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PRESENTATION

Operator

Good afternoon. My name is Josh and I'll be your conference operator today. At this time, I would like to welcome everyone to the Electronic Arts First Quarter Fiscal Year 2023 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. Welcome to EA's First Quarter fiscal 2023 Earnings Call. With me today are Andrew Wilson, our CEO; Chris Suh, our CFO; and Laura Miele, our COO.

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

With regards to our calendar, our Q2 fiscal '23 earnings call is scheduled for Tuesday, November 1. As a reminder, we posted a schedule of our entire fiscal year of upcoming earnings calls on our IR website. This presentation and our comments include forward-looking statements regarding future events and the future financial performance of the company. Actual events and results may differ materially from our expectations.

We refer you to our most recent Form 10-K for a discussion of risks that could cause actual results to differ materially from those discussed today. Electronic Arts makes these statements as of today, August 2, 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. It's great to be here with you all. We delivered a strong performance across our business in Q1. Our broad IP portfolio, our amazing talent and our growing network of players deeply engaged in our live services, all serve as unique structural advantages, especially as we navigate the fluidity of the macro environment.

What we recognize there is more uncertainty in the market, our teams are focused on what they do best, delivering amazing games and services that keep our players engaged, connected and inspired as we take entertainment and play to the next level. Our portfolio of sports and owned IP franchises continues to power resilience and longevity in our business. EA SPORTS and Racing is growth center with franchises that are at the heart of our sports fandom is becoming increasingly interactive. F1 '22 sales are up double digits launch to date and the sport continues to boom, especially with younger fans.

Our EA SPORTS FIFA franchise is exceptionally strong on a global basis, with record business for Q1 in Asia, significant growth in mobile with DAUs up another 10% over last quarter and FUT engagement growing nearly 40% year-over-year, which is well above the industry average. We're going from strength to strength in EA SPORTS, including Madden NFL 23 just weeks away and our most expansive FIFA game ever coming this fall.

Sports is the ultimate evergreen form of entertainment and our new cross-media partnership with La Liga perfectly illustrates how we continue to innovate at the forefront of sport, media and interactive content.

With these multi-faceted collaborations, we are able bring the most authentic experiences to fans and expand into new ways to watch, create, compete, connect and participate in sport across platforms, business models, and geographies. Our owned IP franchises are some of the most deeply engaging and culturally relevant entertainment properties in the world. Apex Legends is a leading multi-platform franchise with our live service on console and PC driving massive ongoing engagement and a new mobile game that is delivering on our early expectations.

Engagement in our Sims franchise is also outperforming the market with content that resonates for a broad and diverse audience. We have a proven ability to grow successful long-term live services across our portfolio with ongoing engagement that drives resiliency, reoccurring revenue and lifetime value for our business.

Through all of these experiences, our large global network has grown to nearly 600 million. Every day, our players are forging new friendships and social connections. And with the scale of our network and our team's ability to utilize our data, we can understand where, how and what our audiences are playing today and where they want to go next.

We continue to see Gen Alpha and Gen Z turning to games as their primary form of entertainment, consuming more content than any generation of the past. They love playing with friends. They stay connected with family. And they're creating content at every turn, both in and around their entire gaming experience.

Whether they play games from our expansive EA SPORTS portfolio to fuel their fandom, enjoy the intensity and competition of Apex Legends or seek adventure in games such as Star Wars Jedi, the next generations of consumers use the power of play to fully immerse and express themselves, to build deeper, more meaningful connections with the communities they identify with and where they feel they belong.

They're using games like the Sims to unleash their personal and creative autonomy, building characters and new stories with their friends. Delivering games that fuel creativity where players can join, compete and interact with each other through social and immersive experiences is an exciting growth lever for Electronic Art as we continue to expand and diversify our portfolio and build global online communities spanning more geographies. Games are the social networks of the future.

Leading in this highly competitive market requires a strong focus on people. We continue to invest in our culture and in fueling our talent pipeline. The best character artists, animators, graphic designers, data scientists, engineers and many more talented creators are all joining our team to level up their careers with award-winning franchises and studios.

From career development and wellness programs to workplace experiences and technology that inspires collaboration and innovation, we strive to make Electronic Arts a great place to work and grow. Through our IP, our talent and our growing network of players, we are adding strength and long-term value to our business.

Even with short-term uncertainties, interactive entertainment will continue to evolve and grow, and we are in a very strong position. Now I'll turn the call over to Chris.

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

Thanks, Andrew. As Andrew said, we had another strong quarter driven by continued healthy engagement from our vast player network across our broad portfolio of live services and games.

Net bookings for the first quarter exceeded our expectations, coming in at \$1.3 billion, driven by our FIFA franchise and the F1 '22 launch. Compared to the prior year, net bookings were down 3% or 1% in constant currency, driven by 2 game launches last year compared to 1 this year, offset by strength in the FIFA franchise, the acquisition of Playdemic and the launch of Apex Legends Mobile.

Our live services net bookings grew 8% year-on-year or 10% in constant currency, again, demonstrating the resiliency of the highly reoccurring revenue stream. On a trailing 12-month basis, live services were 73% of our business. And with regard to full game sales, digital sales accounted for 65% of units sold through, up 4 percentage points from last year.

We delivered Q1 net revenue of \$1.77 billion, also above our expectations. And with the higher mix of console-based revenue, gross margins and underlying profit were also well above our expectations. We saw strength across the entire FIFA franchise during the quarter, particularly with FIFA Online 4 and FIFA Mobile.

FIFA Online 4 hit a new high engagement and FIFA Mobile delivered its biggest net bookings quarter ever. FIFA 22 is the largest FIFA ever, life to date with regard to net bookings. F1 '22 net bookings also materially outperformed our expectations, and the franchise has become a dependable driver of growth, having delivered double-digit growth for each of the last 4 years.

Andrew highlighted the success of our owned IP games, exemplified by Apex Legends, which saw double-digit net bookings growth again in Q1. Apex Legends Mobile had a successful launch during the quarter, making Apex Legends, a leading multi-platform global franchise.

Operating expenses were up 11% on last year, in line with our expectations as we continue to invest in our development teams and new product launches. Operating cash flow for the quarter was negative \$78 million, and we returned to further \$373 million to shareholders through dividends and our ongoing share repurchase program.

Turning now to guidance. We are maintaining our full year net bookings guidance of \$7.9 billion to \$8.1 billion, up 5% to 8% year-on-year or 8% to 11% in constant currency. Now let me give a little bit more color within this range.

First, based on current exchange rates, we see nearly \$100 million of incremental net bookings headwind within our full year guidance or about 1 point of growth, which mostly impacts the second half of our year. As rates remain quite volatile, we'll provide a more current update in our Q2 earnings call about the expected half 2 impact.

Second, we're seeing some shifts within our business. We expect the strong Q1 results in our EA SPORTS and Racing portfolio to continue offsetting the anticipated impact of an overall softer mobile market. This mix shift has a positive benefit to gross margins and therefore, minimizes the likely increased impact of FX on our underlying profitability.

We expect fiscal '23 GAAP revenue to be \$7.6 billion to \$7.8 billion and cost of revenue to be \$2.02 billion to \$2.065 billion. Our expectations for operating expenses are unchanged at \$4.2 billion to \$4.315 billion and we anticipate earnings per share of \$2.79 to \$2.87.

Our guidance for operating cash flow also remains unchanged at \$1.6 billion to \$1.65 billion. With capital expenditures of about \$200 million, that would deliver free cash flow of about \$1.4 billion to \$1.45 billion. See our earnings slides and press release for further cash flow information.

Turning to the quarter. We expect Q2 fiscal '23 net bookings to be \$1.725 billion to \$1.775 billion, driven by the launch of Madden 23 on August 19 and FIFA 23 on September 30. Both Madden and FIFA benefit from having built decades-long relationships with their passionate player communities and broader sports ecosystems, and we're seeing strong prelaunch momentum for these reliably well-performing titles.

For the second quarter, we expect GAAP net revenue of \$1.85 billion to \$1.9 billion, cost of revenue to be \$467 million to \$480 million and operating expenses of approximately \$1.036 billion to \$1.041 billion. This results in earnings per share of \$0.78 to \$0.86 for the quarter.

Our strong first quarter reflects the continued healthy engagement for our vast player network across our broad portfolio. We're confident in our ability to execute with discipline, navigating through a more uneven market with a robust half 2 slate and the durable power of our live services model to deliver continued growth in fiscal '23.

Now I'll hand the call back over to Andrew.

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

Thanks, Chris. It's been a good start to the year. While the macro outlook remains fluid, every one of us at Electronic Arts is focused on the things we can control. Even amidst market uncertainty, more people than ever before are turning to games as the primary choice for entertainment.

This is what they love to do more than anything else, and it's how they want to connect and share experiences with people around the world. With gaming so central to our lives today, EA is uniquely well positioned with a broad demographic reach of our portfolio, and the strongest content pipeline in our history.

Leveraging the talent of the best teams in the industry, we are poised to lead this next chapter of entertainment and to continue building long-term value in our company.

As we move into the Q&A portion of the call, I want to take a moment to welcome Laura Miele. As Chief Operating Officer, Laura has a deep connection to our business from game creation and our studios to revenue generation and our commercial organization. Laura will join us to add her strategic perspective and insights on the business.

Now Chris, Laura and I are here for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Eric Sheridan with Goldman Sachs.

Eric James Sheridan - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Maybe 2 big picture questions, if I can, Andrew. First, with where we are in the console cycle and how there's still to be a low supply chain and logistic challenges globally, can you talk a little bit about your current thinking on this console cycle versus historical precedents and how you plan on sort of building the organization on the content side to why and when we get to sort of mass deployment of the next-generation of consoles? Would love your view on that first.

And then obviously, on the mobile gaming side, we continue to see a lot of challenges on distribution and go-to-market and monetization. Can you talk a little bit about your efforts to realign the organization for this sort of new world order for mobile and how you think about capitalizing on that opportunity over the next couple of years?

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

Yes. Thanks, Eric. Two great questions. I'm going to get a bunch, I'm going to hand off to Laura a little bit on mobile structure. She's been working very closely with the team on how we're thinking about that future.

In terms of console cycle, first, we're still really early in this console cycle. So our expectation, typically, our console partners think about console cycles on a 10-year time horizon. And so we're still really early. And while there are some supply chain constraints, I think what we're hearing from our partners is that we feel like they're going to ease up towards the back half and certainly into next year.

But the most important thing that we're seeing is demand is off the charts. And I think we heard Microsoft say they're in as good a position as they've ever been in terms of their console sales and their console demand. And we also know that Sony consoles are in deep demand.

And as the supply chain starts to ease, our expectation is that more and more people pick up that next console. So as we think about what is the next 8 years of this cycle, you should expect that we'll continue to invest deeply in our existing owned IP, in our EA SPORTS portfolio, but you should also expect that as we get through that cycle, we're investing deeper into our slate to have a stronger pipeline down the back half of the cycle.

And the good news about that for game is when we have a cycle that goes for this long and we're able to invest on this time horizon, the quality of the software and the nature of the experience we are able to deliver gets better every single year. And so we're looking at this in the same way we have in the past.

Now I think your next question on mobile is also a really important one because what we also know, as these cycles continue, is mobile play is a big part, PC continues to play a big part. Over time, cloud gaming will also play a big part. And so we're layering other mechanisms for this global community of 3.5 billion people who currently play games to interact with the content and services we provide.

At a macro level, mobile continues to be the world's largest gaming platform, 3.5 billion people. It's hard to imagine any other platform having that kind of reach. For us, we also see that it gives us reach in markets where we typically haven't been as strong.

And as we've talked about, our FIFA mobile business growing on mobile, we've actually seen the majority of that growth happened in markets where typically we have not been able to monetize that experience in the same way given the limited penetration of consoles or the premium model in those markets.

So long term, we continue to believe that mobile is going to represent an incredibly strong opportunity for us for -- on a global basis, about 50% of the gaming industry, it's about 17% of our business. So that represents tremendous upside for us.

And so what Laura has really been working with the team on, particularly with our most recent acquisitions, is how can we build one single mobile organization that's really targeted at the future, a future where brands really matter, network really matters and incredible teams really matter. And I'd hand over to Laura to add a little bit more detail.

Laura Miele - *Electronic Arts Inc. - Executive VP & COO*

Yes. Thanks, Andrew, and thanks, Eric, for the question. We have successfully integrated Glu and Playdemic into our business into one mobile organization that is actually seeing growth year-over-year, and we continue to expect to see that in the coming years.

And as Andrew mentioned, there's an outside strategic value that mobile brings to our portfolio. It has a significant contribution and impact on the ecosystems of our big franchises. So one example we've discussed the success of FIFA Mobile. And when we look at our player profile, 46% of our FIFA mobile players were located in Asia Pacific and Latin America compared to just 28% for our HD players. So we see this as a significant expansion of the overall ecosystem for these big brands that we have.

It's also an amazing entry point for one of the largest growth drivers for us with Gen Z and Gen Alpha players. And of course, as Andrew mentioned, it's a dominant engagement platform for emerging markets. And then as we think about cross-platform play also for our franchises.

So we are optimistic, not just about the individual mobile business, but the strategic impact mobile brings to our overall growth plans that we have for the future.

Operator

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

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

Just to follow up on Chris' commentary for a softer mobile market in the back half, I think that's how I heard it.

Can you maybe just walk through some of the drivers of that? Is that something specifically in your pipeline or is that more related to broader factors like the economy or UA challenges at some of the platforms?

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

Yes. I think we're seeing some macro mobile slowdown, at least that's what we're hearing about. Our model establishes is built on a basis that we'll see some slowdown in the macro mobile market. Again, our mobile business on balance is doing very well inside of this and so we're confident in our core business, and we're confident in our core franchises. But we are seeing kind of a macro slowdown.

And I think there's probably a few different reasons for that. One is, I think the market is still working through IDFA and how to deal with that. Again, in a world that we have brands that matter and a strong network of players an incredible technology. We feel like that we're able to navigate that very well.

Two, I think we're dealing with some tough COVID comps, mobile benefited greatly through COVID. And three, if you've traveled it all over the summer, I think the world is on vacation. And so if you speak to any of the travel companies, they will tell you they're seeing unprecedented levels of travel. And I think that might also have some impact.

Long term, though, when we come back to this, it represents 3.5 billion players. It represents a way for us to access players in markets that our traditional business does not. We think that the future is going to lend itself to big important entertainment brands and brands that exist across platforms and we think the overall ecosystem will be strong.

And so while we never want to go into a market overly confident, we always want to use strong discipline with how we plan for the market. We're confident in our business. But even as we hear about some softness in the market, we just want to account for that as we move into the second half of the year.

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

Okay. Maybe I can just also follow up with one about economic risk more broadly. I think we've tended to think historically PC console games is kind of recession resistant just given the cost on a per hour basis of the content. But wondering how you think that kind of dynamic holds up today, just given the industry has shifted so much towards live services, but then also increasing player engagement for things like subscription.

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

Yes. I think it's a great question. Typically, as we've looked through past macro challenges, our industry has done extremely well relative to everything else that's going on around it, even relative to other forms of entertainment.

There's a few reasons for that. One, it's highly interactive and it's deeply engaging and represents extraordinary value for money. Two, entertainment is kind of a fundamental human need. And even as humanity has dealt with many challenges through its course, entertainment has always risen to the top at something that has brought us together.

As we think about the business now versus the last macro challenges that we may have faced, I think the good news with live services is that we have more people engaging in our games for more time and more deeply connected to each other. All of those things speak to, I think, real strength of the nature of the live service business that we operate in today.

I think there is one open question if we were to have one which is in a world where you can engage deeply without spending, how we will see spending through this period in the connects of live services.

What I said in the prepared remarks is what we're focused on is the things that we can really control, which is driving deep engagement because what we know about engagement in our business, particularly in the context of our live services, is over the lifetime of an experience.

If we can continue to drive really strong engagement across the portfolio and across our 600 million strong community, but the lifetime that we protected over time.

Operator

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

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

A couple of questions here. The first one, probably for Laura, but just generally, COVID obviously impacted the way people played games, but it also impacted greatly how games were being made. We've seen a ton of -- a lot of delays in the industry.

Where do you think we're at? Are we to a point where delays will become fewer and fewer? Like how do you feel about making games today in the current environment?

Laura Miele - *Electronic Arts Inc. - Executive VP & COO*

Andrew, thanks for the question. Really great question. A couple of things. Yes, we did see initially some disruptions and how our teams make games. But I will say, and I've said so many times, I am just blown away by the ingenuity and creativity of our teams and how they have adapted to get to not only a more productive place but a highly creative place and how they're creating games.

And so we've seen a lot of progress actually in how the rhythm and how our teams have created operating systems and processes around how to create games. And that said, we are seeing more people come back to the office. We are here in our office in our headquarters right now in person. And so -- and we've been traveling around visiting studios. Andrew was in the U.K. last week visiting our Racing teams there.

So we're seeing more people come back. And we're also seeing people adapt to productivity and environments that are more meaningful and productive for them and for their creativity.

So I would say that what we've learned is that having people and teams in place in the beginning of a production cycle for development, and then usually, at the end as we final has become critical. And our teams have adapted incredibly well on the production side, and sometimes it's more meaningful for them to be in the office together and sometimes they are more productive from home.

So we're seeing a really strong adaptation to how the teams are developing. So we believe we are in our new rhythm, and we're continuing to evolve that as time goes on. We also have seen a really strong demand in people joining our company. People choose to work with companies that they have a strong value and moral attachments to as well as clearly compensation is really important, but people really want to have a connection -- emotional and personal connection to where they are.

And we've seen a really strong demand and desire to work here. So we're seeing a really good options for us to bring new talent in, and we're seeing our teams and infrastructure adapt to a new work environment.

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

Got it. No, I really appreciate that color, Laura. Switching over to thinking about kind of medium- to long-term growth. You guys, I believe, I mean, you've announced or we've speculated that there's quite a few single player games coming. How should we think about growth from that vector.

Should these be bigger in scale so that they'll each kind of comp one after another nicely? Or is it a quantity game where you launch one big one and then we get a couple after that. How should we think about comping the single-player games going forward as we build our models over the next couple of years?

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

Yes. And maybe Chris could add some detail on the model. The way we think about this is really less about which game and more about which motivations to these games fulfill. So what we know about our players is on balance, they have these call motivations, inspiration, escape, social connection, competition, self-improvement, creation, these things that bring us together as players of games.

And the creation of worlds and the building of characters and the telling of stories is really important in the fulfillment of some of those motivations. So when we think about our portfolio and we think about building it out, we really think about it on 2 key vectors. One, how can we tell incredible stories and two, how can we build tremendous online communities and then how do we bring those 2 things together.

So the way -- when you look at our portfolio, what you should be looking for is how are we doing that? How we build in these worlds and telling new stories, how we're developing global online communities and how we're bringing those 2 things together for the fulfillment of motivations. And what we see when we get that is one, we grow network and two, we grow the amount of time that plays in our network spend in and around our games.

And as we think about single-player games, we think it's a really, really important part of the overall portfolio that we deliver in the fulfillment of those core motivations. And the way we'll plan for it over time is really just looking at our community and looking at how they're spending their time and looking at where motivations may or may not be fulfilled and we'll look to supplement that with the addition of new online games, new multi-player games and new single-player games.

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

Yes, Andrew. And maybe if I could just add on top of that. Andrew, our Andrew here explained it well. But as we think about the model impact and the financial impact of that.

I mean, I think the first thing to always keep in mind is that live services still encompasses on a trailing 12-month basis, over 70% of our business. And that has been a proven very reliable, highly reoccurring revenue stream, and that will still be the predominant driver in our P&L long term.

Second, we've talked a lot about the areas of investment that we're making, and that's both in the live service as well as some of the single title launches that you've seen. And so over the course of time, we'll continue to invest in our long-term growth. We'll continue to invest in the ongoing stable performance of our live services business, and there'll be some puts and takes along the way.

Operator

Your next question comes from the line of Omar Dessouky with Bank of America.

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

You mentioned that Apex Legends Mobile was successful versus your expectations. And I wanted to double-click on that. By what measures would you consider Apex Legends Mobile launch successful? And is bookings one of those measures?

And then have you launched Apex Legends Mobile in all the geographies that you've intended? And how should we think about the second half advertising intensity of Apex Legends Mobile compared to what we've seen so far, especially in light of your comments on a weaker mobile environment in the second half. And then I have a follow-up.

Laura Miele - *Electronic Arts Inc. - Executive VP & COO*

Omar, well, first, yes, we are pleased with the launch of the game that has met our expectations for the quarter. And what we saw with Apex Legends on console, as we all know, is it was a massive uptake in the beginning and then followed by stabilization and really steady growth over the life cycle of the game, and we expect the same of this title on mobile.

And in fact, this is the pattern seen by many mobile shooters. There are many years of revenue and return generation to be had, particularly when you look at the shooter category and we expect the same thing to be true for Apex Mobile.

And keep in mind, we are currently in week 8. So many years ahead, and we are in week 8, just getting started. One thing we know is we're very good at listening to our community, and we know how to respond to the needs of players and then the game dynamics that are required to respond.

And keep in mind as well, we have an incredible team on this. We have Respawn, who is just best in class in the business for shooters. We have a meaningful mobile infrastructure now to execute globally with the additions of Glu and Playdemic and our mobile organization. And we also have an exceptional partnership with Tencent. So we are -- we've met our expectations, we're encouraged and we also know we have a significant runway ahead of us on this title.

As it relates to advertising, we are again, looking at advertising as a dimension of our mobile business, though this is one that is primarily going to be focused on the internal game monetization. And that's how we're looking at the optimization of return on our investment in Apex.

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

Okay. I guess in the context of this weakening mobile macro environment for the second half, and kind of a stable expense guide, does your stable expense guide assume more or less or the same investment in mobile user acquisition?

Laura Miele - *Electronic Arts Inc. - Executive VP & COO*

For Apex, we are -- it is -- we're holding it steady. So we are not changing our outlook on our investment or the return. So we're holding that for now. But again, as we -- the great thing about the mobile business is it's quite dynamic, and we're able to use multiple levers as it relates to game changes, evaluate engagement and evaluate the return that we're seeing. But at this time, we aren't changing our outlook on our investment or the revenue return that we get from that.

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

Okay. And just a quickie again on Apex Legends PC console this time. Does your guide for the full year include any kind of effect from competition of new shooters that may be launching this fall?

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

No. The way I would think about that, Omar, is that our guide takes into account what we view as the overall market conditions, Apex Legends had double-digit growth again in Q1. We're anticipating the full year to continue to grow on that very important franchise, and it does take into account both the things that we control from an execution standpoint as well as what we view as the market conditions, and that's all factored into the guidance that you heard.

Operator

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

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

Just a follow-up on Apex. With the mobile game coming out mid-quarter, did it have any impact, if any, on the console PC version in terms of bookings and users? In other words, did growth kind of pickup or slowdown post the mobile launch.

Laura Miele - *Electronic Arts Inc. - Executive VP & COO*

Mario, thanks for the question. It's so early to be candid. But what we are seeing is we are seeing tens of millions of new players coming into Apex, and we're seeing a significant impact in geographies and growth in geographies as far as penetration of the brand and the experience that are expanding the Apex brand in places that the high def and PC console didn't necessarily.

So it's, again, more expansion into emerging markets and a lot of new players coming into the brand that we're optimistic about. But it's early days for us to understand to see how things will play out. We have a new season coming on the high def and PC game in about a few weeks here. And so we will study and understand the impact that mobile has had on that. So more to come in our next earnings potentially on the context around the impact on the overall business.

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

Great. That's helpful. And just one on FIFA. You guys mentioned the whole franchise was strong during the quarter. Was there anything in particular that drove the strength in FIFA Online.

And then can you guys remind us once the FIFA license rolls off, like what happens to these kind of persistent games like FIFA Online and FIFA Mobile? Is it just a simple kind of rename or how is that going to work?

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

Yes. So I'll have Laura take the first part on just the performance in the quarter and then I'll talk a little bit more broadly about how we think about the franchise going forward.

Laura Miele - *Electronic Arts Inc. - Executive VP & COO*

Yes. So on FIFA Online 4 performance, the studio has studied and strongly focused for the last few years on efforts to improve the gameplay feel. And this has really started to pay off in player sentiment.

So we continue to deepen our relationship with our players, and we have strong partners as we go to market in Asia and we're factoring the feedback into the game development. We're also seeing improved marketing and the growth of popularity of Global Football in Korea, which has had a big impact on the business.

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

And more broadly, as we said, we're going to launch the most expensive FIFA ever this year. I think it's extraordinary and demand is really strong. I was just in Europe, but I was bumping into young kids, and they'd find out I was doing that already preordered FIFA, which was extraordinary. I think we're seeing growth in the sport -- of course, we've got a World Cup here. And so our belief is that this is going to be a very strong year for our FIFA business.

What -- the way that -- and without going broadly into the mechanics of our relationship with FIFA or contracts or what have you, what you should expect is that we will launch the most expansive FIFA ever, we will then continue to sell that in the market and we have the ability to continue to do that. And then we will begin launching the EA SPORTS FC brand more deliberately and more broadly in the market, beyond, again, what we did earlier this year where we had nearly 200 of our 300 partners came out and promoted the EA SPORTS FC brand as a brand that we all collectively own, the 300 partners, Electronic Arts and our community of many hundreds of millions of players around the world.

And so while the name of the game will change the nature of the experience and the connection that players have to the game, to the leagues and teams they love and to the players they play with and play against in the community that's many hundreds of strong. None of that changes. We'll invest strongly into that and we're very excited about what that future will bring. And again, we announced our new La Liga partnership which is going to expand on the nature of things we can do. And you remember, as we've talked about this through, we have been deeply grateful for our partnership with FIFA, which has existed for nearly 30 years, and we've built a tremendous business together.

But we've been very excited in every conversation we've had about the types of things we're going to be able to do with our partners and for our community in the context of the blurring of the lines of football fandom between linear and interactive, what we do in the virtual world, and what we do in the real world, what we watch on television, what we experience in game and what we've announced with La Liga is just the first step of that.

And you should imagine that we'll continue to build and expand on this opportunity to truly bring together what is the largest global football community around a brand that we all own together, EA SPORTS FC.

Operator

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

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

Yes. Wondering if you could talk about 2 franchises. First, with F1 showing growth on a year-over-year basis, this is your second year now with the title. Anything you're doing differently from a marketing perspective to -- or just a game perspective to drive the improved numbers there?

And then secondly, with regards to the Sims, I think you just had your first expansion pack in about a year, maybe talk about what's been going on there.

Laura Miele - *Electronic Arts Inc. - Executive VP & COO*

Sorry. Thanks, Eric, for the question. I was muted there. We remain incredibly bullish and excited about the F1 business. And I would say that the development teams have integrated well into Electronic Arts. And I think that they're seeing some of the benefits of our scale globally.

And certainly, when you look at our marketing and commercial divisions, I mean we've had some of the developers actually comment and note the global footprint and reach and impact they've been able to have through our presence that we have with our marketing teams, commercial teams and commercial partnerships that they just haven't been able to benefit from before.

So we're seeing strong development impact from the leadership we have here probably mostly in this year's release, and we are very optimistic about some of the dimensions of the game that we're going to bring to market in the years ahead. And then just the strength EA SPORTS brand and the really strong marketing and commercial teams that we have.

And for the Sims question, you mentioned, so we -- one of my favorite things about the Sims business is how healthy and strong it is. We actually released game packs, content and expansion packs several a year. So we are persistently connected to our players in that community. And we are pretty excited about how strong and the size of this business after about 10 years, we've had the Sims 4 brand out.

So this is something that we persistently put content into the player community, and we'll continue to do that for the years to come.

Operator

Your next question comes from Mike Hickey with The Benchmark Company.

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

Chris, congrats on the quarter. 2 questions. First question, sort of broad ranging here, but really exciting news, at least for me. And I think the community on state and your decision, your team's decision to move from a sort of premium plus live service release to what it looks like a pure free-to-play live service.

So just kind of curious, qualitative or quantitative, the decision-making process to move from what was sort of a, I think, kind of highly anticipated premium launch to a pure free-to-play there's sort of a quality level or a unit expectation that is sort of part of the process there to move to pure free-to-play.

And if this is sort of maybe the beginning of seeing this in other genres, sort of those lower tier sports games that sort of the 3 million to 5 million units, whether it's auto racing or MMA then maybe better live services in this market versus premium? And I have a follow-up.

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

Yes, great question. I'll start, and then I'll hand over to Laura, who's been working deeply with the team. The first thing, as I was saying earlier, we really see growth in our future built on 2 key vectors: One, the ability to create worlds and characters and tell stories and that was to build a really large global online communities.

When we look at Skate, I think what happened is our ambitions have continued to grow. As you've seen what the team has been able to do around that experience, I think we continue to see opportunity. Skateboarding is kind of a cultural language for many generations. It transcends so many things, certainly geography and as we think about the ability to bring a global community of youth together through the language of skateboarding, we think this represents one of the biggest and strongest opportunities we have to build a global online community deeply engaged in a world that involves creativity both from us and from them experiencing what starts out as skateboarding and almost certainly reaches more deeply into the cultural sensibilities of a generation.

So as we thought about that, we really took a step back and evaluated how best we deliver that. And Laura has been working with the teams on how they've thought through that puzzle.

Laura Miele - *Electronic Arts Inc. - Executive VP & COO*

So one of the most important growth potential that we have as a company is how we show up for Gen Z and Gen Alpha players how they socially connect, how they consume content. So there's been a significant focus from the team on this.

And I'll talk about the team for a minute. We have some of the original creative leaders from the original Skate franchise. So much of the DNA and goodness that people loved about skate exists in the team. And then we also brought in someone Daniel McCulloch, who ran at the Xbox Live platform. So he deeply understands art and nuance of social connection, social engagement and how to nurture a community.

And third, I think that skate -- back in the days skate was a bit even ahead of its time. It was -- a lot of the core motivation around our skate experience was around creative self-expression and in social connection and competition. And we are bringing that to life in the biggest way we possibly can. So more to come on this. We are in community testing now, we're very close to this skate community to get feedback, and we're pretty optimistic about how we're going to be coming to market soon.

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

Nice. Second question, Andrew, a bit awkward here, but bear with me. The sort of subsequent to your last call, there was a media article that came out sort of related to consolidation and sort of framed you as persistently pursuing a sale, which was, I think, kind of somewhat unsettling or at least puzzling to the investment community, our clients and you get a lot of questions on it.

So just curious if you can sort of provide some framework around that or clarification or sort of your motivation to run a stand-alone company or otherwise.

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

First, I'm sure you don't expect me to comment on rumors and speculation from some small red media outlets. But be that as it may, I would tell you, I think we are in an incredible position. We're soon to be the largest stand-alone independent developer and publisher of interactive entertainment in the world.

I think we have the most incredible teams in our industry and the planet. As Laura spoke to earlier, we're attracting more and more incredible creative talent we have a community that's 600 million strong that is growing and certainly, we're well on our way to aspirations of being able to engage 1 billion people in play across the planet.

I think we're growing across platforms, we're growing across business models, and we're growing across geographies. And in a world where gaming is becoming more important to the lives of Gen Z and Gen Alpha, who will be the leading generation in terms of consumption, entertainment for the future, I don't think we could be in a stronger position as a stand-alone company.

Our objective always and my objective as CEO of this company is always to take care of our people, our players and our shareholders. And should there ever be a way for us to do that differently than the way we're doing it today, I, of course, have to be open to that. But I would tell you today, we feel very, very confident and excited for our future.

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*

Since the last conference call, you guys announced Star Wars Jedi: Survivor. Your fiscal Q4 big IP title is still unspecified in your current guidance. I'm just wondering if -- since you've announced Star Wars, do we assume that, therefore, that isn't the Star Wars game or should we not assume anything?

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

I think the advice would be do not assume anything. We will name the titles and fill in the blanks at the appropriate time.

Operator

And it's all the time we have for questions. This does conclude today's conference call. Thank you for joining us. You may now disconnect.

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