



Prepared remarks
Q4 Fiscal 2022

CHRIS EVENDEN:

Thank you.

Welcome to EA's fourth quarter fiscal 2022 earnings call. With me today are Andrew Wilson, our CEO, and Chris Suh, our CFO.

Please note that our SEC filings and our earnings release are available at ir.ea.com. In addition, we have posted earnings slides to accompany our prepared remarks. Lastly, after the call, we will post our prepared remarks, an audio replay of this call, our financial model, and a transcript.

With regards to our calendar: our Q1 fiscal 2023 earnings call is scheduled for Tuesday, August 2. As a reminder, we post the schedule of our entire 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-Q for a discussion of risks that could cause actual results to differ materially from those discussed today. Electronic Arts makes these statements as of today, May 10, 2022, 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 WILSON:

Thanks Chris. I hope all of you are well.

I want to start by thanking our incredible teams at Electronic Arts. We have the most talented people in the industry who, every day, demonstrate passion, creativity, and determination.

I'd also like to extend a warm welcome to Chris Suh. Chris joined us in March as our new Chief Financial Officer. He is an exceptionally qualified leader, and I am looking forward to our partnership as we drive our next phase of growth.

EA delivered profitable growth in FY22, a record year in every important measure of our business: total players, engagement in our games and live services, net bookings, and underlying profit. We grew our global network of players to more than 580 million unique active accounts, fueled by new players joining titles including EA SPORTS FIFA, Apex Legends and The Sims, and new players that we welcomed from our acquisitions.

The strength of our broad IP portfolio, our creative talent – together with highly re-occurring revenue streams – continues to super-charge growth in our business. We delivered \$7.515 billion in net bookings and underlying profit grew more than 20%. It was a record year, and our talented teams rose to the challenge in a BIG way, to inspire and entertain hundreds of millions of engaged players worldwide.

Games are now central to people's lives, and younger audiences have more power as consumers. Gen Alpha, Gen Z and Millennials are digital natives *and* they are gaming-first generations. They see gaming as their #1 choice for entertainment. The consumption of entertainment and sport is deeply social, with players across our network using games to stay connected to friends, and to express themselves.

The future of entertainment is interactive, and we derive strength from three structural advantages: our **IP**; our **incredible talent**; and our **growing network of players** deeply engaged in our live services.

First, our IP. Everything begins with amazing games, and we continue to invest in one of the most powerful IP portfolios in all of entertainment. *Apex Legends* will expand in every dimension, going from strength to strength. New gameplay is coming to the console and PC live service; our new mobile service launches globally this month; and the grand finale of the 2022 Apex Legends Global Series for esports is in July. EA SPORTS & Racing is set to grow significantly in FY23 – we have six new EA SPORTS titles this year, with more in development. Our pipeline for this year and future years features big, beloved IP that we cannot wait for players to experience – including Need for Speed, Dead Space, Star Wars, The Sims, Skate, our Bioware franchises, and Lord of the Rings. Our two new studios in Seattle are working on new projects, our Motive studio has an unannounced title in development, and we have more underway across our global studio teams.

Next, **we have the best talent in the world.** Making amazing games starts with incredible game makers. Innovating across our business, our people **make Electronic Arts a great place to work** – from delivering safe and secure platforms, to telling exciting stories and developing our next generation of creators. We are a collective team of leaders who together deliver one of the broadest portfolios in the industry – every year – while continuing to pioneer new experiences. We are proud of our distinctive talent from across the many parts of EA for continuing to deliver more exceptional games and content at scale.

Finally, we have a large growing network of players deeply engaged in live services. To provide a sense of scale, we had more daily, weekly, and monthly active players across our entire portfolio. FIFA Mobile recorded its biggest quarter ever, with unique new players surging

nearly 80% year-over-year, and Apex Legends is amongst the top live service games in the industry. As we look ahead, we are investing in ways for fans to have amazing, shared experiences together – whether that’s by playing, watching or creating. Through our console, PC, and mobile live services; through esports; through other original content; and with tools that unleash the creativity of our players, we will grow what are already some of the world’s largest and most engaged entertainment communities.

Earlier today we announced that starting **next** fiscal year, our football experiences will move under a new EA SPORTS FC brand. This is **such an exciting moment** for us and our fans. We’ve just had our biggest year – ever – for EA SPORTS FIFA games, building on nearly 30 years of connected experiences for players across more than 150 million unique accounts. With more than 300 license partners, 30 leagues and federations, 700 teams, and 19,000 athletes, the future of global football is huge. We’re excited to grow EA SPORTS FC. It will be the only place that fans can play in the UEFA Champions League, CONMEBOL Libertadores, the Premier League, Bundesliga, Serie A, LaLiga, MLS and many others.

Our global football franchise has long been at the forefront of innovation. From the first isometric playing angles, to online play, Ultimate Team and Women’s Teams – the first narrative story mode with The Journey, to VOLTA, to Hypermotion – we have repeatedly delivered new ways to play the game. We’re thankful for many great years of partnership with FIFA, and we are looking forward to delivering another full *EA SPORTS FIFA* game later this year, filled with great features and World Cup content. Then, the new era begins next year with EA SPORTS FC. With a total addressable market of more than 3.5 billion football and soccer fans worldwide, EA SPORTS FC will be **the authentic, inclusive, and immersive global entertainment property at the epicenter of football fandom.**

We have amazing games, built around powerful IP, made by incredibly talented teams. We have a network of more than half a billion player accounts. We have outstanding engagement in our games and live services, fueled by social connection and shared experiences. With these strengths at our core, **FY23 is set to be a year of innovation, growth, and leadership for Electronic Arts.**

Now I'll hand the call over to Chris.

CHRIS SUH:

Thanks, Andrew and good afternoon everyone.

As Andrew said, FY22 was a record year, with net bookings that exceeded \$7.5 billion. This is more than \$200 million ahead of original guidance, driven by growing player engagement across our broad portfolio of live services and games. We grew both net bookings and underlying profit by over 20% for the full year. Operating cash flow for the year was \$1.9 billion, nearly \$150 million above our original guidance; and we returned almost \$1.5 billion to shareholders. These results speak to the power of our diverse portfolio, and to the durability and consistency of a live services business founded on deep player engagement.

For the fourth quarter, net bookings were \$1.75 billion, up 18% from the prior year, and reaching a new Q4 high, even with the action we took to cease sales in Russia and Belarus during the quarter. Live services net bookings grew 14% YoY.

We delivered Q4 net revenue of over \$1.8 billion, ahead of our expectations and up 36% year on year. Underlying profit was well above our expectations.

Q4 operating expenses came in lower than our expectations, driven by the timing of some marketing and sales activities. We are continuing to prioritize our investments into our best

long-term growth opportunities, while also remaining agile to realize cost savings and implement efficiencies where appropriate.

We generated \$444 million in **operating cash flow** during the quarter, and returned a further \$373 million to shareholders through dividends and our ongoing share repurchase program.

Now, let me talk about our **full year performance**.

Live services net bookings grew 17% year on year to nearly \$5.4 billion, and made up over 71% of our total business. Full game sales were up 34% to \$2.1 billion.

Our healthy live services growth was driven by strength across our broad-based portfolio, mostly notably by *Apex Legends* and FIFA.

Apex Legends is up over 40% for the year, taking it past the \$2 billion milestone in lifetime net bookings. Season 12 finished yesterday, and was the most successful ever. And, of course, *Apex Legends Mobile* is performing well in tests and is close to launch.

FIFA 22 is the most successful FIFA ever, launch to date, with net bookings up double digits.

Full game sales growth was similarly diverse, with Battlefield, *FIFA 22*, Madden NFL, *It Takes Two*, *F1*, and *Mass Effect Legendary Edition* all important contributors.

On console, digital represented 65% of full game units sold through, up 3 percentage points from last year.

In Mobile, we passed the billion-dollar milestone this year, with nearly \$1.2 billion in net bookings. As a result of great work by our teams, our return on advertising spend is now roughly back where it was before the IDFA changes, and we're looking to maintain that ROAS level as we scale spend back to the level it was before, and as we continue to learn and to adapt to market changes.

Across our full portfolio, **12 titles contributed \$100 million or more to net bookings in FY22.**

Now, let me **turn to FY23.**

As Andrew laid out, we're entering the year from a position of strength. We're experiencing strong engagement across our live services, have great early indicators for our mobile launches, see continued momentum in our annual sports titles, and have a strong slate of console titles scheduled for the second half.

We expect **fiscal 23 net bookings** to be \$7.9 to \$8.1 billion, up 5% to 8% vs. FY22, driven by growth in live services, particularly in mobile, and supported by the strong launch slate in the second half. Three key drivers of mobile growth in FY23 are: the launch of *Apex Legends Mobile*; growth in *FIFA Mobile*; and the launch of *Lord of the Rings: Heroes of Middle-earth* later in the year.

FX is a headwind of nearly 3 points, net of hedges, relative to last year, for both net bookings and underlying profit, which puts our net bookings guidance in constant currency at 8 to 10%. Additionally, the impact of the stoppage of Russia sales is 1 percentage point to net bookings, and 2 points to underlying profits. Adjusted for these factors, we continue to see healthy underlying performance, which illustrates the durability of our portfolio of live services.

We expect **cost of revenue** to be \$2.020 to \$2.065 billion, in part reflecting the anticipated strong growth of our mobile business.

We expect **operating expenses** to be \$4.200 to \$4.315 billion. This is driven by investment in user acquisition for our two major mobile launches, and adding talent to our development teams to deliver the live services and title slates we have in development for FY24, FY25 and beyond.

Also note that we've increased the management tax rate used by our long-term model from 18% to 19%, primarily due to U.S. tax rules published in January.

We expect **operating cash flow** of \$1.6 to \$1.65 billion and **capital expenditures** of around \$200 million, which would deliver **free cash flow** of about \$1.4 to \$1.45 billion. The business continues to be a strong generator of cash, although the year-on-year number is down slightly, primarily due to timing, as our biggest non-sports launch is coming in Q4, with collections in FY24, and also because our tax rate has increased.

We continue to be committed to growing our cash return program, and announced today that we are increasing our dividend by 12%, from \$0.17 to \$0.19 per share, payable each quarter. We expect to continue to repurchase stock under our current authorization, and we will revisit it closer to the expiration in November 2022.

We expect fiscal 23 GAAP revenue to be \$7.6 to \$7.8 billion and **earnings per share** of \$2.79 to \$2.87.

We anticipate **net bookings for the first quarter** to be \$1.20 to \$1.25 billion. As a reminder, in the prior year, we had a number of new game launches in Q1, whereas this Q1 is primarily live services, with only F1 22 launching on console and PC later this quarter.

In contrast, this coming Q2 has a profile very similar to last year's Q2, with the launches of Madden and FIFA, plus some live services growth offset by some Ultimate Team net bookings phasing into Q3.

For the **first quarter**, we expect **GAAP net revenue** of \$1.675 to \$1.725 billion, **cost of revenue** to be \$309 to \$321 million, and **operating expenses** of approximately \$1.013 billion. This results in **earnings per share** of \$0.76 to \$0.85 for the first quarter.

To conclude: EA delivered another record year, well ahead of our original guidance, driven by strong player engagement across our diverse portfolio of titles. Looking forward, we are capitalizing on this strength to invest in our future. We expect to outgrow the market, to show

resilience through uncertain times, building on the foundation of live services and our broad portfolio to deliver growth over the long-term.

Now I'll hand back to Andrew.

ANDREW CLOSING:

Thanks, Chris.

As we kick off FY23, we are investing for growth from a position of strength. With a portfolio of amazing IP, the best talent, and a growing network of highly engaged players, we are scaling to deliver new experiences, on more platforms, across more geographies. Our total addressable market is expanding, and secular trends are driving more consumption of interactive entertainment. Our games are deeply social, and we will continue to build on our strengths as we invest to grow our biggest franchises to connect with more players in the future. We have a clear vision. A clear strategy.... And we have a spectacular team ready to deliver in FY23 for hundreds of millions of players, viewers, and creators around the world.

Now Chris 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 2023 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: 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; economic and geopolitical conditions; changes in our tax rates or tax laws; and other factors described in Part II, Item 1A of Electronic Arts' latest Quarterly Report on Form 10-Q under the heading "Risk Factors", as well as in other documents we have filed with the Securities and Exchange Commission, including Electronic Arts' latest Annual Report on Form 10-K, filed with the Securities and Exchange Commission on May 26, 2021.

These forward-looking statements are current as of May 10, 2022. 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 Annual Report on Form 10-K for the fiscal year ended March 31, 2022. Electronic Arts assumes no obligation and does not intend to update these estimates prior to filing its Form 10-K for the fiscal year ended March 31, 2022.