



Prepared remarks
Q3 Fiscal 2021

CHRIS:

Thank you.

Welcome to EA's third quarter fiscal 2021 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 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.

Once again, I'd like to direct you to the earnings slides this quarter. They now contain the metrics and color that we historically have included in Blake's remarks.

With regards to our calendar: our Q4 fiscal 2021 earnings call is scheduled for Tuesday, May 11. As a reminder, we post our entire year of 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, February 2, 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 this finds all of you well and staying healthy amidst the ongoing pandemic.

This continues to be a record-breaking year for Electronic Arts. We've delivered net bookings and earnings above our guidance each quarter, and we are raising guidance today for the remainder of FY21. After starting this fiscal year with guidance for \$5.55 billion in net bookings, we're now expecting to achieve nearly \$6.1 billion in net bookings for the full year, and we are projecting growth in our business to continue next fiscal year.

We are delivering exceptional, high-quality experiences across the unmatched breadth and depth of our portfolio. We are driving growth through our live services, and we are reaching new players by bringing our content and subscription to more platforms.

Drilling down on these growth drivers:

EA SPORTS is at the core of the sports experience for hundreds of millions of fans. More and more people - especially younger Gen Z players - are now defining their sports fandom through the games they play, like FIFA and Madden. In the past fiscal year, we've had more than 230 million people engaged with our EA SPORTS franchises and content. We delivered six new high-quality sports games in FY21, including *FIFA 21* and *Madden NFL 21* on the new Xbox Series X and PlayStation 5 – ushering in a new generation of sports games. FIFA continues to grow on every platform. We set a new record of nearly 6 million daily active players in FIFA Ultimate Team in December, and FUT matches have grown a staggering 177% year-over-year. *FIFA Online 4* in Korea has had higher player acquisition in every quarter of this year compared to last year, and we now have nearly 21 million players in FIFA Mobile Asia. We are driving growth across our EA SPORTS portfolio - Madden NFL has more players engaged in the

franchise than ever before, NHL engagement is up 13% year-over-year, and since launch UFC 4 has consistently had 20% more daily players than our previous game.

EA SPORTS is a center of innovation – both in our games, as well as how fans are connecting through our games to their friends and the sports they love. For example, in a year where an in-person Pro Bowl event was not possible, we worked with our NFL partners to create the first-ever virtual Pro Bowl in *Madden NFL 21*. This was a groundbreaking experience for fans, where playing Madden actually helped to select two Pro Bowl players. The Pro Bowl itself then took place in *Madden NFL 21*, with Deshaun Watson and Kyler Murray leading teams of NFL stars in a highly-entertaining broadcast that aired on Twitch, the NFL Network, and NFL social channels last Sunday. Now the Super Bowl is just a few days away, and we're preparing new content in and outside Madden NFL for the increasing number of players engaging with our franchise around the NFL's championship game. Events like this year's Pro Bowl demonstrate how real-world sports experiences are evolving to become interactive, and you can expect to see us continue to lead here.

Our fans are telling us that they want more of what EA SPORTS can deliver. They're playing more of our games than ever before, they're spending more time with our content, and they're connecting with each other, the players and teams and sports that they love through our experiences.

We are now set to build on our leadership position with an aggressive expansion plan for EA SPORTS. We have important announcements we are making today - and more that we expect to make in the weeks ahead - that will lead to more great games and content for fans, and significant new growth for our company.

- We have a major global expansion of our soccer business underway. As the scale of our EA SPORTS FIFA player audience expands, including a growing Gen Z population,

we will offer more great content, on more platforms, with our long-standing partners across all the top leagues and teams in the sport. We are bringing FIFA Online to new territories - including Russia, Poland and Turkey - with a combined audience of 80 million players. We are also accelerating our focus on mobile, with six new soccer mobile experiences in development today for different regions and genres. EA SPORTS is the premier partner for football organizations, leagues and teams around the world, and today we are announcing that EA SPORTS FIFA will continue to be the exclusive home of UEFA Champions League football. As part of our renewed partnership with UEFA, we will also be launching new esports competitions, and we will have even more news in this space in the months ahead.

- We're bringing new types of experiences to market that will expand the genre. In partnership with KLab, we are developing a groundbreaking new mobile experience, inspired by the Japanese market, which we believe will have global appeal.
- We're thrilled to announce today that EA SPORTS is returning to college football. So many fans have been asking us to please bring back college football video games -- their passion for this top-selling sports franchise has never wavered. We love college football as well, and today we're very excited to say, yes, we are coming back. We have started work on an all-new next-gen experience, working closely with our exclusive licensing partners at CLC to include the universities, logos, venues and gameday traditions that fans know and love in college football.
- We will grow the EA SPORTS portfolio to include experiences in more sports for more fans around the world. In the weeks and months ahead, we will make more announcements about our expansion into different sports, including at least one new

experience that will launch next fiscal year.

- We're also incredibly excited to build a racing powerhouse with our proposed acquisition of Codemasters. These are amazing teams that we know very well, and we are adding significantly to our racing portfolio to drive growth. F1 is one of the few truly global sports, and it is already seeing unprecedented growth in fandom, including in North America and Asia. We believe the combination of EA SPORTS and Codemasters can take the game franchise to an even greater level. We are awaiting the results of a Codemasters shareholder vote on our offer, which we anticipate having by tomorrow, February 3.

With the strength of our EA SPORTS franchises, and these announcements today, we are in position to deliver the world's best sports games and content. We intend to leverage our capabilities in this space to grow to more sports and more experiences, reaching larger audiences in more markets all over the world. These announcements today are just the beginning. For 230 million EA SPORTS players and viewers, we are providing the social network that enables them to experience more of the sports they love with their friends. We believe we can grow to 500 million players and viewers in EA SPORTS experiences over the next five years. The future of entertainment is interactive, and the future of sports will continue to blur the lines between live sports and immersive and engaging new experiences. EA SPORTS is at the center of this convergence, and in collaboration with our amazing league partners, we are prepared to accelerate the future of sports entertainment.

In addition to EA SPORTS, we are driving growth through our portfolio of more than 20 top live services. I'll give two examples from our deep roster of wholly-owned IP. We are at the two-year anniversary of the launch of *Apex Legends*, and with 30% growth in new players year-over-year, it's success is accelerating. The unique seasons of live service content delivered by our

talented Respawn team are expanding the Apex audience, bringing in more players with great storytelling and engaging in-game events. Competitive play in *Apex Legends* is also reaching and entertaining more viewers, with recent events in November driving new viewership and watch-time records. This is an outstanding live service business that continues to grow across multiple dimensions -- launching the game on Steam is bringing in new PC players; we will launch on the Nintendo Switch on March 9; and we will expand further with our Apex Mobile game rolling out in FY22.

The Sims 4 has grown every year since launch. As we expand the experience more new and relevant content, we engage a diverse and growing audience spanning players of all ages and demographics. Life-to-date more than 33 million people have now played *The Sims 4*, and daily, weekly, and monthly average players in the game all reached all-time highs for the third quarter in December. Our Maxis team just delivered the 10th expansion pack for *The Sims 4*, and we see continued growth for our Sims business in FY22.

We have the ability to bring games to every platform, and we are driving continued expansion of our total addressable market. Mobile continues to be a key opportunity for us. Games like *Star Wars: Galaxy of Heroes* continue to be deeply-engaging for players and very successful businesses, and we have plans to aggressively grow our mobile portfolio. We're also expanding our lead in subscriptions. The groundbreaking integration of our EA Play service with Microsoft Game Pass has accelerated our subscription business, with nearly 13 million players now active in our service across four platforms - Xbox, PlayStation, Steam and our EA client. With more players valuing the subscription model, and with our scale across platforms and content, we are building a strong, growing business with recurrent revenue. We also have new streaming players joining our network through Xbox Cloud Gaming with Game Pass Ultimate and other partners, and we are committed to advancing cloud as a meaningful part of the future gaming ecosystem.

FY21 has been a year of outstanding growth while working through the challenges of the ongoing pandemic. Our execution continues to be strong even with our employees working from home, and we expect that most will continue to do so through September. The creativity and innovation of our talented teams is enabling us to deliver more great experiences in our leading franchises and live services. We have a deep and robust pipeline of new content, with more than 35 new games in various levels of incubation and development for the future. We're looking forward to sharing a lot more about our FY22 plans in the months ahead, including our next Battlefield experience, which will mark a return to all-out military warfare. The game takes full advantage of the power of next-generation platforms to bring massive, immersive battles to life with more players than ever before. Featuring maps with unprecedented scale, the next edition of Battlefield takes all the destruction, player agency, vehicle and weapon combat that the franchise is known for and elevates it to another level. The team is focused and the game is ahead of our internal milestones. We'll reveal the game in the spring, and deliver a defining Battlefield experience for our players in the 2021 holiday season.

Games helped to fill a great need in people's lives throughout 2020. Our franchises are where so many around the world are coming for connection, entertainment and inspiration. We're looking forward to delivering more great experiences for the hundreds of millions of people engaging with us, and driving continued growth in our business through Q4 and into FY22.

Now, I'll turn the call over to Blake.

BLAKE:

Thanks, Andrew.

We delivered net bookings well above our expectations this quarter. The beat was driven by our live services, led by outperformance in Ultimate Team and *Apex Legends*. We delivered GAAP net revenue of \$1.7 billion and record net bookings of \$2.4 billion.

We've built our live services for longevity. FIFA and Madden have both been around for decades. Measured over the last ten fiscal years, the FIFA franchise has grown at a CAGR of nearly 50% and Madden at nearly 60%. *The Sims 4* is on track for its sixth consecutive year of growth, and *Apex Legends* for its second, at the beginning of what we hope will be a similarly long run for this title. I'd reiterate and amplify here that we expect Apex to deliver well over \$500 million in net bookings this year, compared to our original expectation of \$300M to \$400M.

The Apex team has really embraced the playfulness of the characters and gameplay. The team has focused on having more fun in the craft of building and experimenting with new modes and ways to explore the Apex universe and characters. This has been paying off, with a compound average growth rate of about 14% per Season, as measured from Season 2. That's equivalent to an annual CAGR of about 65%.

With regards to the sports opportunity in particular, we estimate the worldwide sports video game software segment is about \$7 billion on console and PC today. It's grown by about 13% annually since 2016. We're the leader in that segment, and are now applying our full focus to the spectrum of sports opportunities, from casual to core. The global mobile gaming market for sports is presently about \$4.3 billion in size and growing fast, at about 24% a year. We're barely scratching the surface of this massive opportunity, but we have a lot of projects in flight, and you'll hear more about our activities here in the year to come.

Operationally, we're working in challenging times, but we've been able to lean into the advantages that come with our scale to deliver games at quality with remarkably little impact on timing. This quarter we launched *FIFA 21*, *NHL 21*, *Need for Speed Hot Pursuit Remastered*,

and *Medal of Honor: Above and Beyond*. We also extended FIFA and Madden to the PS5 and Xbox Series X, and *Star Wars: Jedi Fallen Order* to Stadia, and added our EA Play service to Microsoft Game Pass. We continued a packed schedule of live events for Ultimate Team, across FIFA, Madden and NHL. We launched Season 7 for Apex, and launched Season 8 today. And we launched the Snowy Escapes Expansion Pack for the Sims.

The step-function jump in digital sales prompted by COVID appears resilient, with digital representing 62% of units sold through in the quarter, up 13 percentage points from last year.

Mobile showed its third consecutive quarter of year on year growth, with outperformance across the board this quarter, led by *Star Wars: Galaxy of Heroes* and *FIFA Mobile*. We'll have much more to say about our mobile strategy later this year, and we continue to be excited about the games we currently have in flight.

Operating expenses came in materially below our expectations, primarily driven by the phasing of marketing investments.

We hit a new record in **trailing twelve-month operating cash flow of \$2.06 billion**. The quarter was very close to our record for quarterly cash flow, which we delivered back in Q3 fiscal 2017 with the help of *Battlefield 1*. Needless to say, we're excited about the potential for the next Battlefield in Q3 next fiscal year.

Our expectation for full-year GAAP revenue is \$5.6 billion, **cost of revenue** to be \$1.477 billion, and **earnings per share** of \$2.54. Remember that our guidance EPS calculation does not factor in future buybacks under our recently-announced two-year, \$2.6 billion share repurchase program.

We are **reaffirming our operating cash flow guidance** of \$1.850 billion. We continue to anticipate **capital expenditures** of around \$125 million, which would deliver **free cash flow** of

about \$1.725 billion. See our earnings slides and press release for further cash flow information.

We are raising our **net bookings** expectation for the year to be \$6.075 billion, up \$125 million from our prior guidance. This is driven by continued strength in our live services, particularly FIFA and *Apex Legends*. It is \$525 million above our expectations at the start of the year, despite changes we made to the product slate during the year. We expect this year to be 13% over the prior year, even with a lighter release slate versus the prior year and an FX headwind of about \$55 million.

For the **fourth quarter**, we now expect **GAAP net revenue** of \$1.317 billion, **cost of revenue** to be \$302 million, and **operating expenses** of \$837 million. This results in a **loss per share** of \$0.07 for the fourth quarter.

We anticipate **net bookings for the fourth quarter** to be \$1.375 billion, which is an increase of \$75 million over our prior guidance.

We've built a foundation for growth in fiscal 2022. We have successfully brought new people into our ecosystem. We're providing great content for people to want to spend more time there. We've been working hard on new titles and new platforms. We expect this to deliver significant organic growth in fiscal 2022. Formal guidance will follow on our Q4 call, but I can tell you now that the Battlefield team is doing an incredible job. They're way ahead of where they were in prior product cycles, on track for their earliest feature complete in franchise history. Meanwhile, the live services teams for FIFA, *Apex Legends*, The Sims and Madden all continue to outdo themselves. And of course, we'll have other surprises that we'll reveal when the time is right.

Now I'll hand back to Andrew.

ANDREW CLOSING:

Thanks, Blake.

Strong execution throughout FY21 has brought us to this point, and the drivers for future growth are foundational to our business. Our teams are creating amazing, high-quality games and content for more players around the world than ever before. Our live services that extend and enhance these experiences are keeping players engaged over the long-term. And we are transforming our business for continued expansion, growing our portfolio and enabling ways for players to connect with each other and engage deeply with their favorite content. We're looking forward to a strong Q4, and a year of continued growth in FY22.

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 2021 and 2022 guidance information and fiscal 2021 and 2022 title slate contain forward-looking statements that are subject to change. Statements including words such as "anticipate," "believe," "expect," "intend," "estimate," "plan," "predict," "seek," "goal," "will," "may," "likely," "should," "could" (and the negative of any of these terms), "future" and similar expressions also identify forward-looking statements. These forward-looking statements are not guarantees of future performance and reflect management's current expectations. Our actual results could differ materially from those discussed in the forward-looking statements.

Some of the factors which could cause the Company's results to differ materially from its expectations include the following: the impact of the COVID-19 pandemic; sales of the Company's products and services; the Company's ability to develop and support digital products and services, including managing online security and privacy; outages of our products, services and technological infrastructure; the Company's ability to manage expenses; the competition in the interactive entertainment industry; governmental regulations; the effectiveness of the Company's sales and marketing programs; timely development and release of the Company's products and services; the Company's ability to realize the anticipated benefits of acquisitions; the consumer demand for, and the availability of an adequate supply of console hardware units; the Company's ability to predict consumer preferences among competing platforms; the Company's ability to develop and implement new technology; foreign currency exchange rate fluctuations; general economic conditions; changes in our tax rates or tax laws; and other factors described in Part II, Item 1A of Electronic Arts' latest Quarterly Report on Form 10-Q under the heading "Risk Factors", as well as in other documents we have filed with the Securities and Exchange Commission, including Electronic Arts' latest Annual Report on Form 10-K, filed with the Securities and Exchange Commission on May 20, 2020.

These forward-looking statements are current as of February 2, 2021. Electronic Arts assumes no obligation to revise or update any forward-looking statement for any reason, except as required by law. In addition, the preliminary financial results set forth 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 December 31, 2020. Electronic Arts assumes no obligation and does not

intend to update these estimates prior to filing its Form 10-Q for the fiscal quarter ended December 31, 2020.