



Prepared remarks
Q3 Fiscal 2023

CHRIS EVENDEN:

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, an 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:

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 two 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 remakes” 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 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 network.

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 the FIFA franchise has grown 4 percent, or 15 percent 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 percent 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 will continue to entertain millions of fans.

Our EA SPORTS & 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 has 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 four-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 re-engage 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 in service of 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 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 combat, 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 few extra weeks to deliver the best experience for our players will not only result in a higher 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 two 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 a 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 broad portfolio of exceptional talent, 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.

CHRIS SUH:

Thanks.

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 four 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 more 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 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 twelve-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 costs 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.

Moving now to guidance.

As we navigate an uncertain market, I'd like to share more context about how we've set our Q4 guidance. First and most important, we expect we will continue to execute well on the two 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 finally, 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-FY24. 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 FY24.

Now, on to our guidance for the fourth quarter.

We are revising our Q4 net bookings guidance to \$1.675 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 \$1.700 to \$1.800 billion.

We expect operating expenses to be \$1.075 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 \$7.070 to \$7.170 billion. We are also revising our guidance for operating cash flow as a result of the updated net bookings guidance to \$1.40 to \$1.45 billion. With capital expenditures of about \$200 million, that results in free cash flow of about \$1.20 to \$1.25 billion.

For further details on our fiscal year 2023 guidance, including our GAAP guidance, please see our press release.

Before handing back to Andrew, I'd like to provide a few early thoughts on fiscal year 2024. As we look to next year, we see the main drivers of our business being our newly rebranded EA SPORTS FC franchise, our broad portfolio of live services, 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, this 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 back to Andrew.

ANDREW WILSON:

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.

Forward-Looking Statements

Some statements set forth in this document, including the information relating to EA's financial guidance, title slate and other expectations contain forward-looking statements that are subject to change. Statements including words such as "anticipate," "believe," "expect," "intend," "estimate," "plan," "predict," "seek," "goal," "will," "may," "likely," "should," "could" (and the negative of any of these terms), "future" and similar expressions also identify forward-looking statements. These forward-looking statements are not guarantees of future performance and

reflect management's current expectations. Our actual results could differ materially from those discussed in the forward-looking statements.

Some of the factors which could cause the Company's results to differ materially from its expectations include the following: sales of the Company's products and services; the Company's ability to develop and support digital products and services, including managing online security and privacy; outages of our products, services and technological infrastructure; the Company's ability to manage expenses; the competition in the interactive entertainment industry; governmental regulations; the effectiveness of the Company's sales and marketing programs; timely development and release of the Company's products and services; the Company's ability to realize the anticipated benefits of, and integrate, acquisitions; the consumer demand for, and the availability of an adequate supply of console hardware units; the Company's ability to predict consumer preferences among competing platforms; the Company's ability to develop and implement new technology; foreign currency exchange rate fluctuations; economic and geopolitical conditions; changes in our tax rates or tax laws; and other factors described in Electronic Arts' latest Quarterly Report on Form 10-Q under the heading "Risk Factors", as well as in other documents we have filed with the Securities and Exchange Commission, including Electronic Arts' Annual Report on Form 10-K, filed on May 25, 2022.

These forward-looking statements are current as of January 31, 2023. Electronic Arts assumes no obligation to revise or update any forward-looking statement for any reason, except as required by law. In addition, the preliminary financial results set forth in this release are estimates based on information currently available to Electronic Arts.

While Electronic Arts believes these estimates are meaningful, they could differ from the actual amounts that Electronic Arts ultimately reports in its Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2022. Electronic Arts assumes no obligation and does not

intend to update these estimates prior to filing its Form 10-Q for the fiscal quarter ended December 31, 2022.