



Prepared remarks  
Q2 Fiscal 2021

**CHRIS:**

Thank you.

Welcome to EA's second 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 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.

Note that we've completely revamped the earnings slides this quarter. They now contain all of the metrics and color that we historically have included in Blake's remarks. These changes free up time on the call for more analysis from Blake and Andrew, and provide more opportunity for questions from you. Please let me have your feedback on this change.

With regards to our calendar: our Q3 fiscal 2021 earnings call is scheduled for Tuesday, February 2. As a reminder, we post our entire year of 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, November 5, 2020, 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 everyone well and staying healthy amidst the ongoing pandemic.

After the biggest first quarter in the history of Electronic Arts, our second quarter of FY21 showed continued strength with net revenue and earnings above our guidance. We are driving growth through the breadth, depth and quality of our new games, our industry-leading live services, and expansion to more platforms and more ways to play.

Let me first say how thankful I am to our teams for their incredible work and everything they are delivering for our players. The well-being of our people remains our top priority. Even amidst these unprecedented circumstances, we are executing and building great strength across our business. Here are a few key examples:

- We've delivered eight new games so far this year, and our network has grown to more than 330 million unique accounts as tens of millions of new players have joined to enjoy more of our amazing games and content.
- EA SPORTS continues to be the leader in sports interactive entertainment. *Madden NFL 20* was the most successful game in franchise history last year, and now *Madden NFL 21* already has nearly 30% more players year-over-year from launch.
- Our FIFA franchise is engaging more than 100 million players globally. 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. *FIFA 20* has reached nearly 35 million players on console and PC, *FIFA Mobile* continues to perform well, and *FIFA Online* in Asia broke engagement records across China and Korea in Q2.

We just launched FIFA Mobile Japan in October as we continue to see significant international expansion opportunities for our FIFA franchise.

- We continue to have an outstanding relationship with Disney and Lucasfilm. *Star Wars: Squadrons* launched to great feedback from critics and the community, and has performed above our expectations. This is clearly a special game for fans, and continues the extraordinary success we've had bringing great games to life with this IP, including *Star Wars Jedi: Fallen Order*, *Star Wars: Galaxy of Heroes*, *Star Wars: The Old Republic*, and the *Star Wars: Battlefront* franchise.
- Our live services are among the most successful in the industry, and our live services net bookings have grown more than 28 percent fiscal year-over-year to date. EA SPORTS Ultimate Team has more than 30 million players so far this year, up 25% year-over-year. Around the world, our multi-platform Sims community continues to grow, and our Sims 4 player base on PC and console is now the largest in franchise history. *Apex Legends* has established itself as a top global franchise with major year-over-year growth and continued expansion opportunities. Apex in Asia is having great success with each season of content, we've just launched the game to the massive Steam community, and cross-play is now live, making it easier for people to play with friends around the world.
- Our esports programs are scaling to new records in viewership. Our new Madden NFL episodic content featuring NFL athletes, celebrities and top Madden NFL players is bringing great entertainment to a much wider audience. And our recent *FIFA 21* Challenge, which paired esports stars with celebrity soccer players, was our most-watched esports event to date with viewership that placed it amongst top esports broadcasts worldwide.
- Our EA Play service is the most successful multi-platform subscription in the industry. With the addition of our subscription on PS4 and Steam, we've reached more than 6.5

million paid subscribers. EA Play is now set to go live on Microsoft Game Pass in a few days, and we believe we have the opportunity to double our subscriber base over the next 12 months.

- In addition to our subscription, we've launched more than 125 games and content packs on Steam this year, with new titles like *C&C Remastered* and *Star Wars: Squadrons* leading the download charts on the platform. Bringing our games to Steam is a new and additive business for us. With the EA and Steam communities able to play together, we're able to harness the full opportunity in the PC space as it continues to show strong growth.

We continue to lead the industry as the only developer and publisher with the ability to bring this much quality content to players. We've done this through unprecedented circumstances in the last six months, and now we're delivering more great experiences in our current quarter.

We started our third quarter by launching two new EA SPORTS games. When it went live globally on October 9, *FIFA 21* already had a record number of players in the game through the early access benefit of our subscription. Our player metrics in *FIFA 21* are strong, and *FIFA Ultimate Team* also continues to grow with matches in the mode up 30% year-over-year. *NHL 21*, which includes the fan-favorite *NHL 94 Rewind*, has quickly become the most successful NHL game yet on current-gen consoles.

*The Sims 4* and *Apex Legends* show how we build great live services into strong ongoing businesses. This quarter we'll launch our 10th expansion pack for *The Sims 4*, along with some important game updates that add even more cultural customization options for players. On the heels of a highly successful Season 6, we've just launched Season 7 in *Apex Legends*, which is set to be our biggest season of content this year. We now have more than 20 top live services across console, PC and mobile, forming a foundation for continued growth.

We will continue to reach more players across more platforms in Q3. We have more titles launching on Switch and Google Stadia this quarter. *Medal of Honor: Above & Beyond* will launch on Oculus VR in December -- our second VR experience this year. And as I mentioned before, we will take another step in our subscription strategy this week with our expansion to Microsoft Game Pass, opening significant new opportunities to grow our subscriber base.

This quarter also brings the launch of the next-generation consoles from our partners at Microsoft and Sony. EA SPORTS is always at the center of innovation for us, and it will lead the way on the next-gen consoles. *FIFA 21* for PS5 and Xbox Series X will leverage the major upgrade in technology to bring players unprecedented immersion, innovative gameplay, and minimal load times that put them into the action in under two seconds. *Madden NFL 21* for the next-gen consoles will blur the lines with sport even further through a new system that is responsive to the way NFL players perform in the real world. We're excited to have an opportunity to bring even more players into our FIFA and Madden franchises this year, and we're providing a smooth transition for players on current-gen consoles to move over with a next-gen upgrade.

Looking ahead, I want to offer a few thoughts on our growth drivers for FY22 and beyond.

Each previous console generation has grown the global market, and we expect this transition will do the same. We plan to launch at least six new games on the next-gen consoles in FY22. These will include a new Need for Speed game that is bringing some astounding visual leaps, developed by the Criterion team, who have launched some of the most highly-rated games in franchise history. DICE is creating our next Battlefield game with never-before-seen scale. The technical advancements of the new consoles are allowing the team to deliver on a true next-gen vision for the franchise. We have hands-on play testing underway internally, and the team's been getting very positive feedback on the game as we've begun to engage our community.

The next Battlefield is set to launch in holiday 2021, and we are excited to share a lot more about the game in the spring.

Our live services are positioned to be a long-term growth driver. Having built *Apex Legends* into an amazing live service with a deeply engaged community, the talented Respawn team in Los Angeles has expanded Apex development to include a full team in our Vancouver location, so that we can continue delivering more great content. Japan is now our second-largest market for Apex Legends, and we have strong plans to continue growth in that region. In addition, Apex Mobile development will be complete in the new year and ready for launch in FY22. We also expect another very strong year for *The Sims 4*, a testament to the strength of that community as it enters the seventh year of live service.

EA SPORTS will be executing on a significant expansion that will span new games, more geographies and more ways to engage. FIFA is growing -- in addition to *FIFA 21* on next-gen this year and Stadia in the new year, the success of our FIFA Online 4 free-to-play game in Asia now leads us to expand that game to new markets, including the Middle East and Eastern Europe. Soccer continues to grow in popularity around the world, and we now have six new soccer mobile games in development for new genres and new markets. Our roster of top soccer league licenses is also unmatched. Our recently-extended agreements with the Bundesliga and La Liga, in addition to more than 30 other league partners including the UEFA Champions League, CONMEBOL, and the Premier League, enable us to continue delivering this franchise to more players around the world with the authenticity they expect. We also just announced new multi-year agreements with our partners at the NHL, NHLPA and UFC that will see us creating more innovative hockey and fighting experiences. We also have plans to add to our core EA SPORTS portfolio with multiple new franchises in the years ahead. And in addition to our college esports expansion that we've just announced with IMG Learfield, in the weeks ahead we will share more about another major new development in our esports program,

capitalizing on our growing fan base and demand from esports teams, sponsors and broadcasters.

Our business has expanded significantly this year, our pipeline of new games and live services is robust, and we're positioned well for sustained growth. A huge thank you goes to our amazing teams for their incredible spirit and dedication to our players. I'm proud of how we continue to execute.

Now I'll turn the call over to Blake.

**BLAKE:**

Thanks, Andrew.

As you know from Chris's introduction, we are trying something different with our earnings call this quarter, and you should listen to my prepared remarks in conjunction with the expanded presentation we posted on our Investor Relations website earlier today. It now contains all of the metrics and color I would normally read here. This approach gives us more time for analysis and more time for your questions.

So, with that said, I'd like to briefly highlight a few points.

We came in well above our guidance this quarter. The beat was driven by our live services, led by Madden Ultimate Team and FIFA Ultimate Team. First-week sell-through for Madden was up nearly 20% year-on-year, and this after *Madden NFL 20* turned in the best year ever for Madden on console. This is also the first time we linked Madden Mobile to console Madden, and we saw hundreds of thousands of mobile players registered in the first tranche of *Madden NFL 21* buyers.

Credit is also due to the Respawn teams and the quality of the content they're adding to *Apex Legends*. *Apex Legends* net bookings came in 24% ahead of last year, and is off to a strong



start in Q3. We started the year expecting \$300 million to \$400 million in net bookings; it is now on track to deliver more than \$500 million. That is, Apex will have gone from zero to about a billion dollars in lifetime net bookings in just two years. With this velocity, and the addition of mobile, we believe Apex has the potential to grow to a billion dollars in net bookings every year. This is what we do. We've done it with FIFA, we've done it with Madden, we've done it with The Sims, we're doing it with Apex, and we'll do it again.

Mobile grew year on year, again, and we're excited about our new title slate for this platform, particularly *Apex Legends* and the soccer games Andrew discussed.

It's been a strong three months for launching new EA games. We launched *Madden NFL 21*, *Star Wars Squadrons* and *UFC 4* in the quarter, along with *Rocket Arena* from Final Strike Games. *Squadrons* is the latest example of the power of our licensing model, in which we leverage the synergy between well-loved IP and the skills of our development teams to bring extraordinary new experiences to fans and gamers.

The FIFA franchise continues to grow. *FIFA 20* attracted 12% more players than *FIFA 19*, and engagement remains strong, making *FIFA 20* the most successful game in the 27-year history of the franchise. *FIFA 21* launched after quarter end, and is off to a good start, with live services net bookings for the first three weeks up relative to the comparable period last year. FIFA Ultimate Team continues to be the most popular mode in the game, and also the most engaging for players.

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 permanent structural change, driven by the COVID shelter-in-place orders.

That adds up to six new games launched since the beginning of Q2, including blockbuster franchises like FIFA and Madden, and fan-favorites like *Star Wars* Squadrons. This is more than our peers manage in a year, and further testimony to our teams' ability to execute under difficult circumstances.

We reached more players with EA Play this quarter, with the launch of the subscription service on Steam. In addition, Microsoft has noted the value EA Play will bring to their Game Pass Ultimate, and we expect making it available on that platform will lead to another step up in EA Play subscribers.

Operating expenses came in materially below our expectations, driven primarily by variable compensation and phasing of marketing investments.

We hit a new record in **trailing twelve-month cash flow of \$2.04 billion**. The strength and dependability of our cash flow has led us to start a new repurchase program this quarter, and also to initiate a dividend for the first time. The share repurchase authorization is for a \$2.6 billion program over two years. Our Board has declared a quarterly cash dividend of \$0.17 per share of our common stock, which represents an annualized yield of about 0.5%, calculated as of close of market on November 4. As a result, we expect to return a total of \$3 billion to investors over the next 24 months.

We're now looking ahead to the launches of the new PlayStation and Xbox. Console transitions have historically driven broad industry growth, and are opportunities to grow our franchises. In particular, owners of *Madden NFL 21* and *FIFA 21* for the current generation of consoles can upgrade for free to the next-generation version anytime before the launch of the "22" versions of the game next year. In addition, we expect to leverage the ongoing strength of *FIFA 20* engagement into building an even larger audience for *FIFA 21*.

**Our expectation for full-year GAAP revenue** remains \$5.625 billion, **cost of revenue** to be \$1.485 billion, and **earnings per share** of \$3.15. We are **reaffirming our operating cash flow guidance** of \$1.850 billion. We continue to anticipate capital expenditures of around \$125 million, which would deliver free cash flow of about \$1.725 billion. See our earnings slides for further cash flow information. Remember that our guidance EPS calculation does not factor in any share repurchase.

We expect **net bookings** for the year to be \$5.950 billion, unchanged from our prior guidance. This is driven by ongoing strength in our live services, offset by the move of Apex Legends on Switch and the extra time we're giving to two of our EA Originals titles. Versus our expectations last quarter, those changes amount to about \$120 million of net bookings moved out of fiscal 2021 that will benefit fiscal 2022. The annual guidance factors in an FX headwind of about \$80 million. And, as you build your model, note that we are also forecasting a fall in interest income of about \$80 million compared to last year, due to the sustained low interest rates the world is experiencing.

For the **third quarter**, we now expect **GAAP net revenue** of \$1.675 billion, **cost of revenue** to be \$599 million, and **operating expenses** of \$840 million. This results in **earnings per share** of \$0.61 for the third quarter.

We anticipate **net bookings for the third quarter** to be \$2.350 billion, which would make it the largest quarter in EA's history.

Some context for this guidance. We're now guiding fiscal 2021 net bookings to be 11% higher than fiscal 2020. This is incredible growth, some driven by the shelter in place orders, but much also driven by the work our teams do every day in bringing new live services content to players.

Even with the strong year, we still expect net bookings and earnings to grow next year. The growth will be driven by a great slate of new titles including Battlefield, our blockbuster sports

titles, Need for Speed and the titles we moved out of fiscal 2021. We anticipate a strong performance from our live services, and to continue to bring our franchises to new platforms, for example, bringing *Apex Legends* to mobile.

Now I'll hand back to Andrew.

**ANDREW CLOSING:**

Thanks, Blake.

Games are becoming the central thread of the digital lifestyle for people around the world. With more players than ever continuing to connect and engage through our franchises, our business has grown significantly this year, and we are confident projecting meaningful growth into FY22 and beyond.

We hope everyone stays healthy and enjoys some great games this holiday season. 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 2021 and 2022 guidance information and fiscal 2021 and 2022 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 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 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 in this release are estimates based on information currently available to Electronic Arts.

While Electronic Arts believes these estimates are meaningful, they could differ from the actual amounts that Electronic Arts ultimately reports in its Quarterly Report on Form 10-Q for the fiscal quarter ended 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.