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PRESENTATION

Operator

Hello, and thank you for standing by. My name is Regina, and I will be your conference operator today. At this time, I would like to welcome everyone to the Electronic Arts Third Quarter 2023 Earnings Conference Call. (Operator Instructions)

I would now like to turn the conference over to Mr. Chris Evenden, Vice President, Investor Relations. Please go ahead.

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

Thank you. Welcome to EA's Third 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 post our prepared remarks and audio replay of this call, our financial model and a transcript.

With regards to our calendar, our Q4 fiscal 2023 earnings call is scheduled for Tuesday, May 9. As a reminder, we post the 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-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, January 31, 2023, 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. During Q3, EA entertained hundreds of millions of fans through our games and multi-platform live services. Our teams delivered high-quality experiences reaching global communities, providing 128 content updates across 36 titles. We launched 2 new AAA releases, NHL 23 in October and Need for Speed Unbound in December, both earning strong reception and positive reviews. The just-released Dead Space has also earned high praise from fans and critics alike, being dubbed a new benchmark for remix and even one of the best games of all time.

We drove record engagement during the quarter on some of our biggest franchises, even surpassing historical highs delivered over the last several years. Our player network also continues to grow, now over 650 million. While we delivered for our players, and engagement was strong in the quarter, the macro environment remains challenging and impacted Q3 results. During the quarter, we took measured action to reduce our expenses, and we continue to exercise cost discipline, further focusing our investments in key areas of growth. As we navigate the short term, we remain focused on what fuels our business, delivering high-quality entertainment and driving strong engagement across our global work.

The passion and enthusiasm for interactive entertainment continues to grow. For more and more people around the world, games are a cherished and authentic way to stay connected with the people they care about, build community and find joy through shared experiences. Across all of entertainment, people are diving deeper and engaging further with their favorite franchises. EA SPORTS FIFA is at the heart of global football culture. And once again, we delivered strong engagement in Q3 across our entire ecosystem.

Year-to-date net bookings from a FIFA franchise has grown 4% or 15% at constant currency. FIFA 23 is pacing to be the biggest title in franchise history, delivering record engagement in Q3. In North America alone, unit sales are up over 50% year-over-year. FIFA Mobile engagement was up triple digits in Q3, and FIFA Online in Asia is hitting the highest monthly active users in years. This engagement fueled strong financial performance.

We have incredible momentum in our global football ecosystem. For 30 years, we've been leaders in interactive football and collaborated with the most extensive network of partners spanning the globe. Our games are interwoven with the fabric of football fandom, averaging 300 million hours of gameplay every month. We are unbelievably excited to take this energy into the future with our EA SPORTS FC brand where we'll deliver even more for fans as part of an expanding experience with endless ways to play, watch, create and connect through their love of football.

Madden NFL is the world's preeminent interactive American football experience and one of the most powerful franchises in sports. We continue to invest in innovation to drive engagement and growth across this mega franchise. Madden NFL 23 had a solid holiday quarter driven by Ultimate Team, and Madden NFL Mobile launched a new season and multiple in-game events, further powering engagement. With big moments ahead, like Super Bowl LVII and Team of the Year, Madden NFL continue to entertain millions of fans.

Our EA SPORTS and racing teams are the best in the business. The convergence of sport and entertainment is picking up pace. Through our investments in technology and new experiences, we will continue to push the boundaries and blur the lines between the digital and physical by empowering players to come together, express their fandom and build online communities both in and around our games. Our owned IP franchises are some of the most deeply engaging and culturally relevant entertainment properties in the world with mega franchises like Apex Legends and The Sims. Apex Legends historically had a quieter Q3 as the live service model ebbs and flows against a seasonally crowded launch slate this time of year. Moving into Q4, we're already seeing a rise in engagement as we approach the game's 4-year anniversary and the launch of a new season, bringing highly anticipated updates and fresh content. Apex is one of the few IPs in its genre with proven endurance to engage and reengage players as they play, watch and compete.

The Sims is also evolving and growing as a live service. In Q3, we took the base game free to enter and welcomed over 10 million new players into the community, driving strong engagement. Our teams are gearing up to add more collaborative ways to further empower our community to unleash their imaginations.

We have incredible opportunities ahead. To do more extraordinary things and service our players and our people, we are making deliberate decisions and reallocating investments to prioritize our biggest growth areas, building global online communities around our biggest franchises, telling incredible interactive stories and harnessing the power of our social ecosystem to create meaningful connections. Our teams are deeply committed to delivering incredible experiences for our players.

As part of this commitment, we have made the player-first decision to move Star Wars Jedi: Survivor's launch date to April 28. The game is a creative and innovative leap forward going further into the experience of a Jedi, delivering more content, more exploration and more fun. Anticipation for the game is incredibly high, and the Respawn team known around the world for delivering top quality entertainment is focusing on the final polish stage to enhance performance, stability and, most importantly, the player experience. Giving the team these extra few weeks to deliver the best experience for our players will not only result in a high-quality game, but puts us in the best position to grow the long-term value of the franchise.

We're also making strategic decisions around 2 mobile titles: Apex Legends Mobile won Game of the Year on both iPhone and Android. Despite this strong start, the ongoing experience was not going to meet the expectations of our players. After months of working with our development partner, we have made the mutual decision to sunset this version of the game. We've learned a great deal and have plans to reimagine a connected Apex Mobile experience in the future. It is through these learnings, combined with a clear franchise strategy, that we've also made the decision to stop the development of the current Battlefield mobile title. We know our community values a deeply connected ecosystem, and our team is focused on delivering the best unified cross-platform experience for our players. Everything we do is designed to inspire the world to play. As a company, our teams have demonstrated that with the culture of creativity, innovation and resilience, we can grow through transformative periods of change and lead the future of entertainment.

As we look ahead, our teams remain focused and disciplined as we reshape our investments toward a future of accelerated content generation, increased direct player engagement and deeply connected ecosystems to bring more people into our global community. We are taking strategic actions to evaluate our cost structure as we navigate through the current macro environment. With our exceptional talent, our broad portfolio of amazing IP and massive player network, we remain committed to delivering long-term value in our business.

Now I'll turn the call over to Chris.

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

Thank you. As Andrew shared, we delivered strong engagement and high-quality titles again in Q3. Nevertheless, our results were mixed relative to our expectations.

Based on Q2 trends and leading indicators, we had built our Q3 guidance on 4 key underlying assumptions: first, that our player network would continue to expand, and engagement metrics remain healthy; second, we would see strong momentum for FIFA, our global football franchise; third, that we would release high-quality new games into the market; and finally, that Apex would experience its typical seasonal low in Q3.

While these assumptions were directionally correct, net bookings came in short of our expectations. We achieved new highs in our player network, sustained healthy engagement trends and delivered a record quarter for the entire EA SPORTS FIFA franchise. However, the performance of new games, despite strong reviews and of the Apex franchise, was below the levels we had anticipated, reflecting the challenging market dynamics. Recognizing the softer net bookings trend, we proactively took focused measures during the quarter to reduce our costs and lessen the impact on our underlying profitability.

Now let's go through the quarter in detail. Net bookings for the third quarter were \$2.3 billion, down 9% or 5% in constant currency, driven largely by a tough comp as we lap the launch of Battlefield 2042 and by Apex performance, partially offset by strength across the entire FIFA ecosystem and the launch of Need for Speed Unbound. Madden NFL 23 was level with a very strong quarter last year. Our live services net bookings were down 1% year-over-year or up 3% in constant currency. Growth at constant currency was driven by strength in FIFA, with rapid growth occurring in FIFA Online 4 and FIFA Mobile. On a trailing 12-month basis, live services were 75% of our business.

We delivered Q3 net revenue of \$1.9 billion, up 5% year-over-year. Operating expenses were down 3% year-over-year or flat on a constant currency basis driven by lower marketing spend as we lap the Battlefield 2042 launch. Further, we reduced cost by just over \$60 million by moderating our hiring and prioritizing our variable spend in the quarter. Operating cash flow in the quarter was \$1.1 billion, and we returned \$377 million to shareholders through dividends and our ongoing share repurchase program.

Now moving to guidance. As we navigate an uncertain market, I'd like to share more context about how we set our Q4 guidance. First and most important, we expect we will continue to execute well on the 2 most important drivers of our long-term success and growth, strong player engagement and the production of high-quality games like the just released and well-reviewed Dead Space. Second, we are confident that EA SPORTS FIFA will sustain and build on the strong momentum that we exited Q3 with. And third, based on our Q3 launch results, we're taking a more measured approach for the highly anticipated Q4 launches.

Next, we are committed to operational excellence and being disciplined in our investment decisions. The actions we've taken during Q3 will reduce our total H2 operating expenses by approximately \$140 million. In addition, we will continue to work to prioritize spend broadly, evaluate our real estate footprint and focus our investments on our best long-term growth opportunities. And finally, our Q4 guidance reflects the player-first decision to shift the launch of Star Wars Jedi: Survivor to Q1 of FY '24. It's important to note that while it changes the timing of reported net bookings, it does not change the overall lifetime economics, nor our expectations around free cash flow for Q4 or FY '24.

Now on to our guidance for the fourth quarter. We are revising our Q4 net bookings guidance to \$1.675 billion to \$1.775 billion, which reflects the shift of Star Wars Jedi: Survivor to Q1, our decision to sunset Apex Mobile and updated expectations based on Q3 trends, in particular, for launches happening in the quarter. We expect GAAP net revenue of \$1.7 billion to \$1.8 billion. We expect operating expenses to be \$1.075 billion to \$1.085 billion for the quarter, approximately \$80 million lower than our previous expectation, reflecting our ongoing efforts to prioritize and focus our investment. As a result, we expect earnings per share of \$0.05 to \$0.20 for the fourth quarter. This Q4 guidance results in fiscal year net bookings of \$7.07 billion to \$7.17 billion. We're also revising our guidance for operating cash flow as a result of the updated net bookings guidance to \$1.4 billion to \$1.45 billion, With capital expenditures of about \$200 million, that results in free cash flow of about \$1.2 billion to \$1.25 billion. For further details on our fiscal '23 guidance, including our GAAP guidance, please see our press release.

Before handing it back to Andrew, I'd like to provide a few early thoughts on our fiscal 2024. As we look to next year, we see the main drivers of our business being our durable broad portfolio of live services, our newly rebranded EA SPORTS FC franchise, Star Wars Jedi: Survivor, plus additional titles we will announce in due course. Excluding the impact of FX, we expect mid-single-digit growth on net bookings and low double-digit growth on underlying profitability. If rates remain unchanged from today, that would equate to mid-single-digit growth for both top and bottom line.

Our business is anchored by incredible brands, evergreen live services, high-quality games and a growing player network. We will be focused on our investments as we build and scale our business, all while delivering amazing experiences for our players.

Now I'll hand the call back to Andrew.

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

Thanks, Chris. We drove incredible engagement and delivered high-quality experiences in the quarter. As Chris shared, we are being disciplined and focused on what we can control to fuel our biggest growth opportunities. We are confident in our vision for the future. And with our exceptional talent, proven IP and growing player network, EA is operating from a position of strength. Our audiences have an insatiable appetite for interactive entertainment and are engaging more deeply with the experiences they love. The future of entertainment is interactive, and no team is better equipped than EA to deliver amazing games and content to inspire the world to play.

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

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

Regina, we're ready for questions now.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question will come from the line of Andrew Uerkwitz with Jefferies.

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

I wanted to -- I would hope you could provide a little bit more color, trying to reconcile some of the comments from the press release and slide deck and your comments here. On the one hand, it seems like certain titles are doing extraordinarily well, FIFA, Sims. But then in your guidance, you're kind of update the expectations for Q4 based, in particular, around launches and games in Q4. So it kind of implies maybe the smaller, medium-sized titles aren't performing. So one, I was just curious if that's true; and two, what gives you the confidence that it's mostly macro and not competitive pressures across the broader industry?

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

Sure. Andrew, this is Chris. I can take this one. So in my prepared commentaries, I talked about what we saw in Q3. And the specific trend I'd point to is the fact that -- and we talked about strong player engagement and strong and high-quality titles, but I also talked about the fact that the highly rated titles didn't perform to the level that we would expect it based on historical expectations for a title of that caliber. So we're taking some of those learnings. And I do think that when we look at all the data and we analyze what we saw in terms of demand and results, we do believe that, that's a reflection of the overall market conditions that we saw continue to mount throughout the quarter, and we've taken those learnings, and we've applied those into the Q4 guidance.

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

Got it. And then just on the mobile side, what kind of learnings are you kind of taking from Apex Mobile? Because it was Game of the Year, but clearly, struggled with a little bit of engagement. Is it who made it? Is it the game -- it's just too PC-based? Could you share kind of the learnings that you've taken away to determine why to cancel this one and cancel the Battlefield title?

Andrew Wilson - Electronic Arts Inc. - Chairman & CEO

Yes. Great question. And I do believe we've learned a great deal as we've gone through this. And certainly, this game was in development for a long period of time as the expectation for the size and scale and complexity of mobile games continues to grow as the platform continues to mature over time.

As we look at it, we really kind of compartmentalize into a few key categories. First, as you point out, this was a really good game built by really good teams and it won Game of the Year on both Apple and Android devices, which is an extraordinary achievement, given the amount of games that are made. But a couple of things also were true inside of that. One is there is a level of immersion and complexity to Apex gameplay in particular, which is very much about what Apex is about, verticality of gameplay and team-based play, that didn't translate quite as well to mobile devices as we had hoped. I think we've learned a great deal from that.

Second is the game wallet really engaged the core deeply, and it actually attracted a lot of new users, which we think speaks volumes for the future success potential of the franchise. It didn't retain the more casual user at the rate that we needed it to. And in a game that relies a lot on team play and competitive play, liquidity of the overall player base is really, really important as you think about the future experience for players over time.

And then third, I think the mobile market continues to be challenging, and we certainly saw -- we launched into what was a softer mobile market and with some changing and evolving kind of player personalities as we move through. So as we think about this on a go-forward basis, we take those learnings, and we apply the real strength, which is we know Apex has incredible demand from both the core users and new more casual

users. We know that we have the underlying ingredients to make an incredible game. We need to be thoughtful about the nature of the core game mechanics and the retention mechanics that we build into the game over time. And most importantly, as we look at the mobile market, the biggest new launches that are seeing the most success are the ones that are deeply connected to the broader franchise where there's not always cross-play, but there's certainly cross-progression and a feeling that they're part of a single unified community and a single unified game experience.

And so as we think about that for the future, that will be very, very important as we reimagine Apex Mobile. And certainly, as we had those learnings from Apex Mobile and we were developing into Battlefield mobile, we anticipated that while Battlefield had also been in development for some time and was making good progress, given the construct of that game, it also was probably going to run into some of the same challenges. And rather than continue to push against that, we wanted to come back, take a breath, reset and really think about the broader franchise strategy and allow the leadership to build a true cross-platform immersive game experience around a reimagined battlefield in the future. Both of these things represent strong learning opportunities for us. And both of these things represent an ability for us as a company to lean into 2 great franchises in a way that the mobile market is more aligned to for the future.

Operator

Your next question will come from the line of Eric Sheridan with Goldman Sachs.

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

Maybe building on Andrew's question. I want to come back first to mobile. How do you think about the array of type of content you have on the mobile side? And how much of it is potentially exposed to sort of casual play that might act in a more sort of hyper sort of volatile mode as consumer monetization might be volatile, depending on what happens with the consumer spending going forward versus maybe some of your sports titles in mobile that have a very different trajectory from a spend perspective? So I want to sort of broaden out the conversation to what you're actually seeing on the spend side across an array of mobile that really runs the gamut first.

And then second, I think we've seen a lot of folks in the industry talk about pushing titles out of '22 now and into '23 and calendar '23 and maybe even into calendar '24. Is there a broader theme emerging around getting titles right before they launch? Or are there elements where you need to see the console cycle possibly maybe deeper into what it's happened over the last couple of years to maybe see the success you want to see with some of the titles? How should we think about the broader narrative around content being pushed out across the industry and with you guys idiosyncratically?

Andrew Wilson - Electronic Arts Inc. - Chairman & CEO

Okay. Two solid questions. Let me start, and then maybe Chris and Laura can provide some color as we get in. First off, on mobile, I think a few things that we start with, and certainly, I think, we think through on a daily basis, which is while the mobile market continues to be a very challenging market to find success in, it also continues to be the world's largest gaming platform and certainly has the ability to attract more players than any other platform. And so for us, it will always be a very important part of our go-forward franchise strategy. When we think about mobile broadly, we really think about the titles fitting into 2 key categories. The first category is what you speak to in the context of sports, but it's also true for Sims and Apex and Battlefield and will be true for Skate, which is how is it part of a broader cross-platform global community of play and how do we unite and unify global communities of players around their core IP regardless of where they play on PC, mobile or console. This, for us, represents probably our strongest opportunity in mobile and certainly where you'll see us begin to really invest.

And when you look at what's been happening with FIFA, up triple digits, it's really as we've started to bring the mobile title closer to the core franchise and start to operate it as a singular business with a unified player community around the world. It's how we're building for Scape. It's how going to build for the future of The Sims. And with these decisions around Apex and Battlefield, it's also how we'll build for those franchises. That represents an extraordinary opportunity for us to attract a much bigger global community to our biggest IP. It represents an opportunity to grow monetization on the mobile platform, but it also represents an opportunity to provide alternative ways for our existing core audiences who plan

console and PC to play when they're away from those core devices they have. And as we look at the mobile market on a go-forward basis, we think that, that will be where we'll find real strength for that part of our business.

The other part is the stand-alone mobile-native titles. And we have a number of titles that continue to perform exceptionally well. Star Wars: Galaxy of Heroes, The Sims, some of the titles that we got as part of our Glu acquisition, Golf Clash. And we'll continue to invest in those as well. But you should expect that as we think about the future, we're going to really layer investment into our bigger franchise play. We'll continue to drive the long-term value of our existing stand-alone mobile titles, and we'll probably invest less in new startup stand-alone titles just because we think that's probably not where we will find strength in the industry over time.

To hit your second part around title launches, and certainly, I think we're hearing more about that across the industry. And I just -- I'd separate what you are hearing from us with everything you're hearing around the industry broadly. While it might be -- it might make sense to kind of draw a broader narrative, I think for us, as we look at it, we launched a number of titles in Q3 and Q4, certainly, with Dead Space and Need for Speed and NHL, some of our smaller titles, and FIFA and Madden. We've launched an incredible amount of titles on time and at tremendous high quality.

I think what we saw with Jedi was this is an incredibly large game. It's both immersive and creative and innovative. And the team just has come down the homestretch and really want to get to quality. And when we think about quality, quality is really a combination of 3 things: innovation, creativity and polish. And that last element, polish, the removal of bugs, the removal of potential play frustrations is as important as the innovation and creativity itself.

And so as we look at our future, we feel that we've been executing extremely well to this point around the titles and the title updates that we've been launching. We also feel incredibly bullish and positive around the trajectory of Jedi. And when the team came and sat down and said, hey, if you let us have just a few more weeks, we think we can deliver even higher quality. We really wanted to get behind and support them. After all, this is an incredible team that with the first iteration of the franchise that they launched, they broke all kinds of records. They are deeply committed to the franchise, deeply committed to our partners at Disney and deeply committed to our players. And we really wanted to get behind them and support it, especially as it will not impact the overall health of the franchise. In fact, it will not only allow us to deliver better quality, but almost certainly increase the lifetime value of the franchise over time.

Operator

Your next question will come from the line of Stephen Ju with Credit Suisse.

Stephen D. Ju - *Crédit Suisse AG, Research Division - Director*

Okay. So Andrew, you do have a bit of a setback in the transition to mobile given the developments across Apex and Battlefield. So naturally, this makes us worry a little bit more about how Glu was coming along because the thesis at the time of the acquisition was to bring some of the success it has had in the more, shall we say, the casual source franchises and exporting that dynamic of FIFA, Madden, et cetera. So can you update us on your progress there? I guess FIFA Online 4 up triple digits, that's a pretty remarkable result. And presumably, a lot of that is due to the World Cup. So what do you think the Nexon [and/or] the Tencent team are doing right to properly monetize the World Cup? And I think -- I guess, shall we say, the last 4 to 8 years, we have not had sort of an equivalent amount of growth in FIFA around the World Cup? So I'm just wondering if there are some learnings or best practices that you can export out of Korea and China into West for the World Cup.

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

Stephen, this is Laura. I'm going to take the Glu Mobile question. As Andrew framed earlier, we still perceive the mobile market to be significant. It's a \$100 billion market. It's where Gen Z and Gen alpha play. It's a platform they prefer. It's also a significant platform in growth geographies around the world where we are looking to expand our franchises. So incredibly important market.

And as it relates to Glu, we see those genres and markets in the shooter category, the sports category, the casual creation category where females primarily play. So -- and of course, the Glu content fits very well into these genres and these categories in the mobile market that are still growing and where we still see a strong connection. Glu is fully integrated into EA and EA's mobile teams now. And so as we think about our future of Sims, we, of course, consider cupboard fashion, design home as part of that ecosystem, as Andrew has referenced. We think about Tap Sports and the potential that we have globally around our sports business, those are a meaningful part of our growth there. We also have had some strong talent, some good tech, have been integrated into our overall EA mobile business. So the integration and the transition has happened, and we really consider and look at the mobile business within EA in a very whole way.

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

And then as we think about FIFA broadly and, more importantly, as we think about FC, and you think about the growth in that business, I think we should think about it on 3 vectors: the first factor, of course, is World Cup. And certainly, we saw very strong growth in our business coincide with the World Cup. The good news about the World Cup, and we've been tracking this for many, many World Cups, as you might imagine, is it's not a moment in time. It actually establishes new fans and brings more people to football. And while we had some incredible matches during this World Cup, and we saw incredible final that pitted Messi versus Mbappe. What that does is establish a whole new set of fans for football on a go-forward basis. And so while certainly, World Cup was a boost for us, we expect that, that will create an ongoing benefit over the course of time.

The second part of the growth, though, wasn't just about World Cup, it was the incredible titles that our teams launched. And certainly with what we did in the core FIFA franchise, it was our biggest and most innovative FIFA yet with all that we did in around FIFA Mobile, which was up triple digits, and all the new event content that we put into FIFA online and how we really tied that community together into a global football ecosystem into woven into the fabric of football fandom. That's a really important part of growth. And what we're seeing now is that we have fans coming into the experience, not just about experiencing one event or one team or one league, but fans coming to the experience really to share their love and passion for football with their fans and really to put it on the line against their rivals. And so as we think about what the teams have been able to do, we expect that, that will continue to drive more growth for us over time.

The third one is football more broadly. And if you really track what's going on in the world, football in every part of the world is growing. It was growing before the World Cup, and it's certainly growing post the World Cup. Premier League, La Liga, League One, MLS, all these leagues are growing in popularity globally. And if you look at what happened for us, we nearly doubled our units in North America. That represents a significant opportunity for us. It is incredibly sports-hungry market.

And so if you take those 3 things and then you roll that into EA SPORTS FC that we will launch later this year where we have significantly more control over the nature of the experience and the things that we can do for fans, we can work more closely together with our partners at a league level, at a team level, at a player level. We think that well beyond this World Cup and certainly through many World Cups to come, the growth in football for us represents an extraordinary opportunity.

Operator

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

Omar Dessouky - BofA Securities, Research Division - Research Analyst

In the past, you've given high-level assumptions as to your expectations for the growth of the PC and console video game software market. And I was wondering if you have assumptions for 2023 as to how much they might grow?

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

I don't know that we have given direct assumptions on those markets in time. We may have represented some market data that had been shared with us over time. We don't have anything to share specifically at this moment other than what I would say is what we're hearing from our partners, particularly in console, is that a lot of the constraints around their ability to get product to market is pretty much behind us and that we should expect a fairly strong console supply in the coming quarter and the quarters through the rest of this year. So that represents a great opportunity for us. We don't yet know how to quantify that. We know that we've been selling into what has been a relatively constrained console market. The demand is incredibly high.

The good news for us is we continue to launch quality software. And you combine that with what we believe will be unconstrained supply of consoles, we think that positions us well in the coming year with respect to our core HD market.

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

Okay. And for Chris, so if I just look at the full year guide of around maybe a midpoint about \$7.1 billion and about \$7.75 billion, which is the guide you guys gave last quarter. I see a difference of \$650 million. If I were to subtract this quarter versus your guidance, and I would get about \$500 million of pushout. That -- and of course, the Apex Legends. So if I subtract \$130 million for the underperformance in the quarter and then, let's say, \$20 million or so for underperformance or cancellation of Apex Legends or sunseting of Apex Legends, I get about \$500 million left. And obviously, that \$500 million subtraction is not entirely Star Wars. So I was wondering if you could break that down for us. So how much of that roughly \$500 million that I'm seeing is Star Wars versus FX impact versus the PC console titles that you think might be softer in Q4? And especially on FX, it looks like the British pound and the euro are up about 10 points versus when you guided in November, which would suggest that FX impact should have been positive.

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

Okay. Got it. I think I followed all your numbers, Omar. So let me see if I can help. So I think directionally, if I followed your math, your math is sort of (inaudible), if I could put it that way. The drivers for Q4 and consequently for the full year are, in fact, the exact drivers that I talked about previously, which is, first and foremost, the shift of Jedi from Q4 and into Q1 of FY '24. That's the most significant impact on the Q4 number.

Secondly, as you pointed out, the performance in Q3 relative to our guidance. That's the next one. And then by extension of that, which Andrew asked as well earlier, which was whether we take in terms of learnings from Q3 and how are we applying the current macro environment and the current market conditions against what we know to be high-quality launches in Q4. And that's part of the equation as well into Q4. And then the fourth one, as you pointed out, is the sunseting of Apex Mobile. So those are the 4 primary -- I think you have the 4 primary drivers and that equates to the revision in the guidance in Q4.

Operator

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

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

I was wondering if we could dig a little bit deeper into the trends that you're seeing in Apex. And within that context, what's your view on whether or not the industry is getting more competitive as a whole in addition to the macro environment getting a little bit weaker? And then I just wanted to see what you guys thought about whether or not this is a franchise we should expect to continue to grow in the future given your early color for fiscal '24.

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

Yes. So I think that as we talked about in the prepared remarks, Apex is traditionally a little quieter in Q3 as the live service ebbs and flows with launch slate of new titles around the holiday. I think this was a very strong launch holiday slate, including FIFA, which performed very well during the World Cup. And certainly, there were some competitive titles that were very strong that had been very weak in prior years, quite frankly. And so there was probably a little built-up demand around some of those competitive titles.

And so while -- the franchise still performed incredibly well, just not quite as well as we had expected based on our projection of where the competitive landscape would be. And we're already starting to see a resurgence of engagement in the franchise, which is again typical of Apex. And we're coming up to a 4-year anniversary, and we've got a seasoned launch update coming. And we feel very, very good about where the franchise is going. I believe the franchise will continue to grow. We've got a lot of new things that we can do. While mobile isn't going to be the growth vector today, it will be a growth vector in the future. There's new geographic expansion that we will go to. There will be modalities at play that the team will -- additional modalities at play that the team will investigate over the course of time.

As we've always said, we think about this as at least a 10-year franchise. We're just coming up to the fourth anniversary. It's an incredibly successful franchise. Our community is very dedicated to it, very highly engaged. Our expectation is that we'll have a strong quarter, but we're also being very deliberate around how we plan for the quarter given what we've just seen in Q3 around the macro.

Operator

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

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

So you still have a very deep development pipeline going on. So I'm curious with the cost cuts that you've made, are these temporary cost cuts? Are they permanent cost cuts? And as I think about what you said about an early read for next year of sort of mid-single-digit revenue and bottom line growth, does that mean with these cost cuts, maybe you can get to a flat operating margin year-over-year?

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

Eric, this is Chris. I'll sort of take your questions, I think, together in -- I think it sort of thematically hits on similar things. So let me just talk about sort of our approach to what we've talked about on the call, which is really focusing our investments into our best long-term growth opportunities.

I think what you see that we did in Q3 and Q4 as well as the inferences of what we're going to continue to do in '24 is a reflection of us continue to be very disciplined about how we view and really prioritize how we view our growth opportunities. And so they don't -- we've been very deliberate and very careful to continue to invest in those things that will bring long-term growth and really being very disciplined about the pace of hiring and some of the variable spend that applied to our -- given the business that we see in the second half of the year.

As we look forward into '24, I think -- again, just doing the math on the early guide that I gave, if we're able to achieve the guidance or the preliminary direction that I gave of mid-single-digit top line with better-than-that improvement on operating line, it would be margin improvement year-on-year in '24 versus '23 for sure.

Operator

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

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

Just two for me. Thanks for the early look on your fiscal '24 growth opportunity. Just curious if you could speak to sort of the degree perhaps and the longevity of the macro pressure you're seeing on your players, if you think it's going to get worse before it gets better or how you think about the potential for a recession and job losses and how that plays into your '24 guidance, the early look that you gave us. And then the second question, obviously, you didn't give the number, but I think the FIFA license was rumored to be around \$150 million annually. Curious if all that money has been spent as you sort of budget '24 in terms of rights fees with the other partners and maybe incremental marketing spend or do you think there's some cushion there in your forward fiscal in terms of potential savings?

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

Yes. I could take -- certainly take that one. Our -- as we talked about, we're operating at the time when there is greater uncertainty and greater unpredictability in the market. And we saw that in Q3.

As we look forward into FY '24, I would say that the early direction we gave assumes really based on the best information we have now, which is we're not in the business of forecasting markets or GDP or macro. But we do know the trends that we see now that we exited Q3 with and that we're seeing entering Q4. And so I would say that the best way to think about FY '24 is that it -- the underlying market assumptions that neither a material improvement, nor a material worsening in that macro environment that we're operating in. And then obviously, as we continue to go on and get closer to the quarters, we'll have more certainty with the out quarters that we're looking at.

In terms of the FIFA math associated with the license fees, the way that I would encourage you to think about it is that in FY '24, it's such an important transition year for what is our biggest franchise. And our focus is really about making sure that we build the greatest experience in terms of bringing the players along with us on the journey. It never has been solely about the profit margins associated with this transition. And so we're completely focused on making the transition and the launch of EA SPORTS FC really fantastic experience for players.

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

The one piece I would add to that around that and concur with Chris, it's not so much about what did we pay FIFA or what won't we pay FIFA in the future. I think that we will invest meaningfully into the franchise to grow it through this phase. Again, we have really said this is not just about a change of the sign on the front of the game, but a real sign of change in terms of what we offer to players over time. And we do believe that we can offer a bigger, more comprehensive, more immersive global football fan experience within our games and beyond the bounds of our games, working with our great partners around the world.

And as we think about investing in that in '24 and maybe even deeply in '25, we believe it will pay meaningful dividends over the course of time. This is a franchise that we've been investing in for 30 years. I couldn't be more excited about the next 30 years of the franchise and what we'll be able to do. And so I think our focus right now is really how do we set ourselves up to realize the fullness of the potential of developing the preeminent interactive football fan community in the world.

Operator

Your next question will come from the line of Matthew Cost with Morgan Stanley.

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

Just on some of the commentary about mobile. You've talked about some challenges in the mobile game industry and some macro headwinds. I guess at this point, we're a fair bit over the way maybe a year into weakness in the mobile market. Are you seeing a real differentiation in terms of the stickiness and the predictability of your players on the PC and console side versus mobile? That's question one. And then the second one is just, can you quantify the guidance impact of delaying Star Wars into the next fiscal year?

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

Matt, on the mobile stickiness, as you said, we measure certainly by engagement. And I would say it varies across the mobile experiences we have. As we've discussed, our strategy and how we are thinking about the future is really around how the mobile platform can contribute to the overall connected ecosystems of franchises. And what we're seeing is, as Andrew mentioned, as players play on the go, as Gen Z and Gen alpha market -- addressable market expands as every year goes by, it's going to be very important for us to show up on the right platforms for the right moments and right experiences.

So we're seeing -- and some of our -- as we discussed on FIFA Mobile is we have significant engagement and significant acquisition into this franchise because of the mobile game that we have. And that's why we're really looking at the incredible assets that we have around casual creator games for our Sims products, our sports games and really dial that up to connect into the ecosystem because they can be a meaningful contributor of new players, engagement and connection into a high-def experience.

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

Great. And Matt, let me jump in on the question about the guidance. So as we've talked about in some form and some of the other questions, the move of Jedi to Q1 is the most material driver of the Q4 guidance revision, and it's a significant part of the full year revision as well, depending on which lens that you're taking looking at the guidance numbers. Again, just again, reiterating that from a lifetime economic standpoint, the move to Q1 is better for the overall game, the ecosystem and for the brand. And again, importantly, given the timing of the original launch in March versus now in April, it doesn't change our cash flow forecast for Q4, nor for FY '24.

Operator

Our final question will come from the line of David Karnovsky with JPMorgan.

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

Chris, you noted your forward view is based on trends currently or where you exited Q3, but wondering if maybe you could speak just to the phasing of kind of the economic impact through the fiscal third quarter. Did you see player engagement or monetization kind of change at all? Was there anything specific to [cover up] holiday period? And then just given the news around Apex and Battlefield, any update on Lord of the Rings? Are there still plans to launch this game? Anything you can say around the soft launch.

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

Great. Okay. And I'll start and then turn it over to Laura to talk about Lord of the Rings. It -- the shape of the quarter -- and I think in some of the materials we talked about how uncertainty mounted throughout the course of the quarter, and I think that's probably a good reflection of what we saw. And it is a quarter where the results were mixed, where we were continuing to watch the strength in FIFA, the strength in FIFA that occurred throughout the quarter, in particular at the end of the quarter. And then we were also watching the performance of these high-quality titles and how they launch and the market reception to that and both from a player and a reviewer as well as a monetization standpoint.

So I'd say we were understanding, absorbing and analyzing different data points throughout the course of the quarter. But as I talked about, in particular, the things that led to our performance in Q3 and the extension of that into Q4 were specifically related to high-quality launches and the pattern, I would say, of recognition of what you would expect in terms of return versus launches of that caliber, and that was very specific to the titles that launched on those dates in the quarter as well as just the macro, I would say, market gravity that we saw across smaller titles throughout the quarter.

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

David, to answer your question about Lord of the Rings. As a reminder, this is a team that created Star Wars: Galaxy of Heroes, which has been one of our most successful mobile games. We're over \$1 billion in net bookings on that. They are currently actively working on Lord of the Rings. They're in soft launch currently. And so we expect a full launch on that mobile game this coming year.

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

Okay. So thank you all for joining us for this quarter. We appreciate the support. We appreciate the good questions and the engagement today, and we'll speak to you next quarter.

Operator

That will conclude today's meeting. Thank you all for joining. You may now disconnect.

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