



Prepared Remarks
Q2 Fiscal 2024

KATIE BURKE:

Thank you.

Welcome to EA's second quarter fiscal year 2024 earnings call. With me today are Andrew Wilson, our CEO and Stuart Canfield, our CFO.

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, and a transcript.

With regards to our calendar: our third quarter fiscal year 2024 earnings call is scheduled for Tuesday, January 30th. As a reminder, we post the schedule of upcoming earnings calls for the fiscal year 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, November 1st, 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. Please see our earnings slides for further information. 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, Katie. It's great to be here with all of you.

It was a strong Q2 for EA as we delivered results above our expectations.

We are making great progress against our strategy to build massive online communities, tell blockbuster stories, and amplify the power of social connection to drive multi-year growth and unlock long-term value in service of our people, our players, and our shareholders. All our teams — through passion and creativity — continue to deliver interactive entertainment and experiences that engage and inspire hundreds of millions of people as part of our communities inside our global network. To everyone at EA, thank you.

During the quarter, EA SPORTS continued to expand its position as a leader of the future of sports fandom as we launched two of the world's most celebrated interactive experiences at the heart of sports culture — EA SPORTS Madden NFL 24 and EA SPORTS FC 24. These titles represent foundational drivers of growth in the biggest sports year in our company's history.

In Madden NFL, we have delivered the preeminent interactive American Football experience for decades. We know it's essential for today's fan — as NFL broadcasts grow in popularity and reach — to connect with their friends and celebrate their passion for the sport, beyond what happens on the field, each and every day. Through our Madden NFL franchise, we make this possible in ways no one else can — through awesome gameplay, deep social connection and a 365-day immersion in the sport — for so many people, with so many different motivations and expressions of their fandom.

On console and PC, Madden NFL 24 delivered an immersive experience with elevated realism, control, and gameplay. This has energized our core franchise players, while modes like Superstar are bringing new players to this already giant community. Madden NFL 24 is off to a strong start, with almost 10 percent more players in the title year over year and driving over 10 percent growth in weekly average users. During the quarter, Madden mobile had more players diving into the

game year over year, growing the community over 20 percent, and delivering double-digit growth in weekly active users.

As we continued to expand our American football ecosystem, our teams also ushered in a new era for global football at the end of the quarter. The successful launch of EA SPORTS FC represents a profound achievement. We have reimagined and expanded one of the largest franchises in the world, setting new standards of authenticity, innovation, and social interaction. This cutting-edge, multi-experience ecosystem spans console, PC, mobile, and free to play, with a ground-breaking game in FC 24; advancements of FC Mobile and FC Online in Asia; and a new global esports program in FC Pro. Fans, across geographies and generations, are playing, connecting and celebrating in and around these incredible, immersive experiences. Coming off a record-setting FIFA 23 performance amidst two World Cups, FC is set to deliver growth this year and beyond.

Fan reception of FC has been extraordinary, expanding our already thriving global football community. Within the first four weeks after world-wide launch, over 14.5 million fans have played FC 24 on console and premium PC, including double-digit growth in new players. FC Mobile has established new franchise records, with over 2 million people installing the game on the first day, over 5 million in the first three days, and over 11 million in the first 10 days. FC Online continues to grow across all engagement metrics, while players have truly embraced FC Pro with a record number of registrations.

FC represents a giant leap forward as we aspire to more deeply connect and grow the world's largest football community to a billion fans and beyond. The successful launch of FC shows our portfolio strategy at work. We are now able to accelerate creativity and innovation across platforms, geographies, and business models; expand our football experiences across play,

watch, create, and connect; and inspire and entertain even more fans around the world. We are in an extraordinary position to further collaborate with more amazing partners to grow FC as a cultural phenomenon. FC is more than just a game, and this is just the beginning.

Halfway through the year, our sports teams — the very best in the business — have delivered an unprecedented slate of amazing content. This story continues into Q3, as EA SPORTS NHL 24 and EA SPORTS UFC 5 have already launched to critical acclaim. The EA SPORTS WRC launch is also just two days away. Looking ahead, exciting updates tied to the biggest moments of the sports season will fuel momentum across our titles through the rest of the fiscal year and beyond, as we build out our multi-platform ecosystems with FC Tactical releasing in 2024 and EA SPORTS College Football coming next summer.

As we continue to build ecosystems around our biggest IP, we are prioritizing the massive online communities of our always-on live services to lay a broad foundation for future launches and strong growth for the business. Through the expanding worlds, characters, and storylines that we deliver, people everywhere come together to celebrate their love of games, cherish community, and forge lifelong friendships.

Apex Legends is a leader in its category with top game quality and gripping content. In Q2, Season 18 entertained and energized players, driving improvement in monetization over the prior season. We recognize the franchise exists in a competitive environment and, looking forward, our team at Respawn is focused on doing even more incredible things for players, engaging the community and deepening the franchise in exciting ways to drive growth — starting with yesterday's launch of Season 19, featuring dynamic game updates and content integration with music industry icon Post Malone.

The Sims 4 community is celebrating creativity and culture and growing across generations. Maxis is using data insights and deep connections with the community to create fan favorite content. New players, as well as weekly average users, are up double digits year over year. The team is committed to entertaining and inspiring our Sims 4 community with an increasing amount of new content as they work on a parallel, expansive experience in the Sims universe.

Just last month, we launched Season 6 for Battlefield 2042, and our community is responding positively, driving record engagement on Steam. This illustrates the strength today and long-term potential of the franchise. Through innovation and creativity, our teams continue to support this huge community of fans, while building towards the future of Battlefield.

Live services are the foundation of our business. Through the first half of the year, we have delivered an impressive amount of content across new games and over 285 game updates. As our teams create even more incredible entertainment, players will find more joy, more inspiration, and deeper connection, powering engagement and expanding our communities. Across geographies and business models, we are driving growth today and over the long-term.

While being mindful of current events and varying global macro consumer outlooks, our seasoned team of leaders and world class teams are focused on doing what they do best — delivering amazing games and services for players everywhere.

As we continue to invest in our vision to lead the future of entertainment, we remain thoughtful and deliberate, focusing on our largest opportunities. Over the next few years, our teams will innovate and expand our biggest IP, as we build platforms and ecosystems to connect massive online communities that celebrate fandom across the world; inspire and engage our players

through blockbuster storytelling; and continue to create experiences that amplify our communities through social connection.

Now, I'll hand the call over to Stuart to provide additional details on our business.

STUART CANFIELD:

Thank you, Andrew, and hello everyone.

Our strong Q2 performance delivered results exceeding our expectations across net bookings and EPS. We saw growth in our player network, with healthy engagement driving strength in our EA SPORTS portfolio, highlighted by the successful launches of EA SPORTS Madden NFL 24 and EA SPORTS FC 24.

For the second quarter, net bookings were \$1.82 billion, up 4 percent year over year, or 5 percent in constant currency, which exceeded our expectations for both full game and live services. Our full game net bookings were \$691 million, up 9 percent year over year, or up 10 percent in constant currency, driven by strength in our Q2 EA SPORTS releases. Live services net bookings were \$1.13 billion, up 1 percent year over year, or 2 percent in constant currency. On a trailing twelve-month basis, live services were 73 percent of our business, demonstrating the resiliency of our evergreen live services business model.

EA SPORTS Madden NFL 24 delivered a strong launch in the quarter, with net bookings up 6 percent year over year, as exciting new in-game innovations continued to drive growth across player acquisition and engagement.

As Andrew noted, the momentous transition to EA SPORTS FC was a huge achievement for EA. In Q2, our total global football business significantly exceeded our expectations. Net bookings grew 41 percent year over year, driven by continued momentum of FIFA 23, including triple digit mobile net bookings growth, and strong demand for the release of EA SPORTS FC 24. The launch had a tremendous start, highlighted by healthy retention of our core cohort, strong acquisition of new and reactivated players, greater demand for Deluxe editions of FC 24, and the benefit of four extra days of early access. In the first four weeks, FC Ultimate team was up high single digits on a year-on-year basis.

Apex Legends, though down on a year-over-year basis, delivered net bookings above our expectations, with Season 18 driving greater-than-anticipated player acquisition and monetization. Apex Legends remains one of the strongest franchises in the industry, and we will continue to invest to engage a broader base of players and drive long-term growth, as the talented teams at Respawn introduce innovations and new offerings, like in Season 19.

Moving to our GAAP results, we delivered net revenue of \$1.91 billion, up 1 percent year over year.

Operating expenses came in below our expectations, reflecting savings and the phasing of some marketing spend into the holiday period, as we continued to make progress against focusing and rationalizing our investments. On a year-over-year basis, Opex was up 7 percent, primarily driven by the incremental investment behind the launch of EA SPORTS FC.

Our GAAP earnings per share was \$1.47, up 37 percent year over year, including \$0.34 from a one-time non-cash tax benefit.

Operating cash flow in the quarter was \$112 million, including benefit from lower cash taxes. On a trailing twelve-month basis, free cash flow was a record \$2.0 billion, up 28 percent year over year.

And we returned \$376 million to shareholders through dividends and our ongoing share repurchase program.

Now, turning to guidance.

To start, I'd like to recap the context and assumptions behind our full year net bookings guidance range, which remains unchanged. First, we expect healthy player engagement across our portfolio, even as we continue to operate amidst a highly competitive market and a varying macro-backdrop. Second, for EA SPORTS FC, we continue to expect low single digit growth for the full year even as we lap record FIFA 23 performance, which included the impact of World Cup events. Third, FX continues to remain volatile. If rates remain unchanged, we expect a two-point headwind to net bookings and six-point headwind to underlying profitability, net of hedges, relative to last year. And finally, we continue to be focused, deliberate, and disciplined on our investments as we execute against our long-term growth opportunities.

Our full year net bookings outlook remains unchanged at \$7.3 to \$7.7 billion, roughly flat to up 5 percent year over year, or up 1 percent to up 7 percent in constant currency.

Our full year GAAP net revenue outlook of \$7.3 to \$7.7 billion and our cost of revenue outlook of \$1.67 to \$1.75 billion also remain unchanged.

As we continue to manage and prioritize investments across our portfolio, we are lowering our guidance for operating expenses to \$4.21 to \$4.33 billion, down 2 percent to up 1 percent year over year, which we also expect to help drive improvements in our underlying profitability. We are increasing our GAAP earnings per share guidance to \$4.10 to \$4.66, up 42 percent to 62 percent year over year, reflecting operational savings and the one-time tax benefit noted earlier.

We are raising our guidance range for operating cash flow by \$250 million to \$1.95 to \$2.10 billion. We are lowering our capital expenditures outlook to \$250 million, driven by deliberate decisions to optimize our real estate footprint. And we now expect free cash flow of \$1.70 to \$1.85 billion, up 27 percent to 38 percent on a year-over-year basis. Please see our earnings slides and press release for further cash flow information.

Turning to the third quarter outlook, we expect net bookings to be \$2.25 to \$2.45 billion, down 4 percent to up 5 percent year over year, or down 2 percent to up 6 percent at constant currency. For EA SPORTS FC 24, we expect modest growth given the World Cup comparable noted earlier, and in Apex Legends, we continue to take a more measured approach as our teams introduce more new modes of play and content offerings.

We expect GAAP net revenue of \$1.83 to \$2.03 billion, cost of revenue of \$495 to \$535 million, and operating expenses of approximately \$1.05 to \$1.11 billion. This results in GAAP earnings per share of \$0.75 to \$1.01, up 3 percent to 38 percent year over year.

In closing, EA delivered a strong Q2 performance, ahead of our expectations, driven by our EA SPORTS launches and strong player engagement across our diverse portfolio of games and services. Looking forward, our teams are committed to delivering high-quality experiences for our players and building upon the momentum in our business, especially as we head into the

holiday period. We continue to make progress in aligning around our strategic opportunities; we remain proactive and focused - and disciplined - in our investments to deliver multiyear growth.

Now, I'll hand it back to Andrew.

ANDREW WILSON:

Thanks, Stuart.

Our industry is growing as more people around the world dive into the sports, brands, storytelling, and legendary IP they love most. The definition of a game is also expanding beyond play as fans are watching, creating content, and making deep social connections in and around interactive experiences. How games are being made is changing as well. Advancements in Generative AI are accelerating the speed of development, boosting creativity and innovation, transforming what we can deliver, bringing bigger, broader games and experiences to an even larger global audience. The value and opportunity of delivering deeply interactive entertainment has never been greater.

Our talented teams, industry leading technology, world-class IP, and growing global network of players position EA as a leader of the future of entertainment.

Now, Stuart 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

These forward-looking statements are current as of November 1st, 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 September 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 September 30, 2023.