

REFINITIV STREETEVENTS

# EDITED TRANSCRIPT

EA.OQ - Q1 2022 Electronic Arts Inc Earnings Call

EVENT DATE/TIME: AUGUST 04, 2021 / 9:00PM GMT

## OVERVIEW:

Co. reported 1Q22 GAAP net revenue of \$1.55b. Expects FY22 GAAP revenue to be \$6.85b and GAAP EPS to be \$1.58. Also expects 2Q22 GAAP net revenue to be \$1.775b and GAAP EPS to be \$0.36.

## CORPORATE PARTICIPANTS

**Andrew Wilson** *Electronic Arts Inc. - CEO & Director*

**Blake J. Jorgensen** *Electronic Arts Inc. - COO & CFO*

**Chris Evenden** *Electronic Arts Inc. - VP of IR*

## CONFERENCE CALL PARTICIPANTS

**Andrew Jordan Marok** *Raymond James & Associates, Inc., Research Division - Analyst*

**Andrew Paul Uerkwitz** *Jefferies LLC, Research Division - Equity Analyst*

**Bryan D. Kraft** *Deutsche Bank AG, Research Division - Senior Analyst*

**Eric Owen Handler** *MKM Partners LLC, Research Division - MD*

**Gerrick Luke Johnson** *BMO Capital Markets Equity Research - Senior Toys and Leisure Analyst*

**Jamie Bass** *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

**Matthew Andrew Cost** *Morgan Stanley, Research Division - Research Associate*

**Matthew Corey Thornton** *Truist Securities, Inc., Research Division - VP*

**Michael Joseph Hickey** *The Benchmark Company, LLC, Research Division - Senior Equity Analyst*

**X. Lu** *Barclays Bank PLC, Research Division - Research Analyst*

## PRESENTATION

### Operator

Good afternoon. My name is Christina, and I will be your conference operator today. At this time, I'd like to welcome everyone to the Electronic Arts Q1 Fiscal 2022 Earnings Conference Call. Mr. Chris Evenden, VP of Investor Relations, you may begin your conference.

---

### Chris Evenden - *Electronic Arts Inc. - VP of IR*

Thanks, Christina. Welcome to EA's First Quarter Fiscal 2022 Earnings Call. With me today from their homes 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 detailed earnings slides to accompany our prepared remarks. Lastly, after the call, we'll post our prepared remarks and 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. And as a reminder, we posted schedule of our entire fiscal year of upcoming earnings calls on our IR website.

This presentation includes -- 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. And 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 than is otherwise stated.

Now I'll turn the call over to Andrew.

**Andrew Wilson** - *Electronic Arts Inc. - CEO & Director*

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 for 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 going well into the future. Our talented teams are delivering 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 4 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 the social ecosystems in and around our games. As part of this, in FY '22, we continue to execute against 3 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 were 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 4 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 with Super Mega Baseball and MLB Tap Sports 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, 2 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 3 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 the 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 a busy month of June and created a 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 and 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-gen 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 franchisees and IP that we are building. The launch of Mass Effect Legendary Edition, the remaster of the first 3 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're 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're 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 are the fact that games, and particularly our portfolio experiences at Electronic Arts, are creating social connection for more and more people around the world. More than 0.5 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 experience 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 J. Jorgensen** - *Electronic Arts Inc. - COO & CFO*

Thanks, Andrew. We delivered a big beat this quarter, primarily driven by outperformance from 2 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 blockbuster -- 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 sales is an incredible testament to the strength of our game teams and our ability to deliver games and extra content from our ongoing live services. The extra week last year Q1 alone is worth more than the year-on-year difference. Notably, even against the unique circumstances of 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 an upside.

Because of the impact of the pandemic on year-on-year over 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%; Madden Ultimate Team, up 115%; equivalent to CAGRs of 21% and 47%, respectively. Similarly, sales, including 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 the same period 2 years ago.

We have 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 footprint 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 addition, 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 service supplemented by additional growth opportunities in sports opened up by the acquisition plus blockbuster releases, as demonstrated by the community reaction to our upcoming Battlefield 2042.

Digital represents 58% of our full game units sold through on a trailing 12-month basis, up 6 percentage points from last year. Operating expenses, which include recent M&A costs, came in slightly below our expectations.

Now turning to guidance. We now expect fiscal 2022 GAAP revenue to be \$6.85 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, that acquisition has not yet closed. And remember, this EPS calculation does not factor in future buybacks under our 2-year \$2.6 billion share repurchase program.

We're raising our net booking guidance for the year by \$100 million to \$7.4 billion based on performance 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, 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 that we post on our website.

Underlying 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've also raised our guidance for operating cash flow by \$100 million to \$1.85 billion. With capital expenditures remaining around \$250 million, that would deliver free cash flow of about \$1.6 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 2012 net bookings to be \$1.725 billion, which would make it our largest Q2 ever, driven by the launch of FIFA, continued growth of Apex Legends, plus Mobile, F1, Madden and The Sims. This is up 90% on a 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'd like to announce one thing, and that is our Chief Accounting Officer, Ken Barker, has decided to retire from EA. Many of you know Ken. He has interacted with investors and the buy-side and sell-side for years. Ken has done an amazing job as a Chief Accounting Officer over the last 18 years as well as supporting 3 CEOs and the management team during his time at the company. In addition, he has been a fantastic business partner for me over 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's groomed a very strong person to take over the Chief Accounting Officer role, Eric Kelly, who I think many of you also know. 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 all the skills and strengths to fill the very large shoes that Ken has worn for years. We're lucky that Ken has agreed to assist in the transition over the next 9 months. So he'd be with us until after we close our fiscal year. And I thank Ken for his amazing commitment to EA and his fantastic partnership.

So with that, I'll turn it back to Andrew. We lost Andrew.

---

**Andrew Wilson** - *Electronic Arts Inc. - CEO & Director*

Sorry. Minor glitch. Thank you, Blake. I'd like to echo your thoughts and sentiments and say thank you, Ken, for all of your outstanding contributions to Electronic Arts. We'll miss you.

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.

---

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Your first question comes from the line of Eric Handler with MKM Partners.

---

**Eric Owen Handler** - *MKM Partners LLC, Research Division - MD*

The first question, real quickly with F1. I wonder if you could compare how marketing for the game has changed on a year-over-year basis. And then I've got a follow-up to that.

---

**Andrew Wilson** - *Electronic Arts Inc. - CEO & Director*

Yes. I would tell you, I just think that when you think about how we go to market with our games, we have global reach. We have extraordinarily digital capabilities and kind of data-driven marketing processes that allows us to better target both existing players, lapsed players and potential new players. And I think what we've been able to do as an organization is take that strength, partner that with an extraordinary game team at Codemasters and what is also a spectacular game in the middle of an F1 season that is more interesting than any season in recent history with the

competition between Hamilton and Verstappen kind of hotting up. And the combination of all those things together has meant that we've seen growth in the franchise and expect to be able to continue to grow that franchise over time.

---

**Eric Owen Handler** - MKM Partners LLC, Research Division - MD

Great. And then I assume -- should we assume this year there's going to be live services for F1? And was there any consequential live services with last year game?

---

**Andrew Wilson** - Electronic Arts Inc. - CEO & Director

It would -- this game is early in the partnership between Codemasters and EA SPORTS. So a lot of how we think about the future live service of that business and sustaining that community and that fan base and play base over time is going to continue to evolve. There is some this year but not as extensive as certainly we think we will get to over the course of time.

---

**Operator**

Your next question comes from the line of Andrew Uerkwitz with Jefferies.

---

**Andrew Paul Uerkwitz** - Jefferies LLC, Research Division - Equity Analyst

Blake, I know you want to briefly mention it, but I want to see if you could go into a bit more color. Typically, you don't kind of give plus 1 year guidance out or -- so when you're thinking about growing mid-double digits for next fiscal year, could you give us any color on how that's going to be achieved? Is it more of the same? But any additional color to help us kind of piece together how we should think about that growth rate.

---

**Blake J. Jorgensen** - Electronic Arts Inc. - COO & CFO

Sorry. I was on mute. Sorry about that. So what I was saying is, first and foremost, focus on the acquisitions that we've done. And those, on their own, will create substantial uptick in both top line growth and bottom line growth as we look at continuing to fuel those acquisitions and then use those talent bases to start to build out new titles that we can add to our overall portfolio.

Second, think about Apex Mobile. We've said that we have very little in this year. We're in test market, and we should be out in the global markets in China next year, if not earlier. That could be a huge driver in profitability going forward. We have the potential of live services around Battlefield as well as a Battlefield mobile game coming up. And we clearly have other games planned, such as a Need for Speed or others that are coming, which you'll hear more about in the future. But you can imagine. We try to operate the business on a 5-year cadence if not longer, and we're thinking about how do we generate growth each year, both organic and through acquisitions. And I would tell you I think we are in a better position than we've ever seen before.

---

**Andrew Paul Uerkwitz** - Jefferies LLC, Research Division - Equity Analyst

Got it. I appreciate that, considering it's so far out. The next question -- and I'll bring it back to current times. Could you walk us through the pushes and takes of how we should think about the impact FIFA has on this quarter versus what it will have on the December quarter considering the shift in launch date?

**Blake J. Jorgensen** - *Electronic Arts Inc. - COO & CFO*

Yes. So I know not everyone on the street has seen this, and it's not clear for a lot of people. We'll ship FIFA on technically October 1, which means we actually ship it a little earlier for people who are part of our subscription program, for example. But we will capture some revenue, as we've shown in our guidance for this quarter in Q2. We'll also capture revenue in Q3. And usually, the first 1 to 2 quarters of FIFA are the biggest quarters because people are building their ultimate teams. And so we'll see strong growth both this quarter and next quarter off of FIFA with the shift being that it's dropping in Q2, which last year, it only dropped in Q3 when we started it, but it should make a huge difference. And for the full year, obviously, we wouldn't have generated -- or said that we were going to grow for a full year and increase our guidance if we weren't confident about FIFA as well as other products.

---

**Operator**

Your next question comes from the line of Benjamin Kraft (sic) [Bryan Kraft] with Deutsche Bank.

---

**Bryan D. Kraft** - *Deutsche Bank AG, Research Division - Senior Analyst*

Was hoping you could provide a little bit more color on the Dead Space franchise and what you guys are expecting from the reboot there.

And secondly then, on the name, image and likeness development? And maybe to what extent do you think including realized college athletes is something that you guys are focused on. And from a development perspective, how quickly could you add that to one of your games versus using generic players?

---

**Andrew Wilson** - *Electronic Arts Inc. - CEO & Director*

Two great questions. Having just provided a very small trailer on Dead Space, there's -- or a sweet preview on Dead Space, there's no lot more I can share about that. It's a little ways out yet, but the studio has taken it on. What I can say is it's one of the great games from our catalog. There has been extraordinary demand to bring it back for existing players and next generation of players, and we're excited to kind of add that to the portfolio over time. And we'll be able to share more as development continues. But I would just -- I would close on that point by saying it was one of the most demanded titles for us, maybe just after Skate, which we've also announced we're bringing back, and the response was very positive to the announcement that we're back in development.

Around name, image and likeness, again, we believe that we can build an extraordinary college football game in the absence of name, image and likeness in partnership with the schools and in partnership with the conferences, and we're looking to do that. I also believe with what we have seen most recently in and around name, image and likeness that is very plausible and likely very possible for us to integrate name, image and likeness with athletes according to whatever rule sets may emerge as to how they may engage with us in that context. And we are building the architecture of the game with a database structure so that if and when that comes online, we'll be able to add that to the game very seamlessly.

---

**Operator**

And your next question comes from the line of Mike Hickey with Benchmark.

---

**Michael Joseph Hickey** - *The Benchmark Company, LLC, Research Division - Senior Equity Analyst*

Great quarter, guys. Awesome. Blake, that was exciting to see. Two questions. First one on FIFA Ultimate Team, look like in the quarter, maybe subsequent, you tested some Preview Packs, which was sort of an alternative to loot boxes. So just curious sort of your learnings there from that test event.



And the second question, just looking at the competitive landscape on FIFA. It looks like PES is shifting to eFootball free to play PC? So just curious how you're thinking about how that sort of changed in the competitive environment.

---

**Andrew Wilson** - *Electronic Arts Inc. - CEO & Director*

Yes, 2 great questions. On Preview Packs, the short answer is it was very well received by the community. Our FIFA Ultimate team are always working very closely with our community of players. FIFA Ultimate Team is the most played mode in that game by a wide margin. And we're always working to offer new and innovative and creative ways to engage, connect with your friends, connect with the world of football and build your ultimate team. Preview Packs, as I said, was well received. We saw an increase in engagement, and we saw a higher rate of conversion of spenders. I would say it was coming down towards the end of the season. So some of this data has to be taken in that context. But the team is committed to continue to innovate in and around the offers and the programs that we put together for our players and believe that we can continue to grow that business over time.

With respect to Pro Evolution Soccer changes its name to eFootball and going through to play, we've seen this happen before. I would tell you we're very committed to our soccer business. We're very committed to our player base. We continue to grow that player base. We've listened to our community over the years, and we've gone out and got much of the license content that underpins an authentic football game exclusively and continue to invest deeply not just in modes of play but in core gameplay to ensure that we're delivering the best possible experience for our global player base. And what you heard me talk about in the prepared remarks is as a result of the innovation in and around HyperMotion, we're seeing extremely strong demand for the upcoming version of FIFA, and engagement in that franchise continues to grow.

So again, competition is always good. We're always very closely cognizant of what competition is doing. But our commitment is to our player base and delivering the most comprehensive, broad-based, authentic football game on the planet. And we believe we have the best team to do that, and we'll look to continue to do that over time.

---

**Operator**

Your next question comes from the line of Matthew Thornton with Truist Securities.

---

**Matthew Corey Thornton** - *Truist Securities, Inc., Research Division - VP*

Maybe 2, if I could, and these are actually things you hit on in earlier questions. I guess just coming back to, Blake, on the commentary for next year, I'm just curious if that guidance is dependent on any big, frontline title. Obviously, this year, you've got Battlefield. I'm curious if that's dependent on any larger title for next year. Somewhat relatedly, I'm curious thoughts around Battlefield. Does that franchise still aspire to be in every other year release type of a cadence in a normal world? Just curious if there have any updated thoughts there.

And then just finally around some of the collegiate sports given some of the changes going on there, I'm curious if there's any interest around basketball with NBA Live, a little bit dormant here. I'm wondering if there's any pivot in any interest there?

---

**Blake J. Jorgensen** - *Electronic Arts Inc. - COO & CFO*

Yes. All good questions. I would say next year -- and this is a testament to our business. Next year is a collection of great franchises all coming to play and new franchises. So new franchises in mobile, new franchises across our business, in places like F1 and other driving games and new franchises or existing franchises that we will bring back that -- like NCAA or PGA Golf that we've talked about.

And you know what? We've always tried to build the business on a collection of great titles, not one title because one title always poses risk. And so our view is a collection of the titles with great live services associated with them -- and you're going to see that over the next -- not just next year but for the next many years to come. That's how we've tried to build our business. And I think you'll hear more about it. We're not trying to

give guidance right now on next year. But we did say in our prepared remarks that we're confident of growth going forward even after an incredible growth there -- year this year and last year. And we feel like we're on a really good path to continue to try to grow this business, and we're seeing the great reception for our products in the marketplace.

So more to come on that. We'll give you guys more details as we get closer. We know that's what you want. But you should just trust that we're confident that we're seeing and we're planning both top line and bottom line growth going forward. And now I don't remember your next 2 questions. So...

---

**Andrew Wilson** - *Electronic Arts Inc. - CEO & Director*

Let me jump in on do we think Battlefield will return to an every other year launch, I would say -- I think that is our orientation. But more importantly, I think you should think about Battlefield as a service what we announced -- what we're doing for the launch of this game is really revolutionizing and reinventing what -- all our epic scale warfare is in the context of gameplay. In addition to that, we've heard us announce Battlefield Portal, which really starts to lean into user-generated content and will drive deep long-term engagement in the game.

And while we've announced Hazard Zone is the a name. We haven't disclosed a lot about what's going on there, and you'll hear more about that in the coming months, you should understand that this really forms the foundation for what we believe the future of a live service around Battlefield is, which over time will include a mobile launch, will include some free-to-anchor components and really change the nature of what happens from launch to launch. So that while -- and every other year launch probably makes sense as we think about it today. We're really focused on 365-day engagement in the franchise at a platform level across any device that consumers may want to play on.

Then I think your -- the other part of your question was name, image and likeness college sports and does that open up an opportunity on basketball. I would tell you our focus right now is football. But what you've also heard us talk about is really building on our strength in sports. We believe this is a unique strength for us. We're the leading company when it comes to delivering multiple high-quality sports across -- at global scale, and it would not be a match for us in a world where we start to develop more into college football to start expand that to other college sports as well.

---

**Operator**

Your next question comes from the line of Mario Lu with Barclays.

---

**X. Lu** - *Barclays Bank PLC, Research Division - Research Analyst*

First one is on Battlefield. So you mentioned you're not updating your unit sales estimate for the title, quite the positive response to sales. So I just wanted to hear your thoughts on in terms of in-app purchases with an upcoming title. How should we frame the opportunity with that new monetization channel as historically [was only monetized through CSD]?

---

**Blake J. Jorgensen** - *Electronic Arts Inc. - COO & CFO*

Yes. What I would say is that don't take our comments on not updating the guidance on Battlefield in any way as a negative. It is -- we ultimately expose the world to Battlefield later than we normally would do. Normally, we do it through early June, E3 or maybe even earlier than that, and we did it in early July. So we're trying to make sure we pace the disclosure about what's in the game to people and then measure our demand off of that. But we're feeling very, very positive about it. And we wouldn't have raised our full year guidance if we didn't feel that was a potential for us, and I think it's an upside for the company longer term during the year.

You're going to hear a lot more over the next couple of months about Battlefield live services, in-game monetization and so forth. I can't tell you all that now, but trust that the team is working very hard on this, and they have some very unique ideas about what we can continue to do, as Andrew just said, to create this as a long-term interaction with our consumers versus simply selling a game this year. And we want to build a

long-term relationship as we have with Battlefield users for a long time. Portal is a perfect example of how that works, and you'll see more of that and more details about that over the next couple of months.

---

**X. Lu** - Barclays Bank PLC, Research Division - Research Analyst

Great. Thanks, Blake. And just one on mobile. In terms of the acquisition of Playdemic, that makes a lot of strategic spend given that you're building down in support. Can you talk about just the near- and long-term synergies we should expect from this acquisition?

---

**Blake J. Jorgensen** - Electronic Arts Inc. - COO & CFO

Well, I would say with all of our acquisitions that we've done -- we've done 4 now if you include Playdemic, which is not yet closed, you're going to see clearly some synergies, synergies in terms of management teams, synergies in terms of go-to-market strategies, marketing strategies and so forth. Most of these companies are smaller. They are exceptional in how they develop games. But as you've seen with F1 already, we've been able to drive more sales than what we've seen historically with that business, and we'll continue to do that across all of the portfolio of companies.

I would say in the case of Playdemic and in the case of Glu, Tap Sports Baseball and Metalhead with their baseball game and Playdemic's golf game, we are going to leverage their strengths as best as possible to try to find ways to create more and better casual games in mobile -- on mobile than we have in the past. And that's not to say that we haven't done a good job on mobile. We have, but the potential that we have -- if you look at what Playdemic's done, the potential we have with something like a global FIFA game or a global Madden game where we already have the licenses, there is huge upside.

I can't give you what those numbers look like yet. But I will tell you that the reason we did these deals was to try to make sure we brought the talent in and that could help us expand our capabilities on more casual sports games around the globe and more casual games in general around the globe. And we're pretty excited about it. And I'd tell you, the mobile teams have worked very closely with the new teams at Playdemic or Glu or Metalhead or Codemasters, and they've come up with some amazing ideas on what we could do together.

---

**Operator**

Next question comes from the line of Jamie Bass with Berenberg.

---

**Jamie Bass** - Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst

Two questions from me, please. Firstly, it looks like engagement is still holding up very well. But are you seeing any sort of different trends in markets where restrictions eased more versus markets where there's still more a lockdown element?

And then secondly, with the F1 game, that looks like it's been very well received through reviews and everything. Is that so far going in terms of sales and engagement? Is that going broadly how you expected it? Or is there any outperformance versus your internal expectations?

---

**Blake J. Jorgensen** - Electronic Arts Inc. - COO & CFO

Yes. I would say just on the F1 game, I think we've exceeded our expectations. There's no negative on the F1 team because they are exceptional. It was could we quickly -- I mean we didn't own the business for that long. So could we quickly integrate the teams, our marketing and publishing efforts to try and drive that business as fast as we did? That's probably where we might have had some questions. And actually, we've well exceeded that. And it's to the testament of an exceptional game development team that was able to produce the right assets, to produce the right marketing materials to help us drive this business and the teams working together.

And you know what? I think we don't get enough credit for that. But EA is a bunch of people who really can work well together. And we do a great job of working with other parts of our company. And when we bring in acquisitions, we work well with them. And I think the poster child there is you look at Respawn and you look at what's happened with Apex. This is a team effort. And Respawn has obviously driven the amazing development of Apex, but they've partnered with us extremely well to drive what is now -- it's coming up to almost \$2 billion in business over 2 years. That's unheard of in our industry. And I'm not sure we get enough credit for it. I don't really care. But at the end of the day, it is amazing what our teams are able to do.

I would tell you, to your earlier part of the question, we've tried to put together great marketing for all of the companies that we've acquired, and it doesn't -- it happens quick. And F1 has been a great example of that, and you have to have great products to do that. And so I would tell you that the combination of great teams and great marketers is really powerful in this industry, and I think we've been able to prove that we can do that across all the acquisitions that we've done in the last 4 or 5 years.

---

**Andrew Wilson** - *Electronic Arts Inc. - CEO & Director*

Yes. And I would jump in. On your point around restrictions and are we seeing anything different, I would tell you given the rollercoaster nature of opening up and shutting down and lockdowns and various restrictions that are happening in various geographies and territories globally, it's almost hard to track at this juncture who is open and who is closed. What I would tell you, though, in aggregate, is we have seen strength across our business, across all territories regardless of being open or closed. I think the performance this quarter is a testament to that.

And at some level, this is largely due to what we see in our games is it's not just about a connection to content that people may be able to forgo in the context of returning to school or returning to work or returning to kind of general life. It's about connections to friends that they had prior to playing and they made during playing that people keep coming back to. And as we think about building ongoing interactive entertainment experiences, this is why you hear us leading into the social ecosystems in and around our games because this is what drives longevity and it's what drives deepening engagement in our business. And so I think what we're seeing right now is the world is in different phases in different places. But on aggregate, engagement in and around our games continues to be extremely strong.

---

**Operator**

Your next question comes from the line of Brian Nowak with Morgan Stanley.

---

**Matthew Andrew Cost** - *Morgan Stanley, Research Division - Research Associate*

It's Matt on for Brian. Two, if I could. So just on the strength of Apex in the quarter, obviously, the comp was extremely hard. So that's a pretty impressive feat. Are there any specific initiatives or pieces of content or geographies that you would call out that have sort of been the source of that outperformance year-on-year for Apex.

And then just secondly, on the mobile side, we've heard from some peers in the mobile gaming space that they've seen very little impact to their ROI on advertising after the recent changes to App Tracking on iOS and others who've said they've seen sort of an increase in UA spend being necessary? I'm wondering what experience you guys are having on the mobile side there.

---

**Andrew Wilson** - *Electronic Arts Inc. - CEO & Director*

Let me jump in on Apex and then maybe Blake could hit the kind of the mobile ad piece. The only thing I would tell you is it's not just any one thing. I think what I talked about in my prepared remarks is the very detailed nature that the Respawn team and the Apex team takes the ongoing development of this experience and the support of their growing global communities. And it's really about -- on any given day, it's really thinking about what enhancement, extensions, innovations they can add to core gameplay, that moment-to-moment gameplay. There is -- how can they

think about new modalities of play like arenas, which changes kind of the broader rule set of how you engage in that moment-to-moment gameplay. And how do they add content with the legend and with all of the extra stuff in and around that, that drives more interest.

And I think what we're seeing now is that team really started to deeply understand using data and using a close relationship they have with the community, continue to enhance gameplay, continue to add modalities of play and continue to double down on a really interesting, unique content that the community really gravitates towards. And I think as you think about that in the context, we're now taking that new geographies and new platforms. This is why we're so confident in the ongoing strength of that franchise.

---

**Blake J. Jorgensen** - *Electronic Arts Inc. - COO & CFO*

Yes. And what I would say on the advertising side is right or wrong, we've never had a large advertising business. It covers around \$100 million a year. Part of that is our strategy that we have not wanted people to leave our network. And if you look at most advertising on mobile, it's for other mobile games. And what that means is you're willing to allow people to leave their network to go play somewhere else.

We're working with Glu right now and with Playdemic on their views on advertising, and we may change our views over time. We think it's important -- in no way take my comments of saying we don't think that it's a very profitable business and we should stay close to it, but it has not been a huge part of our business historically. So it's upside for us down the road, if that's where we want to go.

And more to come on that. We're just -- we're still in the learning stage relative to how we managed advertising in the past. We know the current rules, new rules make it even more challenging. And so we're trying to figure out what are the right ways to do advertising free-to-play world where people are willing to pay via an advertising app or an advertising video or whatever it is versus pay to play the game. And we'll see how that plays out over time.

---

**Andrew Wilson** - *Electronic Arts Inc. - CEO & Director*

Yes. The one thing I would add there is while it hasn't been a giant business for us, what we have seen as Glu has kind of joined us is they actually have been significantly better at monetizing through advertising than we have been. They come with some really strong underlying technology. They come with really strong underlying expertise. And our sense is while it's still early, our sense is the combination of that technology, that expertise, our broader base of portfolio and the global reach it has likely means there's upside opportunity for us even in [today's] world.

---

**Operator**

Your next question comes from the line of Gerrick Johnson with BMO Capital Markets.

---

**Gerrick Luke Johnson** - *BMO Capital Markets Equity Research - Senior Toys and Leisure Analyst*

So last quarter, you said that guidance did not include potential synergies from Glu and Codemasters, and now you've had 3 months to integrate. It sounds like you've identified some F1, for instance, not just cost synergies but some revenue synergies there. So your guidance, you increased about 1 quarter beat and then \$0.01. So what synergies have you identified? And are they now included in your guidance?

---

**Blake J. Jorgensen** - *Electronic Arts Inc. - COO & CFO*

So no cost synergies are included in our guidance. Clearly, revenue synergies are occurring as they occur. As you pointed out, we did better at F1 than we thought we would. Those are harder to predict. But we haven't yet implanted cost synergies in our OpEx line. For example, changes in executives, changes in staffing, changes -- either positive or negative. You should assume that there are going to be some changes, and we will layer those into guidance over the next 3 to 6 months. We've been very focused on making sure we're bringing the company in as successful as possible and then determining what is the right way to drive synergies. But I would tell you is -- there are potential large synergies across all of the

acquisitions we've made, which would normally happen, but we'll see more of those over the next few quarters, and we will try to keep everyone apprised of that.

---

**Gerrick Luke Johnson** - *BMO Capital Markets Equity Research - Senior Toys and Leisure Analyst*

Okay. Great. And last year, when you launched your sports games. There were cardboard cutouts in the stands. This year, we're going to have full stands with fans in the stands. How much of a lift do you think it provides your games with sports actually happening and people in the stands?

---

**Blake J. Jorgensen** - *Electronic Arts Inc. - COO & CFO*

Well, I'll let Andrew answer that, but I hope we actually get to real people in the stands because we might go the other way right now. So who knows?

---

**Andrew Wilson** - *Electronic Arts Inc. - CEO & Director*

That was going to be my point. It's hard to understand exactly where the world is going to go. I think it's unlikely that we have events without fans in the stadiums, and we may just see some protocols around masks and/or testing and/or vaccination. But our hope, as sports fan, is that we get fans back in stadiums.

I think what you saw us do last year was really leading to the fact that for many people, we were sport at a time where it's really hard to engage or consume support more broadly. That did, in fact, allow us to grow both the amount of people playing our games and the engagement they had. I don't know that we can quantify what that means when everyone really gets to live the fullness of sports on a day-to-day, week-to-week, month-to-month, season-to-season basis, but it will inevitably have a positive uplift to just overall fan and player sentiment and will almost certainly drive deeper engagement in our games. And our teams will look to build stronger connection between what has happened in the real world of sport and what is happening in our games. So net-net, notwithstanding any further challenges around the pandemic, it's almost certainly a positive for us.

---

**Operator**

Your next question comes from the line of Andrew Marok with Raymond James.

---

**Andrew Jordan Marok** - *Raymond James & Associates, Inc., Research Division - Analyst*

I wanted to drill down a bit on Ultimate Team. And is there anything to call out there maybe on newer players that have come into the ecosystem over the last 12 to 18 months? How is that cohort's behavior compared to more established cohorts? And has there been any notable difference in newer player behavior from things like reopening?

---

**Blake J. Jorgensen** - *Electronic Arts Inc. - COO & CFO*

Yes. I would say that we always have newer players come in as the game grows. Newer players will take steps towards getting more and more involved in Ultimate Team. They don't get involved immediately on day 1, one, because they got to understand how to play it; two, they got to become part of a social network that's also playing it. And once that happens, we start to see growth.

And so we see growth during the season. We haven't seen a lot of change in that pre-COVID or post-COVID because it is a way for people to have a social interaction around something that they're really interested in doing. And so we know we've grown the overall franchise across all of Ultimate

Teams. We've grown the overall franchises around the underlying games. And those are the 2 biggest drivers for us to continue to drive Ultimate Team participation and engagement, which ultimately results in Ultimate Team spending in some way or another.

And so I think we're pretty confident that even during the COVID crisis, we continue to see people get more and more engaged. Some of that's driven by the fact that people are simply not at work and physical position. They may be working from home, but a lot of it is also the excitement around what we're seeing in the global soccer seasons that we've seen over the last couple of years because there's been a lot of excitement, a lot of player movement, and that's what gets people really pumped up about playing Ultimate Team.

---

**Andrew Wilson** - *Electronic Arts Inc. - CEO & Director*

Yes. And just some little detail I would add in there. Again, when we think about Ultimate Team as a -- it's a long-term balanced way to connect with your friends in and around the sport. And it has become that and it's certainly the most played mode in FIFA and very strong in lot of franchises. As we think about this, 2/3 of people who play Ultimate Team don't actually buy packs and only 9 out of 10 packs are opened with earned coins. And so we're always trying to ensure that constant balance of engagement and enjoyment of our player community.

And what we saw with Preview Packs was we saw a higher incidence of new players coming into Ultimate Team and we saw high conversion of those new players in and around buying packs and participating in the digital ecosystem. So again, long term, we think that, that model will continue to grow. We think that is a means of connection to your friends and connections to the sport you love and continue to grow. And our teams are going to continue to look for interesting and new and innovative and creative ways that allow people to really more deeply engage, and Preview Packs is one of those examples.

---

**Blake J. Jorgensen** - *Electronic Arts Inc. - COO & CFO*

Chris, we got time for one more question? Or is that it?

---

**Chris Evenden** - *Electronic Arts Inc. - VP of IR*

No, I think that's it. So if you just want to close the call now or at time put me out.

---

**Blake J. Jorgensen** - *Electronic Arts Inc. - COO & CFO*

Well, thank you everybody for your interest and good questions, and we look forward to interacting with you over the next couple of months. And hopefully, we all get to see each other in person one of these days soon. So -- but I appreciate it.

---

**Andrew Wilson** - *Electronic Arts Inc. - CEO & Director*

Thank you all. Stay well.

---

**Operator**

This concludes today's conference call. Thank you for your participation. You may now disconnect.

---

**DISCLAIMER**

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2021, Refinitiv. All Rights Reserved.