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EA.OQ - Q4 2022 Electronic Arts Inc Earnings Call

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OVERVIEW:

Co. reported 4Q22 net revenues of over \$1.8b. Expects FY23 GAAP revenues to be \$7.6-7.8b and GAAP EPS to be \$2.79-2.87. Also expects 1Q23 GAAP net revenue to be \$1.675-1.725b and GAAP EPS to be \$0.76-0.85.

CORPORATE PARTICIPANTS

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PRESENTATION

Operator

Good afternoon. My name is Charlie and I will be your conference operator today. At this time, I would like to welcome everyone to the Electronic Arts Fourth Quarter 2022 Earnings Conference Call.

Mr. Chris Evenden, Vice President, Investor Relations, you may begin your conference.

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

Thank you, operator. 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. And 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 - *Electronic Arts Inc. - Chairman & CEO*

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'm looking forward to our partnership as we drive our next phase of growth.

EA delivered profitable growth in FY '22, 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 reoccurring revenue streams -- continues to supercharge 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 3 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 are set to grow significantly in FY '23. We have 6 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 2 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 our live services. To provide a sense of scale, we have 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're 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 the 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 for 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 the 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 we've built around powerful IP, made by incredibly talented teams. We have a network of more than 0.5 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, FY '23 is set to be a year of innovation, growth and leadership for Electronic Arts.

Now I hand the call over to Chris.

Chris Suh - *Electronic Arts Inc. - Executive VP & CFO*

Thanks, Andrew, and good afternoon, everyone.

As Andrew said, FY '22 was a record year with net bookings that exceeded \$7.5 billion. This is more than \$200 million ahead of our 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% year-on-year.

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, most 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 test and is close to launch. FIFA 22 is the most successful FIFA ever launched 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 to where it was before the IDFA changes. And now 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 FY '22.

Now let me turn to FY '23. 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 billion to \$8.1 billion, up 5% to 8% versus FY '22, driven by growth in live services, particularly in mobile, and supported by the strong launch slate in the second half. Three key drivers of our mobile growth in FY '23 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 profit. 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 \$2.02 billion to \$2.065 billion, in part reflecting the anticipated strong growth of our mobile business.

We expect operating expenses to be \$4.2 billion to \$4.315 billion. This is driven by investment in user acquisition for our 2 major mobile launches and adding talent to our development teams to deliver the live services and title slates we have in development for FY '24, FY '25 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 billion to \$1.65 billion and capital expenditures of around \$200 million, which would deliver free cash flow of about \$1.4 billion 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 FY '24 and also because our tax rate has increased.

We continue to be committed to growing our cash return program and announced today that we're 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 of 2022.

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

We anticipate net bookings for the first quarter to be \$1.2 billion 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 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 billion to \$1.725 billion, cost of revenue to be \$309 million 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 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 the 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 the phone back to Andrew.

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

Thanks, Chris.

As we kick off FY '23, 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 strength 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 FY '23 for hundreds of millions of players, viewers and creators around the world.

Now Chris and I are here for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Omar Dessouky with Bank of America.

Omar Dessouky - *BofA Securities, Research Division - Research Analyst*

It kind of looks like excluding the FX, you guys increased your guidance versus the mid to high single digits, excluding the FX and Russia that is, versus the high, mid-single digits that you had communicated on the third quarter call. First of all, is that the case? And second, has it become more clear since the third quarter call that the churn among gamers who joined during COVID lockdowns has run its course and that average revenue per paying user will remain near the highs seen during the pandemic as 2022 unfolds?

Chris Suh - *Electronic Arts Inc. - Executive VP & CFO*

Great. Thank you for the question. I'll start with the first part first and then I'll turn it over to Andrew and he can comment as well on the second part of your question. So from a guidance perspective, your math is correct. Normalizing for the impact of the strengthening U.S. dollar, which we articulated was 3 points on net bookings as well as the impact of the decision taken in Russia, that effectively puts the equivalent guide more in the high single digits equivalency, which is slightly above the signal that we gave in the last earnings call. So it is indicative of how we finished the quarter with strong player engagement, and we feel good about the outlook.

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

And as it relates to player engagement and the value that we see from that over the course of time, I think what you've heard from us throughout COVID is that players sought out our games in the beginning for entertainment reasons, but they stay deeply engaged in them beyond just entertainment. They really saw games as a means of deep social connection with their atomic unit of friends. And this is that 4 or 5 friends that you spend a great deal of your social time with. What we have seen even as we are moving past COVID and that people are returning to work and returning to live and returning to school is our engagement has continued to be very, very strong, and in many cases, across some of our franchises

at record levels. Given the level of entertainment that we're developing and delivering, given the value of social interaction as part of those experiences, we think this is going to be a continued driver for growth for us.

Operator

Your next question comes from the line of David Karnovsky with JPMorgan.

David Karnovsky - *JPMorgan Chase & Co, Research Division - Analyst*

Andrew, just on the FIFA license. I was wondering if you could just discuss a little bit more the decision to forgo that and how are you kind of thinking about potential risk given the brand shift, but then also for the upside in terms of how ending the license kind of frees you up for certain revenue opportunities than in the past would have been restricted.

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

Yes. Great question. And as you will have seen from our press release today and sort of letting FIFA affirm some things on their own website, we've been working through this. We're very excited about the future of football. We have, as you heard in the prepared remarks, over 300 licenses that deliver the content and form the experience that we deliver to players that's most meaningful for them. We've got over 150 million players across unique accounts. And so when we think about the future of football right now, we've really made this decision on the basis of being able to deliver experiences that our players wanted.

They told us they wanted more modalities of play. They told us they wanted to see more commercial partners in the game that are representative and authentic to the broad global world of football. They're telling us they want us to move beyond just the core experience and really build out this digital football experience. And they tell us they want us to move really, really fast.

And so as we move through this, again, we are deeply grateful of our relationship with FIFA for nearly 30 years and deeply respectful of the partnership. And we've worked closely together as 2 organizations to ensure that we can deliver the biggest FIFA this year that we've ever delivered, featuring World Cup content from both the Men's World Cup and the Women's World Cup for the first time ever. And we worked to do that because we believe that's important to our fans. And beyond that, we're excited to work with our 300-plus partners and all the new partners that we're going to have the opportunity to work with to deliver what we believe will be the greatest digital football experience available and sit at the very epicenter of football fandom globally.

David Karnovsky - *JPMorgan Chase & Co, Research Division - Analyst*

Okay. Maybe just a follow-up, and you touched on it a little bit, but how do you think specifically about marketing the EA SPORTS FC brand? And would there be initial bumps in advertising costs or could you just mostly take advantage of that lack of a license fee?

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

Yes. I think it's a little early to tell yet. We're certainly being very thoughtful and deliberate about that. The important thing to understand though is that as you travel around the world and you meet with players who really are deeply engaged with our game, for a player in the U.K., the most important thing to them is the Premier League. For a player in Germany, the most important thing to them is the Bundesliga. And in Spain it's LaLiga and so on and so forth as you go around the world.

What we're focused on right now is building very unique experiences for each of those fans and each of those markets. And what you've seen today is many of our partners come out in support of our ability to do this for our fans. And so certainly, any time you change the name of a product, you must be very thoughtful and we'll certainly have to think about marketing that front. But what gives us confidence as we move in this next phase

of growth is that we are working with the partners and the content that our fans love and relate to most directly in the markets in which they do it.

Operator

Your next question comes from the line of Benjamin Soff with Deutsche Bank.

Benjamin Soff - *Deutsche Bank AG, Research Division - Research Associate*

I wanted to dig into the mobile business a bit. You've got Apex on mobile coming out soon. The FIFA Mobile revamp seems to be doing really well. You announced the new Lord of the Rings game and doing some other stuff on the sports side. So really the question is, how are you guys thinking about the mobile growth opportunity in general? And how has your outlook changed, if at all, since giving that longer-term growth target for the business last year?

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

Yes, great question. I mean, we remain very excited about the opportunity in mobile. It continues to be the single biggest gaming platform in the world with a TAM of 3.5 billion players. And so that's just, to have that kind of TAM access is just extraordinary for us as game makers and delivering live services to that audience.

We're seeing really good metrics around Apex Legends right now in test, and that will launch later this year. FIFA had its biggest quarter ever. I think had a surge of 80% in users. And Lord of the Rings is coming from what has been our strongest mobile studio, Capital Games, who build these type of games and have done so well for us and have such an avid fan following.

So as we think about moving forward in mobile, we think that the brands that we have, the expertise that we have, that we've built organically internally and that we've acquired through recent mobile acquisitions represents a really strong opportunity for us over the long term. Remember, when you launch these games, they last for 5-plus years as live services. And what you're seeing this year is 3 big launches for us in addition to our existing portfolio, which is incredibly strong, and we're going to invest behind that for the long term.

Benjamin Soff - *Deutsche Bank AG, Research Division - Research Associate*

Got it. And then maybe just a quick follow-up on F1. I believe this upcoming title is the first game in the series that you guys really were able to put your fingerprints on since the acquisition. So can you talk a little bit more about your plans for the franchise, the types of innovation you're bringing to the game?

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

Yes. And that team is an extraordinary team and has always built an incredibly high-quality game. That was really the impetus for the acquisition to bring that into the EA SPORTS brand portfolio. F1, as you may have seen, if you follow the sport, is an all-time high in fandom. We had an extraordinary season last year between Hamilton and Verstappen. We're seeing an incredible season this year with Ferrari leading in the Constructors' Championship and Leclerc and others really pushing Verstappen. And so in our world, if you get to a place where sports fandom is high in engagement and the core sport is high, and then you couple that with an extraordinary development team who have a history and track record of building extremely high-quality products and then you layer in EA SPORTS' marketing power and global reach, we think there's incredible opportunity there. And we think that business is going to go from strength to strength.

Operator

Your next question comes from the line of Eric Handler with MKM Partners.

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

I'm curious to think about the marketing investment that you're going to be spending on Apex Legends for mobile and then you got Lord of the Rings and you're still in the relatively early stages with FIFA for mobile. Should we be thinking about the investment sort of negating a lot of the revenue that comes in from these titles and really, you look to grow the player base in fiscal '23 and then you think about margin expansion in fiscal '24?

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

I think that's a good way to think about it. The reality is, any time we develop a game and launch a game, there is a combination of development cost and marketing cost to kind of get to launch and get to that critical mass of players and a sequencing of that. It's very different in mobile than it is in traditional console experiences. Traditional console experience, of course, you can spend in development for 2, 3, 4, in some cases, 5 years, and there's an exceptional amount of development spend upfront. And then the marketing spend proportion of that is much lower.

In mobile, the cost of development is lower to get to launch. The acquisition spend early on to supercharge a new launch is higher. But remember, these are live services. And what we're doing is we're driving a golden cohort at the beginning of the launch, and that cohort will continue to deliver return that we build on over time for the course of the next 5-plus years. And so early on, you see margin compression in the context of mobile. Over the course of time, you see margin accretion and margin expansion and these live services become global communities of players that continue to play for 5-plus years; and in some cases, as long as a decade.

Chris Suh - *Electronic Arts Inc. - Executive VP & CFO*

Yes. Maybe I could just add on to that, Eric. As you have a chance to go through the model and the guidance that we gave, you'll see that it's implied in the guidance and the cost structure, it is the point that, to reiterate the points that Andrew made, we're excited about our opportunity in mobile. It represents an enormous TAM opportunity. We're excited about what we have in store for this year. It is a different margin profile, especially in the short term. But as Andrew pointed out, once we get to scale, we see great revenue and profit opportunity, and we're really excited about the opportunity ahead.

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

Great. And then just as a follow-up, I believe you said, Andrew, 6 new sports titles this year. I wonder if you could give a little color on that. Are these mobile titles? Are these new PC, console games? What can you tell us there?

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

So it's the cast of characters that you would expect from us plus F1. So that's our FIFA product. That's NHL. That's Madden NFL. That's F1. We've got a new golf game. I'm trying to think now. You've caught me off guard. And Super Mega Baseball, which was an acquired property. So yes, and that's across console, PC and in some cases, mobile.

Operator

Your next question comes from the line of Drew Crum with Stifel.

Andrew Edward Crum - *Stifel, Nicolaus & Company, Incorporated, Research Division - VP and Analyst*

I want to drill down a little bit more on Apex Legends. You're lapping a 40%-plus comp but also launching on mobile. What are your expectations for franchise net bookings in fiscal '23? And will you make any changes to the cadence of live services or content drops across the franchise now that this will be on mobile?

Chris Suh - *Electronic Arts Inc. - Executive VP & CFO*

Yes. No. It's a great question. Thank you for the question. As you rightly pointed out, Apex Legends had a terrific year in FY '22 across both financial metrics, but also all the player engagement data that Andrew spoke to. And so we're really excited about how we finish the year, coming out of that with a lot of momentum.

We do have profitable growth planned again in FY '23. It's a large franchise for us. It's a big business. And so we'll see continued growth on that on the console and on the HD side. In addition to that, with the Apex mobile launch, we are anticipating this to be one of the most exciting launches that we've had on mobile ever. And so the combination of that indicates a lot of optimism and strength for the Apex mobile or Apex Legends business all up.

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

And in terms of the cadence of content drops and experience updates and events, again, the Respawn team and the Apex team have demonstrated over the course of the last 2-plus years an extraordinary connection with their community. And they've been able to figure out exactly when and how to make drops and things that the community wants and needs. And so we don't have a hard and fast rule in terms of which drops will happen when. We really allow the team to work deep with the community. But I think as the franchise continues to grow and as we move on mobile and launch and grow on a global basis, I think it's reasonable to believe that over the course of time, there'll be more and more content launched into the world and a new season starting today, which off the back of a record Season 12, we expect will continue to do well. I know Newcastle is the new legend, is widely regarded as going to be one of the great legends inside the game experience.

Operator

Your next question comes from the line of Colin Sebastian with Baird.

Colin Alan Sebastian - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Welcome, Chris. Maybe just a quick follow-up to the last question, first off. I guess there may be some changes to the release of Legends going forward on Apex. So curious how you think that might impact engagement or each of the contributions from stories going forward. And then the other question is, despite these results, I wonder, Andrew, what you think the impact has been on growth from the persistent short supplies of consoles and GPU chips, et cetera? And what's also factored in the outlook from that perspective?

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

Yes. So let me touch on the first 2 and then I'll let Chris take the outlook piece. Again, I think that each time the team releases new content, new events, we see growing engagement and have demonstrated an extraordinary ability to really understand the things that are going to drive ongoing engagement for our community. So I wouldn't expect that we would see any decline in engagement with more content, quite the opposite. I think as we go to more platforms and we build out our engagement model over the course of time, I think that we'll see a growing audience, and I think we'll see growing engagement. And that has been our experience so far.

In terms of supply chain shortages, again, we've just come off a record year. We beat on almost every measure, even in the face of what is almost certainly supply chain shortages around consoles and chipsets and graphics cards and these types of things. It's hard to know how much bigger that would be. I have to imagine with more consoles out there and more PCs and more graphics cards that our results may have been even better, but we're very happy with the results we have, and we look forward to as supply chain issues start to ease and more consoles end up in the marketplace and more graphics cards and more PC availability that more gamers will have access to higher-quality machines and that ultimately will drive engagement for us. If you go back through the course of time, at each platform transition, at each technology evolution, the gaming TAM and the gaming community broadly has grown. And so I think this only represents upside for us.

Chris Suh - *Electronic Arts Inc. - Executive VP & CFO*

I'll just add on to Andrew's good summation. From a market standpoint, from the composition of our business, I think this is one of the things that really sort of illustrates the resilience of the live services business model, which with 71% of our business or over 71% of our business in FY '22, and it will grow as a share of our business next year, especially with the launches of mobile. And so from one standpoint, we feel good about that. And that's all embedded into the guide that you heard us talk about at length. Specific to the console market, we are anticipating Gen 5 console units to be up year-on-year, and that will also be an added tailwind to the business all in all.

Operator

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

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

Charlie, I think he dropped off the line. So we can move to the next one.

Operator

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

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

Andrew and Chris, a couple of interrelated ones, if I could. I'm going to ask a question that was asked earlier but in a little bit of a different way. Since you guys talked about mid to high single-digit bookings growth last quarter, as you've alluded to, there's a lot of incremental headwinds. So my first question is, is there anything that's changed in the slate as you think about fiscal '23 versus kind of what you were thinking 3 months ago? That's question one.

Question number two, the slate talked about a major IP in the fourth quarter. I'm just curious if there's a reason why that would sit better in fiscal 4Q as opposed to the traditional holiday quarter in 3Q where you typically might put a big piece of IP. Any thoughts there?

And then just finally on, and maybe, Andrew, you could talk a little bit about just the work-from-home transition to back to office, how that's playing into productivity and how that maybe gives you confidence that you could kind of release these titles because you do have quite a few in the back half of the year, including in 4Q. So I'm just curious your level of comfort with that based on what you're seeing in the productivity trends.

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

Okay. So there was a lot in there.

Chris Suh - *Electronic Arts Inc. - Executive VP & CFO*

Three parts.

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

I think the first one was, do we anticipate slate change as an additional element as we kind of have got from third quarter through fourth quarter. The short answer to that is no. We continue to believe our slate is strong.

I think the second question was, we've got a major IP in the fourth quarter and why not do that in the holiday quarter. And I would say 2 things to that. One is we want to get to the highest quality games we possibly can. We're committed to quality. We're committed to giving our development teams all the time they need to build great games and deliver those to a global audience.

Underlying that, I'd also highlight, though, that the nature of our business is changing. As Chris pointed out, 71% of our business is coming from live services. And so these traditional launch windows that have been so important in our industry for the longest time aren't as relevant now in a world where players are playing our games day in, day out, week in, week out, month in, month out. And so the combination of the changing nature of engagement, consumption of our games and our deep desire to give our teams all the time they need to get to the best possible game experience really is what's driving that Q4 launch.

And then I think the last part of your question was around work-from-home and how is that looking. And I would say, it's still early. We're seeing more and more people back into offices. Again, there are still waves of COVID out there, and we're seeing some rising numbers in certain geographies. And good news is, is the severity of infection or the severity of symptoms from infections seems to be much lower than the initial waves and phase of COVID. So I think that's good just for humanity broadly. And certainly, we're seeing a return to office kind of moving through its general iteration.

In terms of confidence that I have in launching the games through the year, I have strong confidence largely because having done this for 2 years, we launched more content than any other developer and publisher of video games through this time. And our teams have demonstrated unbelievable tenacity and unbelievable wherewithal. And we've really harnessed the power of our platform technology to continue to deliver games even while working from home. So as people come back together and we get to see more collaboration, I think things get easier. But even if that ends up being a little slower than we would hope, given the ingenuity of our teams, I still have strong confidence in our ability to launch our full slate of high-quality titles this year. I think that was all of them.

Chris Suh - *Electronic Arts Inc. - Executive VP & CFO*

I think you got them.

Operator

Your next question comes from the line of Mike Hickey with Benchmark Company.

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

Great results, guys. First question, I guess, just on the economy. It's been a while, I think, Andrew, since the business has sort of been hit with a recession. So whether or not we go into recession, who knows? How do you think about sort of your player community holding up now that you're pretty much service versus premium, digital versus physical? Would you imagine sort of mix shift if we do get a recession here or pullback in discretionary spend towards free-to-play? Just want to get the puts and takes on your player community and then how you factor that into your guidance? And then I have a follow-up.

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

Yes. It was a little jumbled, Mike. I'm sorry, but I think that the gist of the question was, with the macroeconomic climate out there, and I think you mentioned the notion of recession, how do we think about that? How do we think about building our plan and probably specifically you're thinking around OpEx. I think, and Chris can weigh in here as well, we've been very thoughtful about this as we're embarking on the year ahead. And certainly, there are people way smarter than us who were kind of predicting what will be the macroeconomic outcome over the course of time.

Here's what we see. We see we're coming out of a year with record performance. We're seeing our network grow dramatically and engagement grow dramatically. And we're seeing our games used not just for entertainment, but also for social interaction and social connection. So that gives us confidence in the underlying fundamentals of our business over the long term.

As we look back over previous times where there may have been challenged consumer spending, our industry and our games specifically have actually done very, very well for 2 reasons. One, entertainment really is a fundamental human need. And two, the form of entertainment we deliver is extremely high value to consumers given that you get thousands of hours of engagement when you play one of our games. And so our expectation is that even in an environment of macro challenge that our industry and our games will continue to do well.

One of the other things that we have, where we've gone back and really looked at this, though, and you study it, is you discover that companies that can invest from a position of strength going into an environment like the one seemingly we're moving into actually benefit disproportionately as you come out of that.

And so I think if you take in the fact that we have a growing network, growing engagement, record performance, our games fulfill both entertainment and social interaction, that if you look back in history, our industry has performed very well at times like this. And when you take the strength of our business and our ability to invest against new titles this year as well as titles we develop for the out-years, we feel like we've put ourselves in a really strong position even if we were going into a challenging macro headwind.

With that being said, we have built flexibility into the plan. You should know that we will be extraordinarily disciplined around costs as we move through this. And that should there be something unforeseen to us, that we have levers in our model that will allow us to adjust. But we do believe it is best of us to invest from a position of strength as we go into this market.

Chris Suh - *Electronic Arts Inc. - Executive VP & CFO*

Well, I think, Andrew, that was good.

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

Okay. Sounds good. Second question, Microsoft, hope you can hear me. Microsoft and Sony were sort of, that was the rumor, flirting with the idea of adding advertisements into free-to-play game experiences maybe as a way to sort of help developers monetize their player community. And of course, you guys, you go way back to Burnout Paradise as sort of infamous for trying the idea on the billboards in that game. So obviously, this idea has created a lot of debate within the player community. But just sort of curious your thoughts on whether or not ad monetization in free-to-play games is something that you think can be meaningful and then how you sort of balance that with the player experience.

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

Yes. And so for us, I think you finish there where we start, which is the player experience. We want to ensure that the player experience is the best possible player experience that we can provide. And that's why you've seen us kind of test various models over the course of time. Some have continued and some we have stopped on the basis of really upholding the best possible player experience we can.

What we've seen generally though in entertainment media and even in games, particularly in mobile games right now, you see that there is a place for advertising when done right. And there is a portion of the community that when given the choice will participate in advertising where it benefits their gameplay experience.

I think we've learned some of this from Glu as we brought Glu into our organization. And we've seen this across the industry. And so you should expect that we would continue to kind of test different things, ensuring first and foremost that we uphold the best possible player experience. But where there is an audience that given the choice would like to engage with advertising, they have the ability to do so. We want to make that available to them.

Operator

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

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

The first one is on the FIFA title this year. I believe you guys are already testing cross-play support in FIFA 22. So I presume that they come in '23. So what is the impact of cross-play essentially in terms of player engagement? And then similarly, can you remind us what the magnitude of uplift was from including a World Cup mode within FIFA?

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

Let me start on the World Cup mode with FIFA. And again, in the context of live service, we're always balancing the investment of time and the investment of dollars on the community. And at any given point in time, based on what's going on in the world of that game and in this case, in the world of football and the gameplay community, we will look to leverage new content and new events and new experiences either to drive greater engagement and provide new interesting things for players to do or it might be a monetization opportunity.

You might recall the last time we did the World Cup, it was an extraordinary engagement opportunity. And I don't have the numbers at the tip of my fingers. But if I remember rightly, we brought 12 million or 13 million people back into the game who had lapsed out of the game through World Cup content and drove incredible engagement through the event and then, of course, as part of the ongoing live service, continue to grow the business over the course of time. We will think about it this year in the same context. We're always thinking about our player community and always thinking about the balance between the investment of time and the investment of dollars, all in service of a more positive and more immersive and a more entertaining player experience.

In terms of the value of cross-play, I don't think we have any specific data on that yet out of FIFA. In other franchises is certainly where you get greater liquidity in the franchise and friends can play with each other across devices. That's always a good thing for players. But remember, in our FIFA experience, which has 30-plus million people playing across console and PC, it's already a highly liquid community and every platform already has more enough players to sustain the ongoing player experience. But certainly, as we think about the future of all of our franchises, we want to get to a place where the entire community can play together, and that will be part of our driver as we move forward.

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

Great. And then just one on Battlefield, I'm just curious if there's any updates on that franchise. I know you guys previously mentioned you're willing to kind of invest more into the franchise in the long term. But has that mindset changed in the past few weeks given the lack of resurgence from the latest update?

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

No. And again, we take a long view here. This is one of the great franchises in our industry, built by one of the great teams in our industry. And our expectation is that we'll continue to grow and be a really important part of our portfolio for many, many years to come.

We've got incredible leadership over that team now. They're rethinking the development process from the ground up and really using kind of the Vince Zampella/Respawn model of get to the fun as quickly as possible. They've been doing thousands of updates for the community working on quality of life and really getting the core game right. I think there's still more work for us to do there, and the team is committed to doing that work for the community. And beyond that, once we get to a place where we feel like we're in the right place with the core experience and with the core game, then you should expect us to invest and grow beyond where the game is at today.

Operator

Your next question comes from the line of Doug Creutz with Cowen.

Douglas Lippl Creutz - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

I think on the last call you'd indicated that the Battlefield mobile game was close to going into closed beta. And at least at one point, you seem to indicate it might be a fiscal '23 launch. Can you just kind of update on where that is, how the closed beta go? And how you're feeling about timing for the title at this point?

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

Yes. Right now, I think we're looking at going into further testing at the end of May and then subject it to the metrics and the data that we've seen and the engagement we've seen. We might look toward the end of this year, beginning of next year for a global launch. Remember, in mobile, it all really comes down to the tuning and balancing once we go into kind of that closed beta phase.

We don't have any money in FY '23 right now against that title. So if it was to launch in the year, that would be an upside potential for us. And we want to give ourselves the opportunity to ensure that the game has all the soft launch and closed beta that it needs in order to tune and balance. But having played the game, I can tell you, I think that we're excited for the potential.

Operator

Your next question comes from the line of Jamie Bass with Berenberg.

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

I just got a couple if that's okay. Firstly, you were talking about the positive sort of metrics within mobile coming back to the levels they were at pre-IDFA. Two things on that. Firstly, could you give us sort of an indication of what your expectations are for the key core franchises as in not bringing in Apex mobile and the stuff you already had within the mobile franchise. And then second question is on the more boring topic on developer cost inflation or wage inflation. Do you have sort of an outlook for what you're expecting this year in terms of new hires, whether you're expecting a certain percentage in terms of how much actually you need to pay to bring on new developers?

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

Maybe I'll start with the second one and then we'll move back to the first one. Certainly, I think the competition for great talent has always been incredibly high in our industry, and that's no different now. When we think about hiring new talent and we talk to candidates, they really make

employment decisions based on 4 key vectors: what is the work they're going to do; who are the people they're going to do it with; of course, what is going to be the compensation; and their opportunity to learn and grow.

And as we lean into hiring, we really lean into all 4 of those vectors and try and create a culture where this is a great place to make games. And we were able to hire record numbers in FY '22 even amidst what was already a very competitive marketplace. We expect to continue hiring. I think that we've been recognized by a number of surveys as an extraordinary place to work and we've really focused on the culture of our company and ensuring that we are a great place to come and create games.

That doesn't mean we won't be challenged in the marketplace. I think it's going to be more and more challenged. But so far, we have not had trouble hiring incredible talent. And we brought in some amazing new creators and people across our business, quite frankly, through FY '22.

Chris Suh - *Electronic Arts Inc. - Executive VP & CFO*

And on your question specifically, as I commented in my comments, in my prepared remarks about the IDFA changes, it is something we're still working through. We have seen some positive movement toward reaching the levels pre-IDFA. And we feel optimistic that we're sort of through the tougher part of it, and we feel good about the outlook from here.

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

And that brings us to the end of the call today. I'll catch up with you afterwards, Jamie. So I was just going to say, that brings us to the end of the call today. So thanks, everyone, for your time, and we look forward to speaking to you in the next quarter. Thank you so much. Thank you all.

Operator

And this concludes today's conference call. Thank you all for participating. You may now disconnect.

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