



Prepared remarks
Q1 Fiscal 2022

CHRIS:

Thank you.

Welcome to EA's first quarter fiscal 2022 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. In addition, we have posted detailed 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.

With regards to our calendar: our Q2 fiscal 2022 earnings call is scheduled for Wednesday, November 3. As a reminder, we post the schedule of our entire fiscal 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-K 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, August 4, 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:

Thanks, Chris. I hope all of you are continuing to stay healthy. I want to start out today by thanking all of our amazing teams across Electronic Arts, who continue to create and deliver so many great experiences to our players during this unprecedented period.

It's been an exciting few months since our last call. We've unveiled *Battlefield 2042*, we've launched F1 2021, we've showed what is coming with our next Madden NFL and FIFA titles, we had a fantastic EA Play Live event with great fan response, and we've announced the acquisition of Playdemic, which is another step in our strategy of continued leadership in sports and growing in mobile. Integration efforts with the teams at Codemasters, Glu Mobile, and Metalhead are going well, and we're pleased to be building a lot of anticipation through the summer for our upcoming games and content.

Looking at our first quarter of fiscal 2022, we delivered very strong results. Even as the world took steps towards opening back up, we deepened engagement and connections for players in and around our games, and we see this trend growing well into the future. Our talented teams are delivering the experiences that hundreds of millions of players want to play, and our new launches, leading games, and live services all performed very well during the quarter.

Execution against our long-term strategy continues to power growth in our business. Revenue, net bookings and EPS were all above our guidance for Q1, we are raising our full-year net revenue, net bookings, and EPS guidance today, and we are also forecasting our biggest second quarter ever.

Our long-term strategy is focused on four key opportunities – the continued creation of great games and content, with a focus on mobile; tools for the community to drive deeper engagement with our content; the aggregation and distribution of content and services to more platforms, business models, and geographies; and harnessing the power of social ecosystems

in and around our games. As part of this, in FY22 we continue to execute against three key growth drivers: building on our leadership in sports; growing our blockbuster franchises; and expanding live services across our portfolio, including mobile.

EA SPORTS continues to extend its leadership position through the global strength of our franchises and growing portfolio. More than 140 million players have engaged with our EA SPORTS games over the last 12 months. At the center of this, our FIFA franchise is growing around the world. Over 31 million players have joined *FIFA 21* on console and PC since launch, and FIFA Ultimate Team continues to engage more soccer fans, with FUT Matches up 48% year-over-year in Q1. In China, *FIFA Online 4* set all-time records for monthly, weekly and peak daily active players, driving new records for our business there. On a global basis, FIFA is growing as part of the social fabric of soccer, and we are connecting players through our games and live services on more platforms and more geographies than ever.

We've also launched *F1 2021*, the first F1 experience to be part of our EA SPORTS portfolio in nearly 20 years. With an incredibly high-quality game that has won praise from fans and critics, *F1 2021* is bringing fans into the excitement of the sport during one of the most memorable seasons in recent history. Sales are up significantly year-over-year and total active players have grown by nearly 10% since launch over last year's game, demonstrating the power that comes from the amazing team at Codemasters, a great game, and our EA distribution and marketing strength. Momentum continues to build for F1 which – like soccer – is one of the few truly global sports, and we see a major opportunity to continue growing the franchise to reach a larger audience of players and viewers.

Later this summer, we will begin launching our strong next-gen slate for EA SPORTS. That includes *Madden NFL 22* with new experiences in Franchise mode and The Yard; *FIFA 22*, which is already showing very strong demand metrics as our new HyperMotion technology powers innovation throughout the game; NHL coming to next-gen consoles for the first time; and

EA SPORTS PGA TOUR – the only game where you can exclusively play all four of golf's major tournaments – The Masters at Augusta National, The Open Championship, the U.S. Open Championship, and The PGA Championship. We're also thrilled to be back in the baseball business again with the *Super Mega Baseball* game and *MLB TapSports* on mobile, and we look forward to sharing more from those teams in the future. With the strength of our industry-leading EA SPORTS teams, the addition of talent and expertise from Glu, Codemasters, Metalhead, and soon Playdemic, as well as partnerships with international developers, we have exciting plans to create more EA SPORTS experiences for fans around the world to play, watch, and connect.

Our second growth driver is building blockbuster entertainment properties around our IP. This year, this is led by *Apex Legends* and *Battlefield* – two of the leading franchises in their category. *Apex Legends* continues to accelerate as one of the top titles in the industry. During Season 9 we've averaged more than 13 million weekly active players, we've 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. In every season and event, the Respawn team is constantly innovating, trying new things, and gathering feedback to evolve the live service – and as a result, player engagement and investment continues to grow. Respawn is now expanding the game beyond battle royale with new experiences like Arenas, which has brought new and lapsed players into the game and opens the door for deeper esports opportunities. With so much excitement in the community for the future of *Apex Legends*, we see outstanding growth ahead for this powerful global franchise.

During Q1 we revealed *Battlefield 2042*, and the energy and excitement from fans around the world has been incredible. Since our reveal on June 9, our *Battlefield* trailers and content have cumulatively generated more than 210 million views to date across all channels. These record viewership levels contributed to *Battlefield 2042* being the most talked-about title in the industry

during the busy month of June, and created record high sentiment among the Battlefield fan community. More recently we introduced Battlefield Portal, a new community-driven experience in *Battlefield 2042*. This new pillar of the game puts the power in the hands of players to seamlessly create their own experiences from all the things they love in Battlefield, easily mixing and matching eras, maps, weapons in unique gameplay scenarios that can then be shared with the community. It's an entirely new level of freedom in Battlefield, and fans have been very energized with the possibilities to create, discover, and share things that are completely new and unexpected. We are poised to deliver a truly next-generation Battlefield this holiday with unprecedented innovation, massive scale and amazing gameplay, and we have more to share about the game through the summer.

There is enduring power to the franchises and IP that we are building. The launch of *Mass Effect Legendary Edition* – the remaster of the first three Mass Effect games – reignited the passion of fans around the world, driving sales performance well above our expectations. *Star Wars Jedi: Fallen Order* coming to the Xbox Series X and PlayStation 5 was also a moment for new and returning players to jump into that amazing game. We are continuing to invest in both of these franchises, as well as more of our amazing IP.

Our third growth driver is live services – a core strength and continuing growth opportunity for us, and mobile is now a significant part of this. With the addition of Glu, 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. The breadth and diversity of our mobile live services now spans multiple major genres including casual, sports, RPG, lifestyle, and racing. Over the past year we've expanded our mobile native talent, and with their leadership we are now growing these titles to reach new and broader audiences on a global scale. We are also delivering our blockbuster franchises to mobile players, including Apex Legends and Battlefield experiences rolling out for mobile later this year. With the ability to bring new teams together

with EA's powerful IP, we are building mobile into a growth center for Electronic Arts, with long-running live services at the core of our strategy.

Underpinning these growth drivers is the fact that games – and particularly our portfolio of experiences at Electronic Arts – are creating social connection for more and more people around the world. More than half a billion players are coming together through the social networks formed in and around our games, and we see this continuing to grow. With some of the most talented teams in the industry, a deep pipeline of innovative experiences in established and new IP, new content partnerships, and more ways to connect and experience play, we are positioning our business for continued growth and leadership this year and beyond.

Now I'll turn the call over to Blake.

BLAKE:

Thanks, Andrew.

We delivered a big beat this quarter, primarily driven by outperformance from two high quality new games: our *Mass Effect Legendary Edition*, and *It Takes Two*, the second title from our partnership with Hazelight Studios. *It Takes Two* launched at the very end of the prior quarter, and showed considerable strength through Q1. Live services also performed better than expected, led by continued growth in *Apex Legends*. As a result, we delivered net revenue of \$1.55 billion and net bookings of \$1.34 billion.

Given the extraordinary engagement driven by the lockdown a year ago, and the fact that last year's quarter had 14 weeks compared to this year's 13, to deliver results within 5% of last year's record stands as incredible testament to the strength of our games teams, in both new games and in extra content for our ongoing live services. The extra week in last year's Q1 alone is worth more than the year-on-year difference. Notably, even against the unique

circumstances a year ago, *Apex Legends* grew strongly in the quarter, and remains on track to grow organically more than 20% this year, with the mobile launch as upside.

Because of the impact of the pandemic on year-over-year comparisons, it's helpful to compare this quarter with the pre-Covid Q1 fiscal 2020 to better understand underlying growth. On that basis, FIFA Ultimate Team is up 47% and Madden Ultimate Team 115%, equivalent to CAGRs of 21% and 47%, respectively. Similarly, sales, excluding Codemasters, from our broad portfolio of catalog titles are up 55%, a CAGR of 25%. Mobile, excluding our Glu acquisition, is also up 16% organically over that same two-year period.

We also made considerable progress on our strategic goals, as we started to integrate Codemasters, completed the acquisitions of Glu Mobile and Metalhead, and announced our agreement to acquire Playdemic. These acquisitions substantially increase our sports and mobile footprints, and offer the opportunity to bring new sports to formats pioneered by *MLB Tap Sports Baseball*, *Super Mega Baseball* and *Golf Clash*. We only launched *F1 2021* a few weeks ago, but we're already seeing sell-through up more than 20% over last year's edition, thanks to another great game from the Codemasters team, leveraged by our global commercial operation.

We have created a historically strong strategic position for the company, with a strong and growing core of live services supplemented by additional growth opportunities in sports opened up by the acquisitions, plus blockbuster releases as demonstrated by the community reaction to our upcoming *Battlefield 2042*.

Digital represented 58% of full game units sold through on a trailing twelve-month basis, up 6 percentage points from last year.

Operating expenses, which include recent M&A costs, came in slightly below our expectations.

Turning now to guidance.

We now expect fiscal 2022 GAAP revenue to be \$6.850 billion, cost of revenue to be \$1.921 billion, and earnings per share of \$1.58, up from \$1.34. Our guidance does not include any estimate for Playdemic, given that the acquisition has not yet closed, and remember that this EPS calculation does not factor in future buybacks under our two-year, \$2.6 billion share repurchase program.

We are raising our net bookings guidance for the year by \$100 million to \$7.40 billion, based on outperformance from full game sales this quarter, supported by ongoing confidence in our live services. It's very rare that we raise guidance this early in the year, and I would note that, despite the clear strength of player interest so far, it is too soon to raise our unit expectations for *Battlefield 2042*. As a result of the stronger product mix we are now anticipating for this year, we are raising our expectations for underlying profitability, and more specifics are in the downloadable model we post on our website.

Underlining the strength of our strategic position, I would briefly note that, even with the strength we expect for fiscal 2022, we expect growth in the mid- to high-single digits in fiscal 2023.

We have also raised our guidance for operating cash flow by \$100 million to \$1.850 billion. With capital expenditures remaining around \$250 million, that would deliver free cash flow of about \$1.600 billion. See our earnings slides and press release for further cash flow information.

For the second quarter, we expect GAAP net revenue of \$1.775 billion, cost of revenue to be \$518 million, and operating expenses of \$1.030 billion. This results in an earnings per share of \$0.36 for the second quarter.

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, continued growth in Apex Legends, plus Mobile, F1, Madden and the Sims. This is up 90% on the year-ago quarter.

With another great quarter under our belts, we're looking forward to the launches of our sports titles this quarter and *Battlefield 2042* in time for the holidays. And our strategic position has never been stronger, with growth drivers in place for this year, next year, and beyond.

I would like to announce that our Chief Accounting Officer, Ken Barker, has decided to retire from EA. Ken has done an amazing job as Chief Accounting Officer over the last 18 years as well as supporting three CEOs and the management team during his time at the company. In addition, he has been a fantastic business partner for me for the last 9 years. He has developed an amazing team of people that support our business and exceptional leaders that will be able to carry on his strong support of the company. Ken has groomed a very strong person to take over the Chief Accounting Officer role, Eric Kelly. Eric also has been with EA for 18 years, in all of our key markets around the world: Europe, Asia and North America; and he has the skills and strength to fill the very large shoes that Ken has worn for years. We are lucky that Ken has agreed to assist in the transition over the next nine months, so he will be with us until after we close our fiscal year. I thank Ken for his amazing commitment to EA and his fantastic partnership.

Now I'll hand back to Andrew.

ANDREW CLOSING:

Thanks, Blake. I'd also like to say thank you, Ken, for all your outstanding contributions to Electronic Arts.

As I started this call, I again want to thank our teams for everything they continue to do in service of our players around the world. Thanks to their efforts, we're bringing hundreds of millions of players together through our games and live services like *Apex Legends*, we're

delivering great new experiences like *F1 2021* and *Mass Effect Legendary Edition*, and we have even more amazing content to come.

It's been a strong start to our fiscal year. Our growth drivers – leadership in sports, building blockbuster franchises, and growing live services including mobile – are accelerating our business, and we're well-positioned for continued growth this year and beyond.

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 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, including Electronic Arts' latest Annual Report on Form 10-K, filed with the Securities and Exchange Commission on May 26, 2021.

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 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 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.