

Electronic Arts Inc. Q3 FY 2021 Results

February 2, 2021

Safe Harbor Statement

Please review our risk factors on Form 10-Q 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 February 2, 2021. Electronic Arts assumes no obligation to revise or update any forward-looking statement for any reason, except as required by law. In addition, the preliminary financial results set forth 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 December 31, 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 December 31, 2020.

Executing On Our Key Growth Drivers

1. Delivering amazing games and content

- Launched four games during the fiscal quarter for a total of ten games in the fiscal year
- Continued a packed schedule of live events for Ultimate Team, across FIFA, Madden, and NHL
- Launched Season 7 for Apex Legends and the Snowy Escapes Expansion Pack for The Sims 4

2. Offering live services that extend and enhance the experience

- FIFA Ultimate Team matches have grown 177% year-over-year
- Over the last ten fiscal years, FIFA live services have grown at a CAGR of nearly 50% and Madden at nearly 60%
- The Sims 4 is on track for its sixth consecutive year of growth and Apex Legends is on track for its second

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

- EA SPORTS franchises have engaged more than 230 million people over the past fiscal year
- Launched Star Wars: Jedi Fallen Order on Google Stadia, FIFA 21 and Madden NFL 21 on PS5 and Xbox Series X, and EA Play on Microsoft Game Pass. Announced Apex Legends coming to Nintendo Switch and FIFA 21 coming to Google Stadia.
- Partnered with the NFL to host the first-ever virtual Pro Bowl in Madden NFL 21

Financial Highlights

- Delivered record net bookings driven by live services outperformance
- Raised the full year net bookings outlook and forecasted growth for next fiscal year
- Delivered a record TTM operating cash flow
- Commenced share buyback and paid first dividend in EA history

Financial Summary

Q3 FY21 (\$ in millions, except EPS)

Actuals

Guidance

Net revenue

1,673

1,675

Operating expenses

821

840

GAAP EPS

0.72

0.61

GAAP net revenue was ~flat with guidance, despite stronger net bookings, due to an increase in deferred net revenue. Net bookings were higher than expected, but the mix was richer in live services than anticipated, which delays recognition of some of the revenue.

Operating expenses were lower than guided, driven by the timing of marketing spend.

See following slides for further commentary on business drivers.

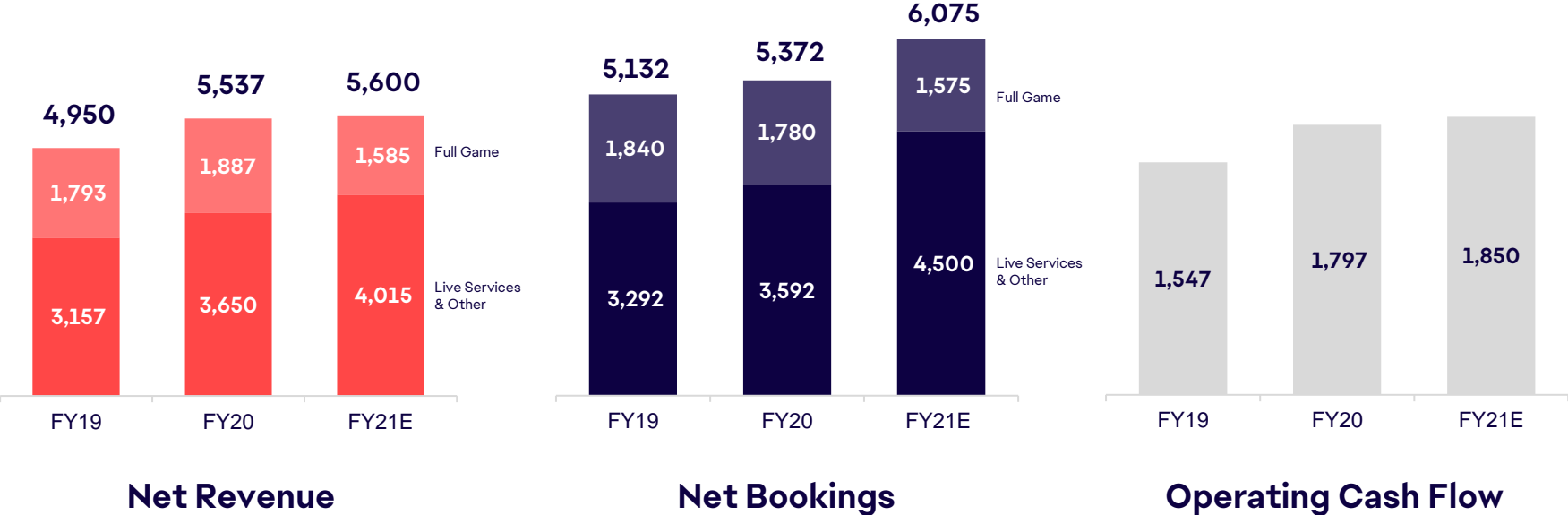
Key Business Drivers – Net bookings

(\$ in millions)

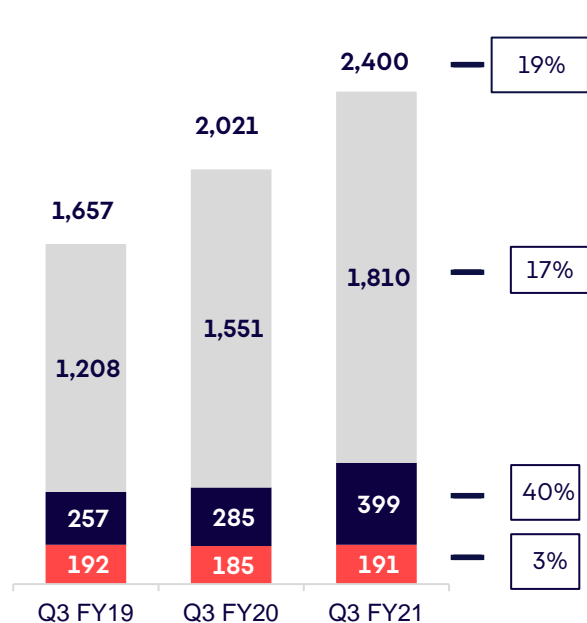
Total	\$2,400	\$50 million above guidance of \$2,350 million, driven by outperformance of live services.
Live services & other	\$1,542	Outperformance driven by Ultimate Team and Apex Legends. Mobile showed its third consecutive quarter of year-on-year growth, with outperformance across the board this quarter, led by Star Wars: Galaxy of Heroes and FIFA Mobile.
Full game	\$858	62% of units sold through are now digital rather than physical, measured on Xbox One and PlayStation 4 over the last twelve months. This is compared to 49% in the prior year period.

Growth: Topline to Cash

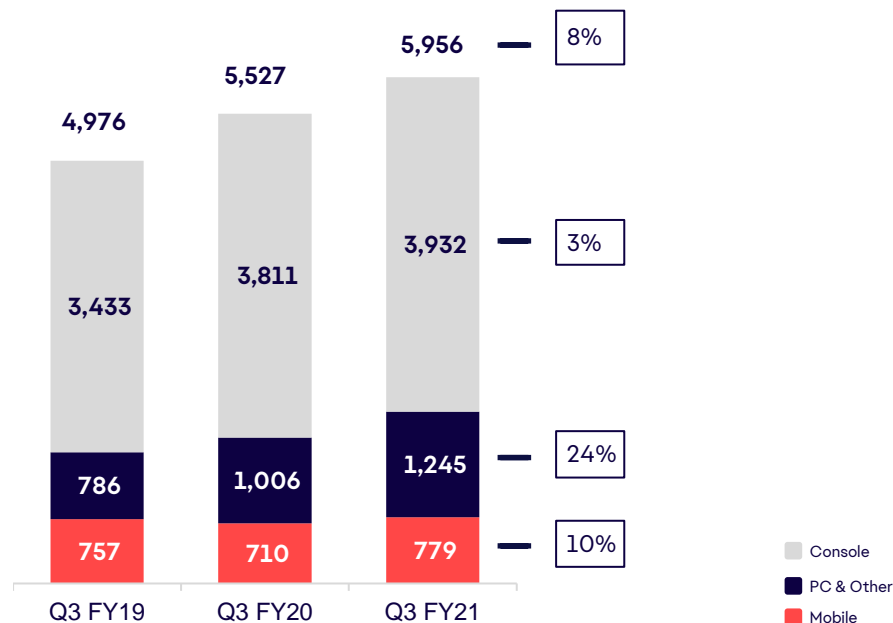
(in \$ millions)



Net Bookings by Platform

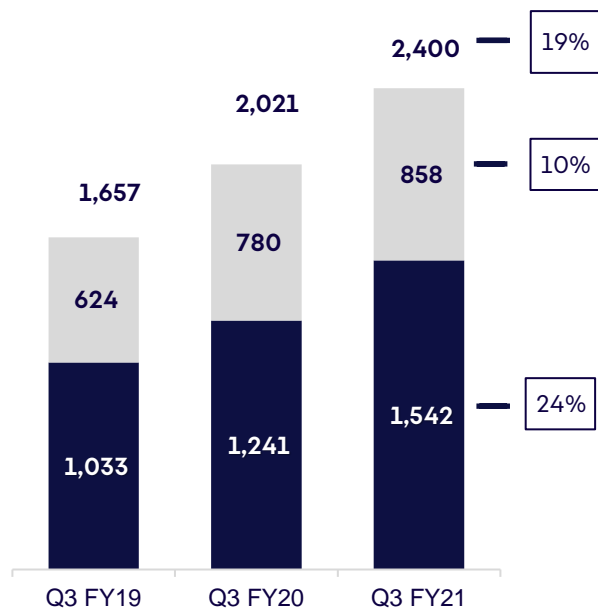


Quarterly (in \$ millions) YoY Growth

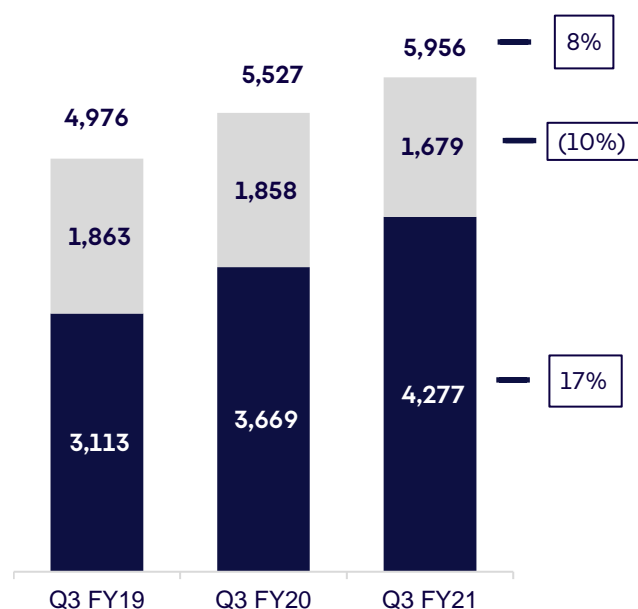


Trailing 12 Months (in \$ millions) YoY Growth

Net Bookings by Composition



Quarterly (in \$ millions) YoY Growth



Trailing 12 Months (in \$ millions) YoY Growth

■ Full Game
■ Live Services & Other

Expanding, Diversified Portfolio of Live Services

Active Q3 FY21 Console/PC

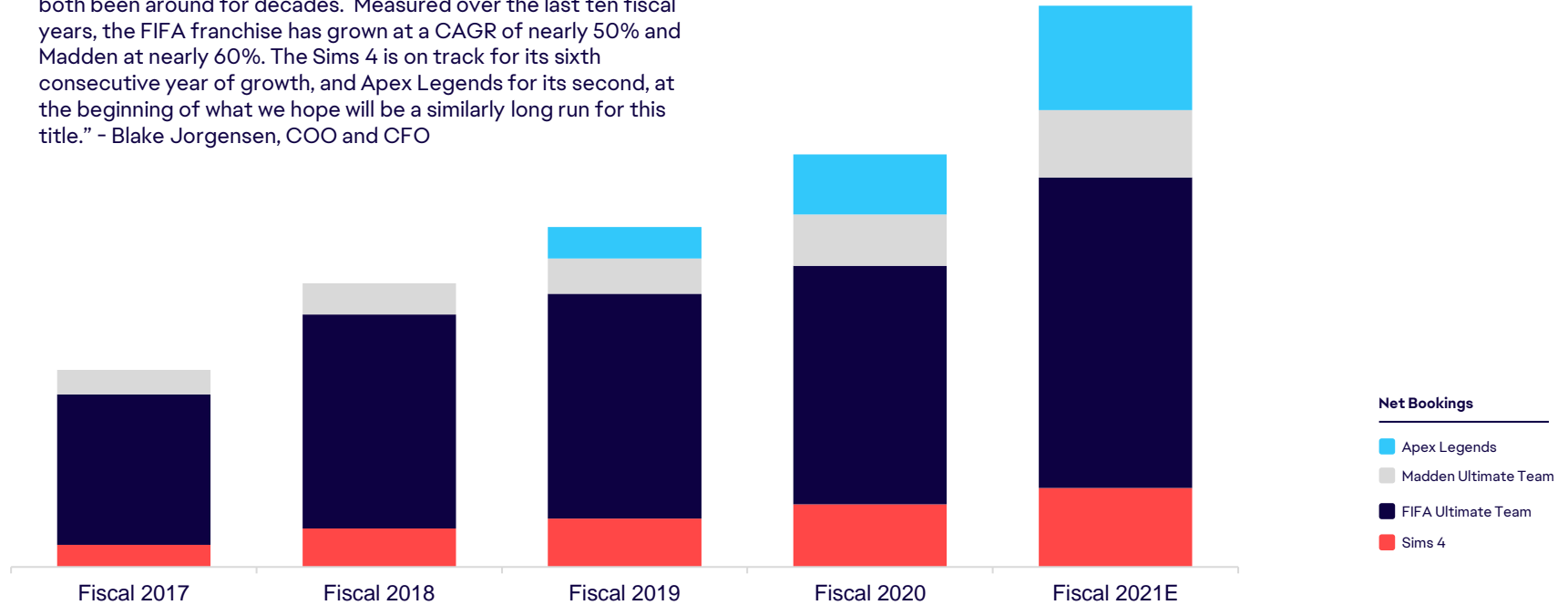


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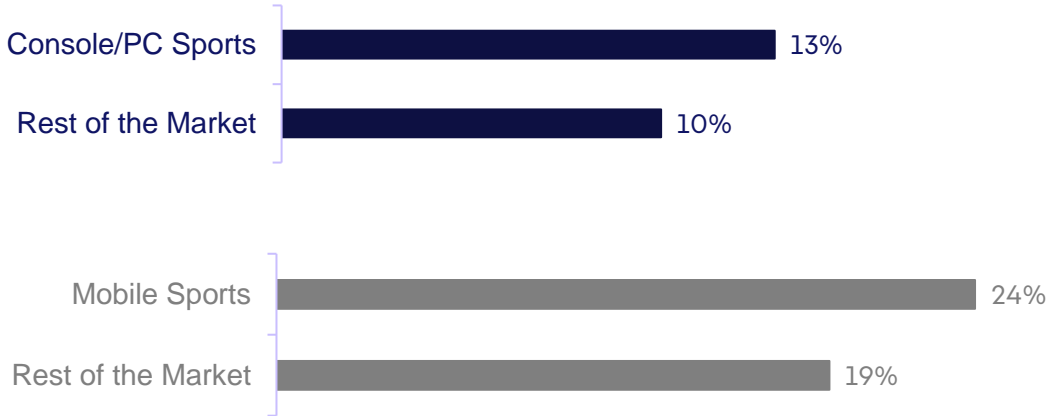
Extending Power of Live Services

“We’ve built our live services for longevity. FIFA and Madden have both been around for decades. Measured over the last ten fiscal years, the FIFA franchise has grown at a CAGR of nearly 50% and Madden at nearly 60%. The Sims 4 is on track for its sixth consecutive year of growth, and Apex Legends for its second, at the beginning of what we hope will be a similarly long run for this title.” - Blake Jorgensen, COO and CFO



Sports Opportunity – Growing Fast

Four Year CAGR



Sports Games > \$11 Billion in 2020

Console/PC \$7 billion

Mobile \$4.3 billion

FY21 Announced Title Slate

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

It Takes Two

- Only new full game releases are reflected. Titles are reflected in alphabetical order.
- In addition, we have launched platform expansion for our portfolio on Steam, Next Gen Consoles (FIFA 21, Madden NFL 21) and Stadia (Madden NFL 21, Star Wars Jedi: Fallen Order) as well as announced FIFA 21 on Stadia and Apex Legends on Nintendo Switch.

Mobile: Profitably Leveraging Our IP



Potential Codemasters Acquisition – Strategic Rationale

Accelerates Growth

Grows EA’s presence in racing, creating a global leader in racing entertainment

Brings talented game teams, technology and IP to EA

Will enable EA to release new racing experiences annually

Natural fit and clear opportunities with EA SPORTS portfolio

Expected to grow net bookings and underlying profitability











Creates Value

Will grow Codemasters’ titles by giving Codemasters access to EA’s technology, central services and marketing resources, and its 330M-strong player network – effectively expanding Codemasters’ total addressable market

Will improve and accelerate development and innovation, and the identification and adoption of best practices; will enable cross-fertilization of ideas, expertise and technology between the racing development teams of the combined group

Transaction Remains Pending Approval and Closing

Potential Codemasters Acquisition – Portfolio of Racing Experiences

										
Series Launch	2009	2023 ^{1,2}	1998	2007	2008	2015	2020 ¹	1994	2001	2009
Latest Release	2020	–	2019	2020	2019	2020	–	2020	2020	2013
Metacritic Score³	88	–	84	80	75	69	–	75	78	4.6 ⁴
Setting	Track	Rally	Rally	Rally	Track	Track	Track	Street	Street	Track
IP	Licensed	Licensed	Owned	Owned	Owned	Owned	Owned	Owned	Owned	Owned
Platforms	Console, PC, Mobile	Console, PC	Console, PC	Console, PC	Console, PC	Console, PC	Mobile	Console, PC	Console, PC	Mobile



Transaction Remains Pending Approval and Closing

Fiscal Year Guidance Notes

(\$ in millions, except EPS)	FY21E	Commentary
Net revenue	\$5,600	
Cost of revenue	\$1,477	
GAAP EPS	\$2.54	Our EPS guidance calculation does not factor in share repurchase.
Operating cash flow	\$1,850	
Net bookings	\$6,075	After starting the fiscal year with guidance for \$5.550 billion in net bookings, we're now forecasting \$6.075 billion for the full year, and we are projecting the growth in our business to continue next fiscal year.

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 February 2, 2021 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 Guidance	Acquisition- related expenses	Change in deferred net revenue (online- enabled games)	Stock-based compensation
(in \$ millions)				
Total net revenue	5,600	-	475	-
Cost of revenue	1,477	-	-	(4)
Operating expense	3,074	(20)	-	(436)
Income before provision for income taxes	1,024	20	475	440
Net income	742			
Number of shares used in computation:				
Diluted shares	292			

Quarterly Guidance Notes

(\$ in millions, except EPS)

Q4E

Commentary

Net revenue

\$1,317

Cost of revenue

\$302

Operating expense

\$837

GAAP EPS

(\$0.07)

Our EPS guidance calculation does not factor in share repurchase.

Net bookings

\$1,375

This is an increase of \$75 million vs. previously implied guidance for the quarter.

Quarterly Guidance

The following table provides guidance for EA's Q4 FY21 financial performance. These preliminary estimates and expectations are based on current information as of February 2, 2021 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.

	Three Months Ending March 31, 2021			
	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	1,317	-	58	-
Cost of revenue	302	-	-	-
Operating expense	837	(4)	-	(114)
Income before provision for income taxes	172	4	58	114
Net loss	(19)			
Number of shares used in computation:				
Basic shares	289			
Diluted shares	292			

Quarterly Guidance Phasing

	Q1A	Q2A	Q3A	Q4E	FY21E
GAAP Net Revenue %	26%	21%	30%	23%	100%
GAAP Net Revenue \$M	\$1,459	\$1,151	\$1,673	\$1,317	\$5,600
Change in deferred net revenue \$M	(\$69)	(\$241)	\$727	\$58	\$475
Net Bookings %	23%	15%	40%	22%	100%

Currency Assumptions

Current FX assumptions^{1,2}

	USD/	FY20 Q3A	FY21 Q3A	FY21 Q4E
Net Bookings	EUR	1.11	1.18	1.22
	GBP	1.27	1.31	1.35
Operating Expenses	CAD	1.32	1.32	1.28
	SEK	9.67	8.80	8.19

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 Q3A and FY21 Q3A, FX rates are a simple average of EA's actual monthly P&L rates. For FY21 Q4E, 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			
		Q3 2021	Q3 2020	Q3 TTM 2021	Q3 TTM 2020
Investing Cash Flow		-	(83)	(72)	(846)
Financing Cash Flow		(429)	(361)	(841)	(1,340)
Operating Cash Flow	A	1,124	1,104	2,061	1,898
Capital Expenditures	B	30	28	133	135
Free Cash Flow	A – B	1,094	1,076	1,928	1,763

The TTM **operating cash flow** of \$2.061 billion is a **new record**.

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-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 February 2, 2021 only. Electronic Arts assumes no obligation to update these forward-looking statements, except required by law.

Disclaimers Related to the potential Codemasters Acquisition

No offer or solicitation

Slides 15 and 16 of this presentation are provided for informational purposes only and are not intended to and do not constitute an offer to subscribe for or purchase nor a solicitation of an offer to sell or the solicitation of any vote or approval in any jurisdiction in respect of, shares of Codemasters Group Holdings plc (“Codemasters”).

Restrictions on certain information under the Code

Codemasters is a company subject to the jurisdiction of the UK Panel on Takeovers and Mergers and the City Code on Takeovers and Mergers (the “Code”). Under the Code, EA is prohibited from discussing any material information or significant new opinions which have not been publicly announced. Any person interested in securities of Codemasters is encouraged to consult their professional advisors. We encourage you to read the announcement made under Rule 2.7 of the Code and the Scheme Document regarding the acquisition each of which are available on EA’s website (<https://www.ea.com/codemasters-group>).