties that could cause actual events or actual future results to differ materially from expectations set forth herein. In addition, while EA does not provide expectations on non-GAAP financial performance measures, the following outlook for GAAP-based financial data and a long-term tax rate of 18% are used internally by EA to adjust our GAAP expectations to assess EA's operating results and plan for future periods.

For more information about the nature of the GAAP-based financial data, please refer to EA's Form 10-K for the fiscal year ended March 31, 2020.

This information is also available in Excel format in our financial model at ir.ea.com.

	Twelve Months Ending March 31, 2021			
	GAAP-Based Financial Data			
	GAAP	Acquisition- related	Change in deferred net revenue (online- enabled games)	Stock-based compensation
	Guidance	expenses	revenue (online- enabled games)	compensation
<i>(in \$ millions)</i>				
Total net revenue	5,625	-	325	-
Cost of revenue	1,485	-	-	(3)
Operating expense	3,022	(20)	-	(442)
Income before provision for income taxes	1,086	20	325	445
Net income	924			
Number of shares used in computation:				
Diluted shares	293			

Refer to appendix for additional disclosures.

Quarterly Guidance Notes

(\$ in millions, except EPS)

Q3E

Commentary

Net revenue

\$1,675

Cost of revenue

\$599

Operating expense

\$840

GAAP EPS

\$0.61

Our guidance EPS calculation does not factor in share repurchase.

Net bookings

\$2,350

Note that the significant year-on-year variance is driven by the move of FIFA 21 from FYQ2 to FYQ3. Refer to slide 18 for quarterly phasing.

Quarterly Guidance

The following table provides guidance for EA's Q3 FY21 financial performance. These preliminary estimates and expectations are based on current information as of November 5, 2020 and are subject to business and economic risks and uncertainties that could cause actual events or actual future results to differ materially from expectations set forth herein. In addition, while EA does not provide expectations on non-GAAP financial performance measures, the following outlook for GAAP-based financial data and a long-term tax rate of 18% are used internally by EA to adjust our GAAP expectations to assess EA's operating results and plan for future periods.

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	Three Months Ending December 31, 2020			
	GAAP-Based Financial Data			
	GAAP Guidance	Acquisition- related expenses	Change in deferred net revenue (online- enabled games)	Stock-based compensation
<i>(in \$ millions)</i>				
Total net revenue	1,675	-	675	-
Cost of revenue	599	-	-	-
Operating expense	840	(5)	-	(115)
Income before provision for income taxes	227	5	675	115
Net income	180			
Number of shares used in computation:				
Diluted shares	294			

Quarterly Guidance Phasing

	Q1A	Q2A	Q3E	Q4E	FY21E
GAAP Net Revenue %	26%	20%	30%	24%	100%
GAAP Net Revenue \$M	\$1,459	\$1,151	\$1,675	\$1,340	\$5,625
Change in deferred net revenue \$M	(\$69)	(\$241)	\$675	(\$40)	\$325
Net Bookings %	23%	15%	40%	22%	100%

Currency Assumptions

Current FX assumptions^{1,2}

	USD/	FY20 Q2A	FY21 Q2A	FY21 Q3-4E
Net Bookings	EUR	1.12	1.16	1.17
	GBP	1.24	1.29	1.29
Operating Expenses	CAD	1.32	1.34	1.34
	SEK	9.44	8.93	9.03

Rule of thumb

If the U.S. dollar strengthens 10% against the Euro and British pound sterling:

- With hedging, total net bookings decrease 2.1%
- Total cost of revenue and operating expenses decrease 1.6%

If the U.S. dollar strengthens 10% against the Canadian dollar and Swedish krona:

- Total net bookings decrease 0.4%
- With hedging, total cost of revenue and operating expenses decrease 0.7%

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

¹For FY20 Q2A and FY21 Q2A, FX rates are a simple average of EA's actual monthly P&L rates. For FY21 Q3-4E, the same FX rates are used for all forecast periods.

²For all periods, FX rates are quoted using market convention.

Cash Flow Selected Data

Cash Flow Data (in \$ millions)	Actuals				
	Q2 2021	Q2 2020	Q2 TTM 2021	Q2 TTM 2020	
Investing Cash Flow	(53)	(313)	(155)	(390)	
Financing Cash Flow	32	(312)	(773)	(1,291)	
Operating Cash Flow	A	61	37	2,041	1,748
Capital Expenditures	B	25	27	131	128
Free Cash Flow	A – B	36	10	1,910	1,620

The trailing twelve months **operating cash flow** of \$2.04 billion is a **new record**, driving cash and short-term investments up 24% YoY.

Appendix

- Net revenue, gross profit and operating cash flow are presented on a GAAP basis.
- Net bookings is an operating metric that EA defines as the net amount of products and services sold digitally or sold-in physically in the period. Net bookings is calculated by adding total net revenue to the change in deferred net revenue for online-enabled games.
- A calculation of net bookings can be found in the “Net Bookings” tab of the Financial Model provided on our IR website.
- In fiscal 2021, EA changed the way in which it presents net revenue and net bookings. Periods prior to the first quarter of fiscal 2021 have been recast for comparability to align with these changes. For more information please refer to the Financial Reporting FAQ on the IR website.
- Forward-looking statements are valid as of November 5, 2020 only. Electronic Arts assumes no obligation to update these forward-looking statements.