Electronic Arts Inc. Q1 FY24 Results

August 1, 2023

Electronic Arts

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Safe Harbor Statement

Please review our risk factors on Form 10-K filed with the SEC

Some statements set forth in this document, including the information relating to EA's fiscal 2024 guidance information and title slate contain forward-looking statements that are subject to change. Statements including words such as "anticipate," "believe," "expect," "intend," "estimate," "plan," "predict," "seek," "goal," "will," "may," "likely," "should," "could" (and the negative of any of these terms), "future" and similar expressions also identify forward-looking statements. These forward-looking statements are not guarantees of future performance and reflect management's current expectations. Our actual results could differ materially from those discussed in the forward-looking statements. Some of the factors which could cause the Company's results to differ materially from its expectations include the following: 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 Part I, Item 1A of Electronic Arts' latest Annual Report on Form 10-K under the heading "Risk Factors", as well as in other documents we have filed with the Securities and Exchange Commission.

These forward-looking statements are current as of August 1, 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 herein 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 June 30, 2023. 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 June 30, 2023.

Select Q1 FY24 Highlights

EA reported **record net bookings** for Q1 with **growth of 21%** year over year

$5.6B

Live Services TTM Net Bookings

FIFA Ultimate Team **daily average users increased 15%** year over year in Q1

$7.6B

Total TTM Net Bookings

Live Services represented 75% of total net bookings in Q1

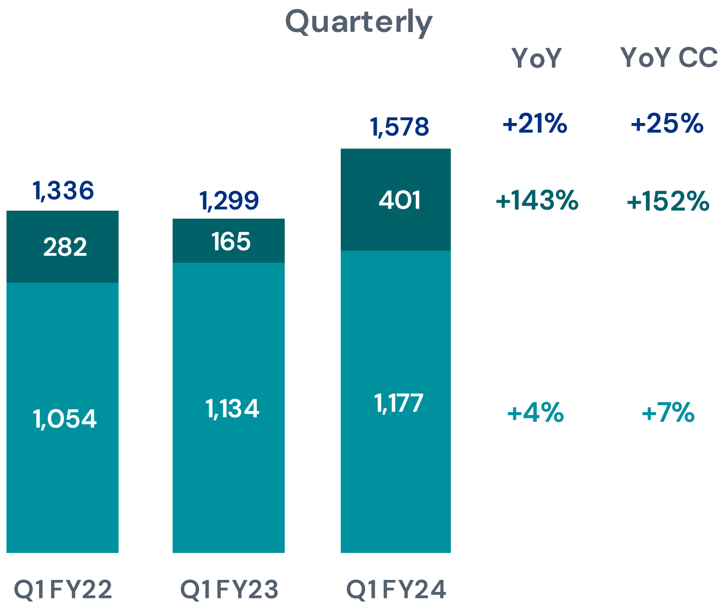
$2.0B

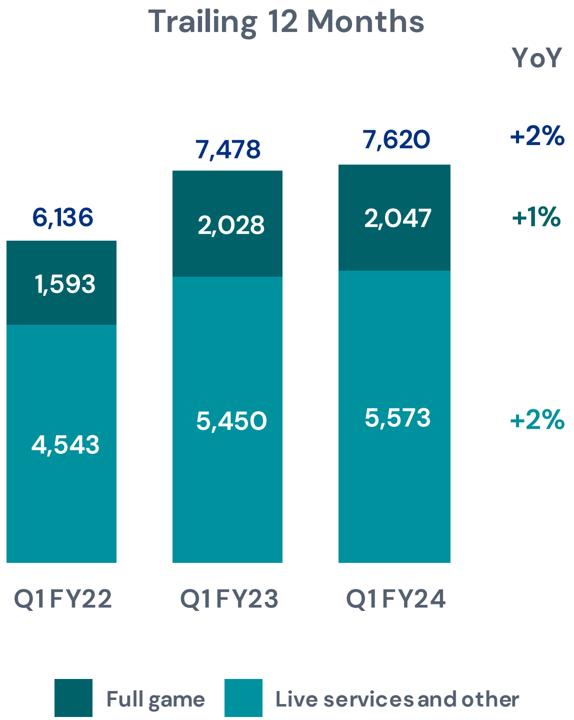
TTM Operating Cash Flow

Refer to Appendix for additional disclosures

Net Bookings by Composition

(in $ millions)



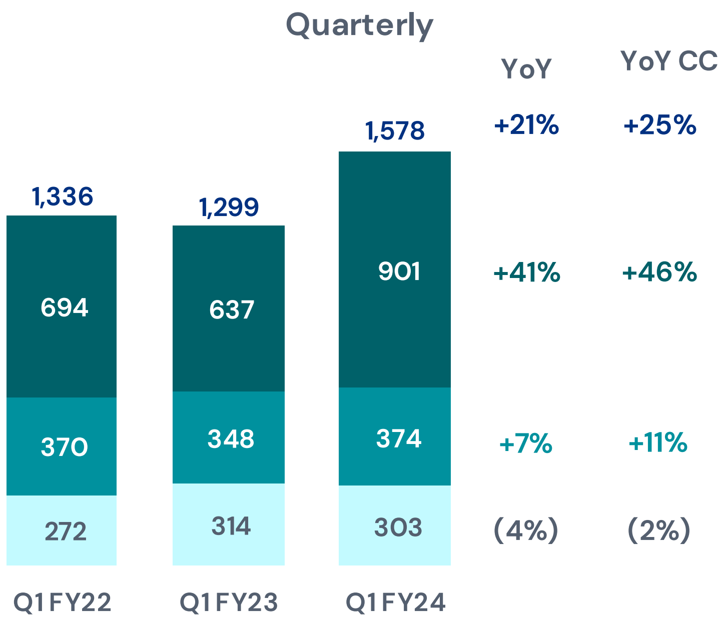


- Record Q1 FY24 net bookings, up 21% or 25% in CC
- Accelerating EA Sports FIFA franchise growth and release of Star Wars Jedi: Survivor, partially offset by lower-than-expected performance of Apex Season 17

Refer to Appendix for additional disclosures, including constant currency ("CC")

Net Bookings by Platform

(in $ millions)



Console PC & Other Mobile

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Refer to Appendix for additional disclosures, including constant currency ("CC")

Existing Live Services and FY24 Title Slate

Massive Online Communities

Blockbusters & Original IP

EA SPORTS

- Denotes annual full game release
- Denotes new title release in FY24

FY24: Announced Titles*

Q1

PGA Tour (launched 4/7)
Star Wars: Jedi Survivor (launched 4/28)
Lord of the Rings: Heroes of Middle-Earth (launched 5/10)
Super Mega Baseball 4 (launched 6/2)
F1 23 (launched 6/16)

Q2

Madden NFL 24 (8/18)
Immortals of Aveum (8/22)
EAS FC 24 (9/29)

Q3

NHL 24

**UFC 5 and one unannounced Racing title not included above*

Introducing EA SPORTS FC

Building a connected ecosystem with

FC24
FC MOBILE
FC TACTICAL
FC ONLINE
FC PRO

to serve the world's largest global football community

150M+ and growing

Electronic Arts

Delivering a breakthrough experience in FC24 with authenticity and innovation at its core

Unrivaled authenticity

19,000+ players
700+ teams
300+ license partners
30+ leagues

Gameplay Trinity of Technology

HyperMotionV*
Frostbite™ Engine
PlayStyles optimized by Opta

Exclusive partnerships with football leagues

UEFA, Premier League, LaLiga
Bundesliga, Serie A, MLS
CONMEBOL Libertadores

EA SPORTS FC24

*HyperMotionV technology only available on PlayStation 5, Xbox Series X|S, and PC versions

Q2 and FY24 Guidance

(in $ millions, except EPS)

	Q2 FY24E	FY24E
Net Revenue	1,825 to 1,925	7,300 to 7,700
Cost of Revenue	430 to 450	1,670 to 1,750
GAAP EPS	$0.72 to $0.89	$3.42 to $3.92
Operating Cash Flow	n/a	1,700 to 1,850
Net Bookings	1,700 to 1,800	7,300 to 7,700

Note: Our EPS guidance calculation does not factor in future share repurchases.

Appendix

Guidance Details: Q2 FY24

The following provides guidance for EA's Fiscal 2024 financial performance as of August 1, 2023. The following outlook for GAAP-based financial data and a long-term tax rate of 19% are used internally by EA to adjust our GAAP expectations to assess EA's operating results and plan for future periods.

For more information about the nature of the GAAP-based financial data, please refer to EA's Form 10-K for the fiscal year ended March 31, 2023.

This information is also available in Excel format in our financial model at ir.ea.com.

	Three Months Ending September 30, 2023				
	GAAP-Based Financial Data*				
(in $millions)	GAAP Guidance Range	Acquisition-related experiences	Change in deferred net revenue (online-enabled games)	Restructuring and related charges	Stock-based compensation
Total net revenue	1,825 to 1,925	-	(125)	-	-
Cost of revenue	430 to 450	(15)	-	-	-
Operating expense	1,110 to 1,120	(25)	-	(10)	(155)
Income before provision for income taxes	290 to 358	40	(125)	10	155
Net income	197 to 243				
Number of shares used in computation:					
Diluted shares	273				

**The mid-point of the range has been used for purposes of presenting the reconciling items.*

Guidance Details: FY24

The following provides guidance for EA's Fiscal 2024 financial performance as of August 1, 2023. The following outlook for GAAP-based financial data and a long-term tax rate of 19% are used internally by EA to adjust our GAAP expectations to assess EA's operating results and plan for future periods.

For more information about the nature of the GAAP-based financial data, please refer to EA's Form 10-K for the fiscal year ended March 31, 2023.

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	Twelve Months Ending March 31, 2024				
	GAAP-Based Financial Data*				
(in $millions)	GAAP Guidance Range	Acquisition-related experiences	Change in deferred net revenue (online-enabled games)	Restructuring and related charges	Stock-based compensation
Total net revenue	7,300 to 7,700	-	-	-	-
Cost of revenue	1,670 to 1,750	(65)	-	-	(5)
Operating expense	4,248 to 4,368	(95)	-	(13)	(600)
Income before provision for income taxes	1,393 to 1,598	160	-	13	605
Net income	947 to 1,087				
Number of shares used in computation:					
Diluted shares	277				

**The mid-point of the range has been used for purposes of presenting the reconciling items.*

Cash Flow Selected Data

(in $ millions)

	Actuals			
	Q1 2024	Q1 2023	TTM Q1 2024	TTM Q1 2023
Operating Cash Flow	**359**	**(78)**	**1,987**	**1,964**
Capital Expenditures	45	59	193	203
Free Cash Flow	**314**	**(137)**	**1,794**	**1,761**
Investing Cash Flow	**(44)**	**(65)**	**(196)**	**(1,058)**
Financing Cash Flow	**(482)**	**(476)**	**(1,606)**	**(1,617)**

Currency Assumptions

Current FX assumptions [1,2]	USD/	Q1 2023	Q1 2024	Q2-Q4E 2024
Net Bookings	EUR	**1.08**	**1.09**	**1.09**
	GBP	**1.28**	**1.24**	**1.26**
Operating Expenses	CAD	**1.27**	**1.36**	**1.33**
	SEK	**9.67**	**10.47**	**10.79**

Rule of thumb

If the U.S. dollar strengthens 10% against the Euro and British pound sterling:

- With hedging, total net bookings decrease ~2.0%
- Total cost of revenue and operating expenses decrease ~2.0%

If the U.S. dollar strengthens 10% against the Canadian dollar and Swedish krona:

- Total net bookings decrease ~0.5%
- With hedging, total cost of revenue and operating expenses decrease ~0.5%

Note: Our financial guidance includes the forecasted impact of the FX cash flow hedging program.

[1] For FY23 Q1A and FY24 Q1A, FX rates are a simple average of EA's actual monthly P&L rates. For FY24 Q2-Q4E, the same FX rates are used for all forecast periods.

[2] For all periods, FX rates are quoted using market convention.

Constant Currency Reconciliation – Net Bookings

(in $ millions)

	Q1 2024 As Reported	Q1 2023 As Reported	Percentage Change YoY	Q1 2024 Currency Impact	Percentage Change YoY Constant Currency
Console	901	637	+41%	22	+46%
PC & other	374	348	+7%	12	+11%
Mobile	303	314	(4%)	6	(2%)
Net Bookings	1,578	1,299	+21%	40	+25%

	Q1 2024 As Reported	Q1 2023 As Reported	Percentage Change YoY	Q1 2024 Currency Impact	Percentage Change YoY Constant Currency
Full game	401	165	+143%	6	+152%
Live services & other	1,177	1,134	+4%	34	+7%
Net Bookings	1,578	1,299	+21%	40	+25%

Numbers above may not foot due to rounding and calculation methodologies

Constant Currency Reconciliation – Net Bookings Guidance

(in $ millions)

	Q2 2024 As Guidance	Q2 2023 As Reported	Percentage Change YoY	Currency Impact	Percentage Change YoY Constant Currency
Low	1,700	1,754	(3%)	27	(2%)
High	1,800	1,754	+3%	27	+4%

	2024 As Guidance	2023 As Reported	Percentage Change YoY	Currency Impact	Percentage Change YoY Constant Currency
Low	7,300	7,341	(1%)	103	+1%
High	7,700	7,341	+5%	103	+6%

Numbers above may not foot due to rounding and calculation methodologies

Additional Disclosures

Net revenue, gross profit and operating cash flow are presented on a GAAP basis.

Net bookings is an operating metric that EA defines as the net amount of products and services sold digitally or sold-in physically in the period. Net bookings is calculated by adding total net revenue to the change in deferred net revenue for online-enabled games. A calculation of net bookings can be found in the "Net Bookings" tab of the Financial Model provided on our IR website.

We define EA's player network as the number of active accounts used to play EA games and services on any platform over the preceding 12 months. We determine these operating metrics by using internal company data. We also use information provided by third parties, including third party network logins provided by platform providers. While we believe that the operating metrics we report are reasonable estimates for the applicable period of measurement, there are inherent challenges in measuring how our games and services are played across large global populations. For example, while we seek to remove duplicate accounts in these metrics, we do not require players to use a common identifier or to link their accounts to play an EA game on console/PC and an EA game on their mobile device, or to play two or more EA games on a single mobile device. Therefore, a player that plays two of our games on a single mobile device or plays two of our games (or the same game) across different devices may be counted as two accounts. In addition, we evaluate our systems for false accounts, which represent user profiles that we believe are intended to be used for purposes that violate our terms of service, and remove them from our player network. From time to time, our actions may impact the period-by-period comparability of these metrics. For example, we may change our methodology or we may implement strategic decisions with respect to certain games and services, including sunsetting titles.

From time to time, we make comparisons of current periods to prior periods with reference to constant currency. We evaluate our performance on a constant currency basis in order to facilitate period-to-period comparisons without regard to the impact of changing foreign currency exchange rates. To present constant currency information (both historical and forward-looking), the current period results are converted into United States dollars using the weighted average exchange rates from the comparative period rather than the rates in effect. Constant currency information is presented net of the impact of our foreign exchange hedging programs.

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Forward-looking statements are valid as of August 1, 2023 only. Electronic Arts assumes no obligation to update these forward-looking statements, except required by law.