

Electronic Arts Inc. Q1 FY 2022 Results

August 4, 2021

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 2022 guidance information and title slate and fiscal 2023 expectations contain forward-looking statements that are subject to change. Statements including words such as “anticipate,” “believe,” “expect,” “intend,” “estimate,” “plan,” “predict,” “seek,” “goal,” “will,” “may,” “likely,” “should,” “could” (and the negative of any of these terms), “future” and similar expressions also identify forward-looking statements. These forward-looking statements are not guarantees of future performance and reflect management’s current expectations. Our actual results could differ materially from those discussed in the forward-looking statements. Some of the factors which could cause the Company’s results to differ materially from its expectations include the following: the impact of the COVID-19 pandemic; sales of the Company’s products and services; the Company’s ability to develop and support digital products and services, including managing online security and privacy; outages of our products, services and technological infrastructure; the Company’s ability to manage expenses; the competition in the interactive entertainment industry; governmental regulations; the effectiveness of the Company’s sales and marketing programs; timely development and release of the Company’s products and services; the Company’s ability to realize the anticipated benefits of, and integrate, acquisitions; the consumer demand for, and the availability of an adequate supply of console hardware units; the Company’s ability to predict consumer preferences among competing platforms; the Company’s ability to develop and implement new technology; foreign currency exchange rate fluctuations; general economic conditions; changes in our tax rates or tax laws; and other factors described in Part I, Item 1A of Electronic Arts’ latest Annual Report on Form 10-K under the heading “Risk Factors”, as well as in other documents we have filed with the Securities and Exchange Commission.
- These forward-looking statements are current as of August 4, 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 June 30, 2021. 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 June 30, 2021.

Executing On Our FY22 Key Growth Drivers

1. Building our leadership in sports

- More than 140 million players have engaged with our EA SPORTS games over the last 12 months
- Over 31 million players have joined FIFA 21 on console/PC since launch and FUT Matches are up 48% year-over-year in Q1
- FIFA Online 4, in China, set all-time records for monthly, weekly and peak daily active players

2. Growing our blockbuster franchises

- During Season 9, Apex Legends averaged more than 13 million weekly active players
- Apex Legends set a new record for peak daily players across all seasons, and the three latest in-game events have driven the highest player counts for events to date
- We revealed Battlefield 2042, and since the reveal on June 9, the trailers and content have cumulatively generated more than 210 million views to date across all channels

3. Driving live services across our portfolio, including mobile

- Our portfolio now spans more than 15 top mobile live services, and we will add the top sports mobile title in the industry with Golf Clash when Playdemic joins EA
- Expanding our blockbuster franchises to mobile players, including Apex Legends and Battlefield experiences rolling out later this year

Q1 FY22 Financial Highlights

- Beat expectations for net revenue
- Beat expectations for net bookings
- Beat expectations for EPS
- Raised outlook for the full year

Financial Summary

Q1 FY22 (\$ in millions, except EPS)

Actuals

Guidance

Net revenue

1,551

1,475

Operating expenses

914

955

GAAP EPS

0.71

0.24

GAAP net revenue overperformance was driven by full game sales coupled with continued engagement in live services.

GAAP operating expenses came in below our expectations for the quarter but were up year-over-year primarily due to the incorporation of completed acquisitions as well as increased marketing spend to support our upcoming launches.

See following slides for further commentary on business drivers.

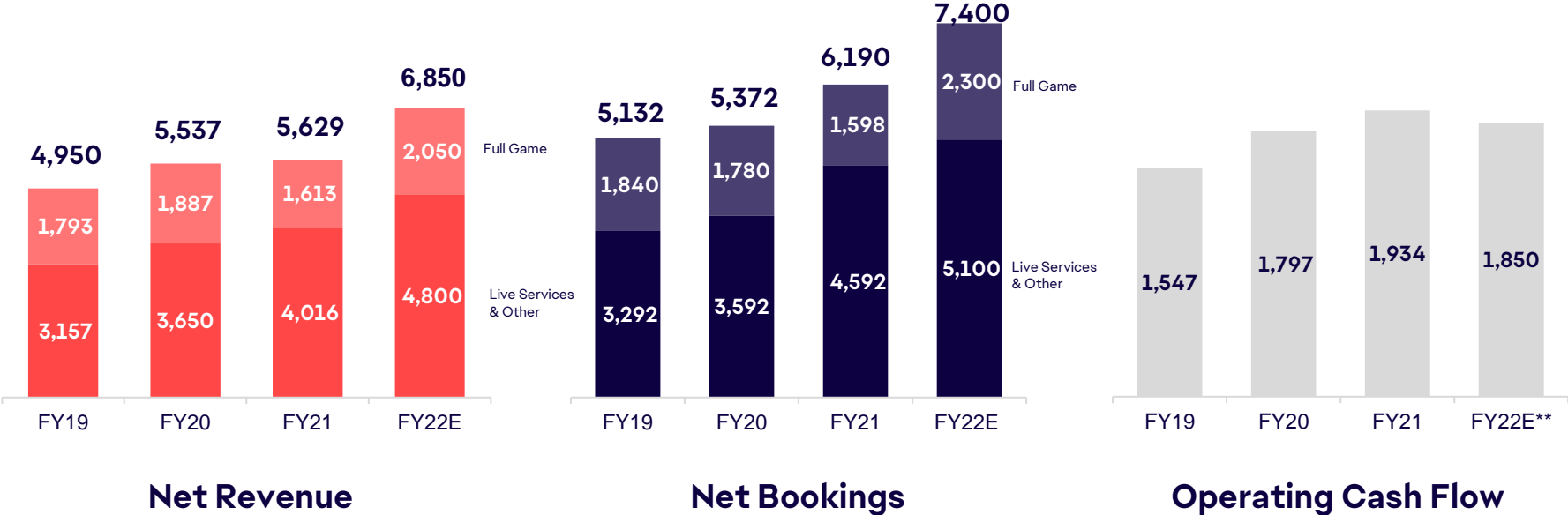
Key Business Drivers – Net bookings

(\$ in millions)

Q1 FY22 Total net bookings	1,336	\$86 million above guidance of \$1,250 million, driven by outperformance of full games coupled with continued engagement in live services.
Live services & other	1,054	Outperformance driven by Apex Legends. Mobile showed its sixth consecutive quarter of year-on-year growth.
Full game	282	Outperformance driven by It Takes Two and Mass Effect Legendary Edition recent launches. 58% of units sold through are now digital rather than physical compared to 52% in the prior year period, measured on Xbox One/X/S, PlayStation 4/5 over the last twelve months.

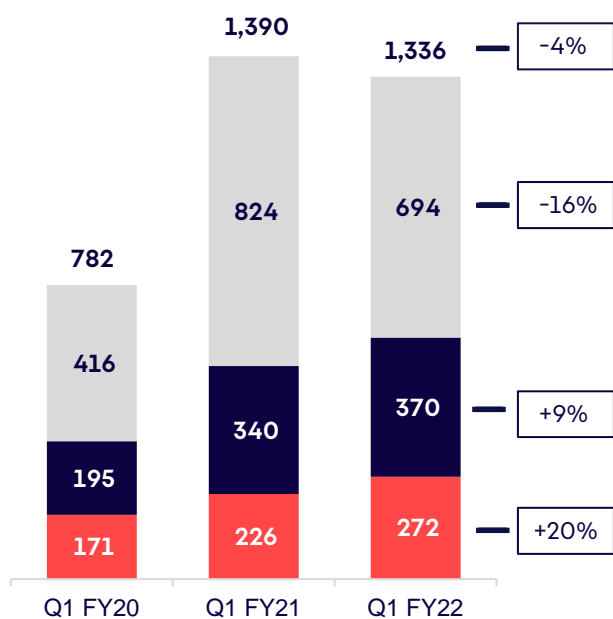
Growth: Topline to Cash

(in \$ millions)

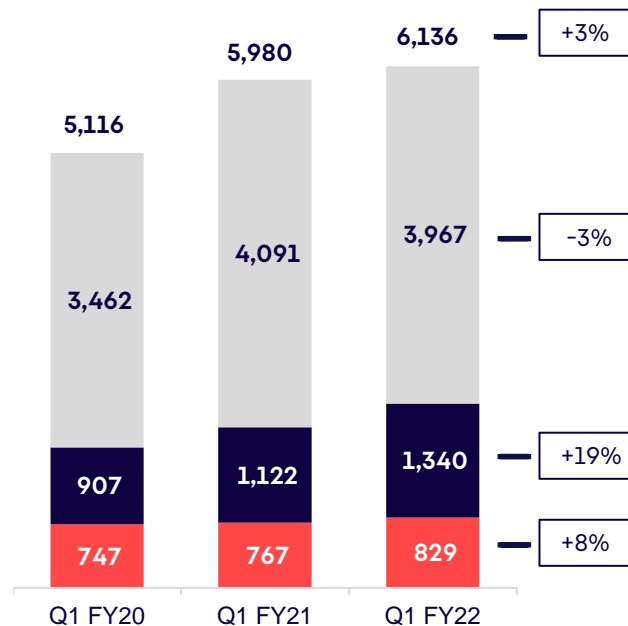


**FY22 OCF is forecasted to be down year-over-year primarily due to taxes associated with the completed acquisitions.

Net Bookings by Platform



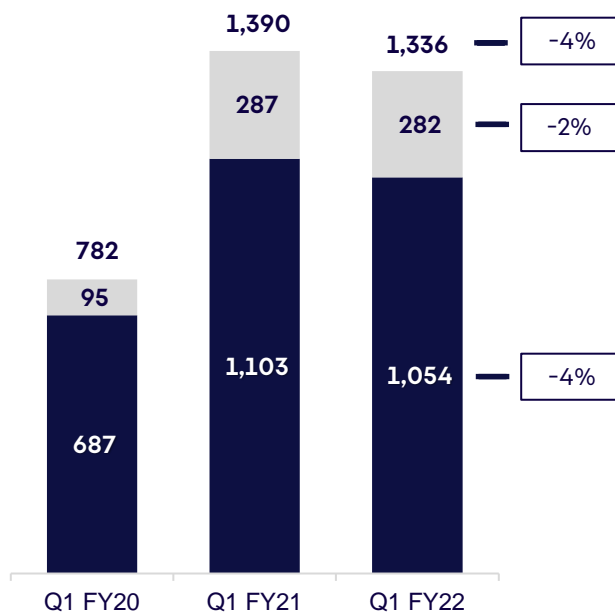
Quarterly (in \$ millions) YoY Growth



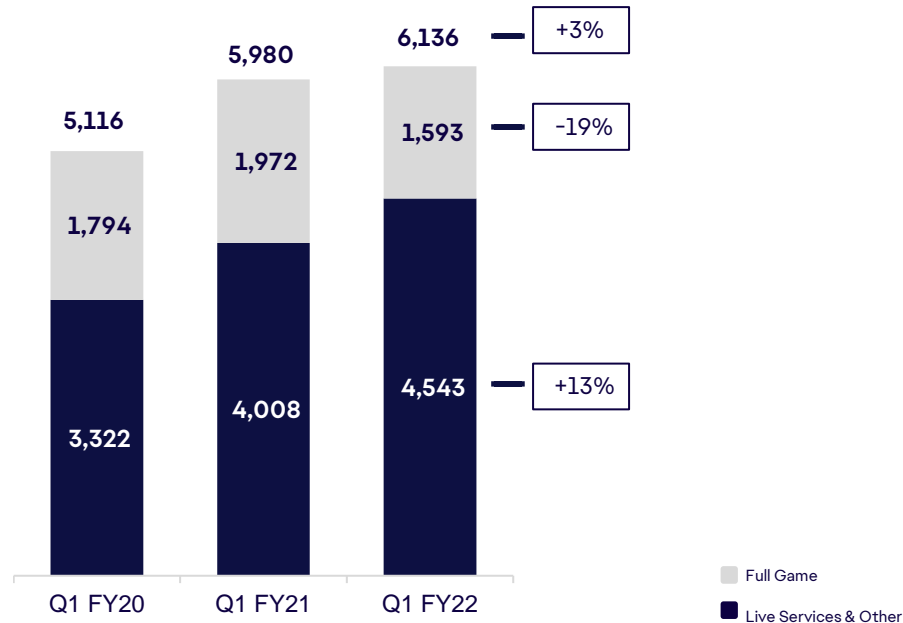
Trailing 12 Months (in \$ millions) YoY Growth

■ Console
■ PC & Other
■ Mobile

Net Bookings by Composition



Quarterly (in \$ millions) YoY Growth



Trailing 12 Months (in \$ millions) YoY Growth

Expanding, Diversified Portfolio of Live Services

Active Q1 FY22 Console/PC



FY22 Announced Title Slate

Q1

Knockout City
Mass Effect Legendary Edition

Q3

Battlefield 2042
NHL 22

Q2

F1 2021
FIFA 22
Lost in Random
Madden NFL 22

Q4

EA SPORTS PGA Tour

- For simplicity of disclosure, all fiscal periods are referred to as ending on a calendar month end. The actual quarter close dates are as follows: July 3, 2021, Oct 2, 2021, January 1, 2022, and April 2, 2022, respectively.
- Only announced titles with public launch dates are represented.
- Titles are reflected in alphabetical order.

Mobile: Profitably Leveraging Our IP, Growing Our Portfolio with M&A

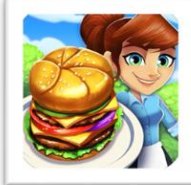
Sports



M&A



Casual/lifestyle/racing



Fiscal Year Guidance Notes

(\$ in millions, except EPS)

FY22E

Net revenue

6,850

Cost of revenue

1,921

GAAP EPS

1.58

Our EPS guidance calculation does not factor in share repurchase.

Operating cash flow

1,850

Net bookings

7,400

We are raising our net bookings guidance for the year from \$7.30 billion to \$7.40 billion, based on outperformance from full game sales this quarter, supported by ongoing confidence in our live services.

Even with the strength we expect for fiscal 2022, we expect growth in the mid- to high-single digits in fiscal 2023.

Fiscal Year Guidance

The following table provides guidance for EA's Fiscal 2022 financial performance. These preliminary estimates and expectations are based on current information as of August 4, 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, 2021.

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

	Twelve Months Ending March 31, 2022			
	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	6,850	-	550	-
Cost of revenue	1,921	(140)	-	(5)
Operating expense	4,015	(160)	-	(545)
Income before provision for income taxes	856	300	550	550
Net income	456			
Number of shares used in computation:				
Diluted shares	289			

Quarterly Guidance Notes

(\$ in millions, except EPS)

Q2E

Commentary

Net revenue

1,775

Cost of revenue

518

Operating expense

1,030

GAAP EPS

0.36

Our EPS guidance calculation does not factor in share repurchase.

Net bookings

1,725

We expect Q2 fiscal 2022 net bookings to be \$1.725 billion, which would make it our largest Q2 ever, driven by the launch of FIFA 22, continued growth in Apex Legends, mobile, F1, Madden and the Sims.

Quarterly Guidance

The following table provides guidance for EA's Q2 FY22 financial performance. These preliminary estimates and expectations are based on current information as of August 4, 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.

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	Three Months Ending September 30, 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	1,775	-	(50)	-
Cost of revenue	518	(35)	-	-
Operating expense	1,030	(40)	-	(150)
Income before provision for income taxes	212	75	(50)	150
Net income	105			
Number of shares used in computation:				
Diluted shares	288			

Currency Assumptions

Current FX assumptions^{1,2}

	USD/	FY21 Q1A	FY22 Q1A	FY22 Q2-Q4E
Net Bookings	EUR	1.09	1.20	1.19
	GBP	1.21	1.40	1.38
Operating Expenses	CAD	1.40	1.23	1.24
	SEK	9.89	8.46	8.54

Rule of thumb

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

- With hedging, total net bookings decrease ~3.5%
- Total cost of revenue and operating expenses decrease ~2.0%

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

- Total net bookings decrease ~0.5%
- With hedging, total cost of revenue and operating expenses decrease ~0.5%

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

¹For FY21 Q1A and FY22 Q1A, FX rates are a simple average of EA's actual monthly P&L rates. For FY22 Q2-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			
		Q1 2022	Q1 2021	Q1 TTM 2022	Q1 TTM 2021
Investing Cash Flow		(1,811)	(8)	(2,308)	(415)
Financing Cash Flow		(479)	(144)	(350)	(1,117)
Operating Cash Flow	A	(143)	378	1,413	2,017
Capital Expenditures	B	44	38	130	133
Free Cash Flow	A – B	(187)	340	1,283	1,884

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.
- During Q1 FY22, EA completed the acquisitions of Glu Mobile Inc and Metalhead Software and entered into an agreement to acquire Playdemic, Ltd. EA’s financial expectations for FY22 include estimates of the impact of the Glu Mobile and Metalhead acquisitions on consolidated results, but do not include the impact of the Playdemic acquisition, which is expected to close later in the fiscal year. GAAP and operating cash flow estimates could be materially impacted as we integrate these recent acquisitions.
- Forward-looking statements are valid as of August 4, 2021 only. Electronic Arts assumes no obligation to update these forward-looking statements, except required by law.