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EA.OQ - Q2 2025 Electronic Arts Inc Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good afternoon. My name is John, and I will be your conference operator today. At this time, I would like to welcome everyone to the Electronic Arts second-quarter Fiscal Year 2025 earnings conference call. I would now like to turn the conference over to Mr. Andrew Uerkwitz, Vice President, Investor Relations. Please go ahead.

Andrew Uerkwitz - *Electronic Arts Inc - Vice President, Investor Relations*

Thank you. Welcome to EA's second-quarter fiscal 2025 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 2025 earnings call is scheduled for February 4, 2025. 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, October 29, 2024, and disclaims any duties to update them. During this call, the financial metrics, with the exception of free cash flow and non-GAAP operating margins 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 Wilson.

Andrew Wilson - *Electronic Arts Inc - Chairman of the Board, Chief Executive Officer*

Thanks, Andrew. Good afternoon. EA's strong fiscal year continues as we again overdelivered in the quarter and raised our full year guidance. Our success this quarter driven by the depth and quality of our portfolio and content delivered by our amazing teams highlights the increasing momentum across our business and progress against our strategic vision. At our recent Investor Day, we shared the vision for our company's role in shaping the future of entertainment. We provided more clarity on how we are executing across our three strategic pillars.

Creating content and experiences that entertain and engage massive online communities, telling blockbuster stories and having the power of community in around and beyond our games. For the near term, we shared how our creative teams are leveraging our production strength and broad portfolio of IP to build and engage some of the biggest online communities on the planet across the modalities of play, create, watch, and

connect. We showed how we will tell blockbuster stories through bigger worlds, more nuanced characters and deeply innovative gameplay. We have an incredible opportunity to extend new modalities of play, introduced new tools to create and share and establish more ways to connect with more players for more time across more geographies to drive meaningful growth in our business.

For the medium term, we shared the first steps we are taking to expand beyond the bounds of our games to more deeply engage our current fans and build new audiences. Considering the size of our community, the depth of our engagement and the strength of our brand, we are starting with EA Sports. We shared early looks at how we are leveraging our data, technology and expertise to build new tools for simulations and community-driven creation as well as new experiences that bring real and virtual sports fandom together in the EA Sports app. As the industry continues its fundamental shift in how fans are consuming content and interacting with their favorite leagues, teams and players by choosing more social, interactive and immersive experiences we believe we are well positioned to capture more share of sports fandom.

And lastly, for the longer term, we believe generative AI has potential to greatly expand, transform and create new entertainment experiences. We believe this means all new business opportunities rooted in social connection and self-expression. We aspire to accelerate and enable creators to build new ways to play, create, watch and connect that are unimagined today. Coming back to this quarter, it was driven by the breadth of our portfolio and the overperformance of our guidance by our sports franchises.

The power of EA Sports comes from our team's unique ability to create deep rich and highly valuable IP that celebrates the biggest sport in the world. Nowhere else can players and fans dive into experiences with the excitement, get authenticity, innovation and quality that our experiences can deliver. For American football, we set out on a multiyear journey to build a massive online community to have the collective power of American football fandom and transform the way they interact with North America's biggest sport. With Madden NFL connecting real-world events with our own community-driven moments, we're extending the in-game experiences to drive engagement 365 days a year.

And combined with the launch of college football this quarter, we have seen incredible success expanding our audience. New players into the community more than doubled year-over-year and represented around one-fourth of the player base. Through September, College Football 25 was not only the best-selling HD title in North America, it has also proven to be a wholly unique moment of sports culture, connection and fandom. The impressive launch with the world's largest NAL program support from universities, colleges, athletes, partners and fans has arguably become one of the biggest moments in American sports entertainment so far this year.

Each week, conversations from a stadium to social media from broadcast boots to tailgates from dorm rooms to wherever fans are, we are seeing our experience at the epicenter of fandom around the sport. This success demonstrates our strategy at work, combining college with a long history of our success in Madden NFL, we have built the most immersive and deepest American football experience, making it part of the very fabric of the sport. With new offerings like the MVP bundle and connected modes between the titles, we have seen incredible engagement in our American football community. We have more players than ever immersed in the sport.

For example, total hours played in Q2 are up over 140% year-over-year, demonstrating fans are playing both games, and we are just getting started. As you saw at Investor Day, you should expect us to continue adding new connections, more modalities, more creative tools and new community spaces beyond the field of play to continue the momentum well into the future. Now switching to EA Sports FC. As EA Sports FC enters its second year, the platform is thriving as both interactive entertainment and as a global influencer across the world's game. On a trailing 12-month basis, EA Sports FC is the largest franchise in the Western world.

With FC Mobile and FC Online, we have a truly global platform as we reach over 130% more players worldwide. These hundreds of millions of flyers across multiple entry points have joined the club, finding joy, competition, inspiration and celebration of culture and fandom along the way. We are meeting fans wherever they are on different platforms across geographies and business models. As such, we continue to drive deep engagement across our titles and saw Live services net bookings growth in the quarter year-over-year.

We believe FC 25 is a major step forward as we build towards the future of interactive football founder. In addition to advancing all the hallmarks of an EA Sports experience, unrivaled gameplay, immersion and authenticity, FC 25 is taking an incredible leap forward in social play with Rush and new creative tools like highlighter. The deeply social 55 rush experience is loved by new and old players alike. It's been a preferred way to play by more than half of our veteran players.

We also believe it's driving ultimate team engagement, especially those playing with friends. Matches play with friends had more than doubled year-over-year. We've witnessed that when friends play together, we see deeper engagement for longer with a positive impact on monetization. And while it's early with FC 25, these trends are continuing.

This quarter, across both American football and global football, we are making great progress across our strategy of building connected ecosystems tools for creativity and new modes of play to continue to build massive online communities. We are also able to leverage the scale, technology and breadth of our team's capability to build the most authentic experiences across the broader sports world. This month saw the launch of NHL 25 and with enhanced gameplay powered by a new technology called ICE Q that delivers the most authentic hockey experience to date. Our incredible portfolio of EA Sports experiences engage and connect hundreds of millions of fans and sit at the intersection of sports, entertainment, technology, fandom and culture.

Across more platforms, more modalities and more geographies were delivering interactive experiences that reach more fans than anyone else in sports and we're not stopping there. We are building on this momentum and leaning into harnessing the power of this massive global community with the EA Sports app. This means more deeply engaging our core fans and welcoming and inspiring an entirely new generation of sports fans to. Our upcoming soft launch in Spain will focus on European football and benefit from our partnership with La Liga.

Our unique positioning in bridging real-world sports with interactive entertainment sets us apart to be able to build a feature-rich app combining sports content such as highlights, interactive live data and social features and we're able to start from a position of strength with our EA Sports audience that numbers in the hundreds of millions. Global Football is just the beginning. We plan to introduce more sports in more regions in the future through a scaled release cadence with data from each release helping to define deeply engaging future features. This marks a big step forward in our vision to make EA Sports the most valuable sports business on the planet.

In the quarter, Season 22 and Apex Legends launched with significantly more new features for casual and seasoned players alike, including more modes and new map and new anti-cheat software. Following changes to the Battle Pass construct, we did not see the lift in monetization we had expected. Two things have become clear in the free-to-play FPS category. First, in the competitive landscape where brand, a strong core player base and high-quality mechanics matter more than ever, Apex has proven to be a compelling franchise for us and an industry still ward.

Second, to drive significant growth and reengagement, large systematic changes acquired. We will continue to focus on retention and breadth of content in service of our global community as we work towards more significant innovative changes in the future. Turning to The Sims universe. It's been nearly 25 years since the world was first introduced to this beloved franchise. Since then, more than 500 million have joined the community. As we outlined at Investor Day, The Sims will move beyond linear sequential releases with the goal to offer more options for players to engage with the brand than ever before.

We started with rebuilding reengineering and reimagining The Sims 4. Building Sims 4 as the foundation of the franchise enables our players to continue to engage with the content that collected, created and built over the past decade and engage in new evolving experiences. This allows us to focus on creating a variety of games and experiences, deep simulation games, cozy games, social and collaborative base gameplay and mobile narrative games. The life and death expansion pack in Sims 4 is drop in October 31, and early indicators show it's trending ahead of episode 16. Starting November, a new UGX product, The Sims 4 Creator Kit designed and built by our community creators will start rolling out. Also in November, My Sims Cozy bundle launches on Nintendo Switch.

In the Sims Labs, an incubator for testing new innovations and features, players are trying a plethora of new ideas. These launches and tests this quarter are a core part of how we are investing in a massive Sims platform across more game experiences, more creative options and more ways for players and creators to connect. There's much more to come for the franchise, including a film in the works in partnership with Amazon MGM Studios. The Sims represents an incredible opportunity as it becomes an even bigger cultural icon and massive online community.

It's an amazing time at EA. And in two days, we will launch Dragon Age: The Veil guard. It's been 10 years since we launched its predecessor Game of the Year Winner Dragon Age: Inquisition. Early critic scores are strong and reflect the high-quality depth and detail in niches action pack adventure. We expect Dragon Age to be a great example of how our blockbuster storytelling engages and connect fans in truly unique ways. Looking ahead,

I'm excited about what we are building towards over the next 12 and 18 months. You should expect more key developments and news around our massive online communities, including Battlefield and skate in the coming quarters.

Our Q2 results represent momentum in our business as we continue to execute our strategy to drive sustainable long-term growth built across the engagement modalities of play, create, watch and connect. Now, let me turn the call over to Stuart for a deeper look into this quarter and our business overall.

Stuart Canfield - *Electronic Arts Inc - Chief Financial Officer, Executive Vice President*

Thank you, Andrew, and hello, everyone. Building on our momentum from Q1, we delivered a record net bookings for Q2 exceeding the high end of our guidance range. Our result is a testament to our team's commitment to delivering high-quality experiences that deeply engage and entertain and global communities prior to this quarter by the strong performance of our EA SPORTS franchises. As we wrap up an incredible first half of the fiscal year, we are raising our FY '25 guidance.

Now, as we look to the future, we remain focused on executing the strategic road map outlined at our Investor Day, delivering long-term value creation through increased scale to drive top line growth, improve margins and greater cash flow. Now turning to the quarter, Q2 net bookings was \$2.08 billion, up 14% year-over-year, exceeding our expectations with the strong reception at EA Sports College Football 25. This quarter, our net bookings saw minimal impact from FX. Our full game net bookings was \$832 million, up 20% year-over-year highlighted by the successful expansion of our American football ecosystem.

Our Live Services net bookings was \$1.25 billion, up 10% year-over-year. This strong performance exceeds our expectations as our American football ultimately modes, delivered engaging entertainment to players across both College Football and Madden NFL. On a trailing 12-month basis, live services comprised 74% of our business. As we shared at our Investor Day, a key pillar of our long-term strategy is driving scale in our massive online communities.

In Q2, we took a major step forward in expanding American Football with the incredibly successful launch of College Football 25 to complement our Madden NFL HD and mobile offerings. The strong performance of our MVP bundle underscores the power of an aggregated community and an expanded ecosystem of experiences. As we scale this collective live services business, we have driven significant net growth through increased engagement and the acquisition of new players with both engagement and overall spend more than doubling this quarter on a year-over-year basis. It's clear players are enjoying both experiences. And over time, we will build an ever more connected ecosystem.

Momentum continues in Global Football as we remain on track to grow net bookings in FY '25 over a record prior year. For the quarter, we delivered in line with our expectations as EA SPORTS FC 24 strength continued into the lead-up to the test launch of FC 25. In our new HD title, we continue to make progress on delivering engaging experiences including Rush and content in our Ultimate Team business. As a result, both spender conversion and monetization metrics improved year-over-year.

We also saw positive results beyond HD as both FC Mobile and FC Online saw net bookings growth from increased monetization. As discussed during our Investor Day, Apex Legends net bookings fell short of our expectations for the quarter as we extended freemium access across the entirety of the first half of the season 22 Battle Pass. Following the second half release of the Battle Pass on September 17, we observed a return to spending conversion levels consistent with previous seasons. As we look forward, we have adjusted the rest of FY '25 to reflect lower engagement than expected versus our prior guidance.

As Andrew mentioned, we are committed to delivering new experiences for our players with a continued focus on enhancing player engagement and retention. In The Sims, we continue to advance the franchise by delivering new player experiences that deeply engage and captivate our community. During the quarter, we launched the Repos Reward gameplay event, offering players weekly challenges that resulted in a 6% year-over-year increase in weekly active users. This event, coupled with increased engagement throughout the quarter, drove strong player demand for our catalog of content surpassing our expectations for the quarter.

Looking ahead, we expect to continue to grow our community through focused updates, new experiences and user-generated content, starting with creator kits and My Sims Cozy bundle in November. Now moving to our GAAP quarterly results. We delivered Q2 net revenue of \$2.03 billion, up 6% year-over-year. Gross margins increased 130 basis points, largely a result of higher digital mix and lower licensing costs.

Operating expenses came in below our expectations at \$1.19 billion up 10% year-over-year, driven largely by expenses related to our February restructuring event and increased people costs to support strategic initiatives. Earnings per share was \$1.11. As a reminder, in the year ago period, we saw a \$0.34 onetime noncash tax benefit. We delivered a record Q2 result for operating cash flow of \$234 million more than double the prior year period primarily due to timing of launches.

On a trailing 12-month basis, free cash flow reached \$1.98 billion, underscoring the strength of our business. Please see our earnings slides for further cash flow information. In the second quarter, we returned \$426 million to stockholders through stock buybacks and dividends. Now turning to guidance. Given our strong performance in the first half, we are raising our net bookings guidance range for FY '25 to \$7.5 billion to \$7.8 billion, up 1% to up 5% year-over-year. Our revised range implies a midpoint that is at the top end of our previous guidance.

Our net bookings assumptions for the second half of the year are as follows: first, as shared at Investor Day, we continue to expect our American football business to exceed \$1 billion for FY '25. Second, after the successful launch of FC 25, we continue to expect our EA SPORTS FC franchise to grow over a record FY '24. Third, despite lower expectations for Apex Legends, we are on track to maintain mid-single-digit growth in our core live services. And fourth, we're maintaining our assumptions for our upcoming Dragon Age: The Veilguard launch this week and our partner title slated to launch in Q4.

Turning to our FY '25 GAAP outlook, we are raising net revenue guidance to \$7.4 billion to \$7.7 billion. We expect cost of revenue to be \$1.53 billion to \$1.56 billion. We now expect operating expenses to be approximately \$4.445 billion to \$4.15 billion, up 3% to 4% year-over-year. As a result, we expect GAAP operating margin to be 19.3% to 21.1%.

We expect non-GAAP operating margin to be 30.7% to 32.1%. The impact from change in deferred net revenue is expected to be approximately 90 to 80 basis points. This results in a revised earnings per share of \$3.82 to \$4.33. We are also increasing our operating cash flow guidance to \$2.075 billion to \$2.275 billion. Capital expenditures now are expected to be \$225 million.

As a result, our free cash flow guidance of \$1.85 billion to \$2.05 billion remains unchanged. As a reminder, we had a \$150 million cash tax benefit in the prior year. If rates remain unchanged from today, we expect minimal impact to net bookings from FX. For more information on the impact of FX movements, please refer to our earnings slides.

Turning to Q3, we expect net bookings of \$2.4 billion to \$2.55 billion, up 1% to up 8% year-over-year, largely driven by the launch of Dragon Age and continued growth in our EA Sports FC franchise. We expect the performance of our catalog and the impact from Sunset mobile titles to be a combined headwind of approximately 3%. We expect net revenue of \$1.875 billion to \$2.025 billion, cost of revenue to be \$450 million to \$480 million and operating expenses of approximately \$1.1 billion to \$1.15 billion resulting in earnings per share of \$0.85 to \$1.02. Before I turn the call over to Andrew, I want to take a moment to reiterate our confidence in our long-term financial framework, which we first introduced earlier this year and expanded upon during our Investor Day.

Exiting the first half of fiscal year '25, we have strong momentum, enabling us to raise our full year guidance while also building conviction in our ability to significantly outperform the market through FY '27 for net bookings growth. And as we drive increased scale in our top line, we expect material margin expansion from FY '25 through FY '27 even as we continue to invest in the future. Our robust framework for long-term value creation remains strong and we are dedicated to executing the strategic priorities and initiatives presented at our Investor Day. In closing, I also want to take a quick moment to thank those of you who joined us in person and via live stream for our Investor Day last month.

We appreciate your support and our journey as we lead the future entertainment.

Andrew Wilson - *Electronic Arts Inc - Chairman of the Board, Chief Executive Officer*

In Q2, we delivered multiple high-quality launches and meaningful additions to our live services that drove great strength and momentum across our business. This all means incredible things to come as we execute across our long-term strategy. As players increasingly embrace games and experiences to play, create, watch and connect we have an incredible opportunity to build and grow more fully connected platforms to deliver more value and less friction for fans everywhere. We are building for this future today.

Our incredible teams utilizing cutting-edge technology continue to push the depth and breadth of what is possible in entertainment. As such, we are well positioned in service of our people, players, communities and stockholders to seize our biggest opportunities and to grow as a global leader in entertainment. And now Stuart and I are ready to take your questions.

Andrew Uerkwitz - *Electronic Arts Inc - Vice President, Investor Relations*

Thanks, Andrew. As a reminder, we will take one question and one follow-up from each analyst. With that, John, we are now ready to take the first question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Colin Sebastian, Baird.

Colin Sebastian - *Robert W. Baird & Co. - Analyst*

Great. The growth in American football, obviously very impressive, well done with college football. I guess as one sort of follow-up, Andrew, to your plans for that. How do you capture that momentum on a long-term basis? Obviously, there's a lot of content involved in community but any more details on the product road map there that give us a little more visibility into potentially growing that on a year-over-year sustained level?

And as a follow-up on the launch plans for the EA Sports app, I guess the broader opportunities in connecting video games with sports data, sports information and live sports, how should we think about the cadence of the rollout of those services? And how much maybe partnerships will play a role with that?

Andrew Wilson - *Electronic Arts Inc - Chairman of the Board, Chief Executive Officer*

Okay. Thank you. There's a lot in there, but great questions. First, on American football, this has been a very thoughtful, deliberate calculated rollout plan by our EA Sports team. Again, as we talked about in the prepared remarks. A big part of the evolution of our business has moved away from a product launch on an annualized basis or even a seasoned bound service as it relates to the NFL season and really moving the Madden franchise into more of a football fan platform that serves all American football fans in the connect for 365 days a year.

And we've seen our teams lean into real-world events, and we've seen them build with the community, community-driven events that's allowed our fans to engage with the sport they love 365 days a year. But a few years ago, as we started to look at the potential to bring College Football back, we knew the objective wasn't to replace one game with another game, but to actually really lean into the community of football fans more broadly and build a symbiotic relationship between both Madden and College. And you've seen that play out even this season with the MVP bundle, which was one of the biggest selling single products in the packaged goods realm in the industry this year.

But certainly, as we start to think about team builder across the franchises as we think about Ultimate Team across the franchises, what the team is doing now is really thinking about the long-term future of this incredibly engaged football fan community across both NFL and College. We have

a full team working on NFL on a go-forward basis with a view to be creative and innovative and grow that business. We have a full team working on College on a go-forward basis with the objective to build and grow that business. But the bigger opportunity for us is really to become kind of the preeminent football fan platform in this country and do that across both NFL and College and the EA SPORTS teams are working in sync with our partners, both with the NFL, the schools, the conferences and the players in college to do that on a go-forward basis in the future.

We've grown the business this year. We've more than doubled the players in the ecosystem, 25% of those players are new are bringing back lapsed players into our football fan community. Engagement is up meaningfully across the two products, 140% growth in engagement. And so as we look at this, this is a business firing on all cylinders.

This is a business where our teams are really supporting the fan community better than most other sports, I think, in the industry and we're really excited by the growth that we'll be able to drive in this both in the context of play on the field, but also in the context of social engagement beyond the field of play. For the EA SPORTS app, to get to your second part of your question, again, we think this is a really exciting opportunity for us. We have hundreds of millions of sports fans that come together every day and play games in the context of FC and Madden and College and Hockey and UFC and F1 and others. And what they do right after they leave our game is they go to another platform, and they chat about the game they just had or they go to another platform, and they create content around the game they just played or they go to another platform, and they watch video of that content that they just created or that their friends created.

We think we have an incredible opportunity to actually bring all of those things together for our fan community and remove a great deal of friction as it relates to that broader fan experience beyond the bounds of our games. The fact that we have more license partners than any other entity in the world in the connect of the real world of sport also allows us to do very interesting things that may be not possible for the traditional purveyors of sport when we think about bringing real-world sports content, real world sports highlights, real-world sports commentary into that ecosystem and allowing our fans, our existing hundred millions of fans to slam together the content they create with content from the real world of sport. And we expect that, that will actually attract more sports fans that may not even play our game today in the years ahead. We're starting with Spain.

We have an incredible partnership with La Liga. And we've talked about that at Investor Day that allows us to bring a great deal of real-world content together with the virtual content that is born out of our game. We have as I said, we have more sports partnerships than any other entity in the world and our expectations that we'll continue to work with those partners on a global basis to really enrich the sports fan experience, not just for Global Football, but for American football and every other major sport in the world.

The rollout will be on a kind of a phase-by-phase basis will take each step as an opportunity to serve more fans, but more importantly, learn from those fans, what features that are most compelling. What we're doing is cutting edge. It's not been done before where you bring together the totality of the sports fan experience across real and virtual. That's an exciting opportunity for us, but it also means we'll have to be very thoughtful and deliberate as we roll out over the course of time.

Operator

Eric Handler, ROTH Capital.

Eric Handler - ROTH Capital Partners, LLC - Analyst

I wonder if you'd be willing to sort of break down your live services in terms of as you're thinking about guidance for this year between will live services for sports? Should we think about that up being double digits? And what does that mean for your non-sports business?

Stuart Canfield - Electronic Arts Inc - Chief Financial Officer, Executive Vice President

Eric, Stuart. Let me just let me frame a couple of things in. The most important on live services as part of raising our guidance, obviously, we passed through H1 before outperformance, which obviously incorporate elements of live service as we started and launched our over EA Sports franchise.

We have said that we will continue to see live service growth be mid-single digits through the back half of the year. And you should think that's driven by a couple of key elements.

One, we've stated we have two live services across both College and NFL, and we do expect our business to continue to reach over \$1 billion in net bookings. We obviously expect growth in our FC franchise over a record prior year in FY '24, which incorporates our live service business as well. And we have obviously launched a full game that are different to the prior year pagination that title in Q4. And despite the pragmatism we put inside of Apex, we do expect that the holistic overall business will remain at mid-single digits with obviously a heavier mix on sports and less so on non-sports or entertainment, but net back into a growth position for the year.

Eric Handler - *ROTH Capital Partners, LLC - Analyst*

Okay. And then just as a follow-up. So as you take the learnings for season 22, I believe, for Apex. How are you thinking about the next season and what you progress with in terms of the battle passes and any other types of experiences in the season?

Stuart Canfield - *Electronic Arts Inc - Chief Financial Officer, Executive Vice President*

Yes. First of all, let's talk a little about Q2. I think we tried to outline that post giving guidance previously as we talked about Investor Day. We have changed fundamentally as part of the ongoing innovation are part of the service and how we reinvigorate and bring deeper feature set into the product as we move forward. So we did make meaningful changes. We split the Battle Pass into two.

We actually extended the freemium entry point inside of that first period, that first split as we call out. We launched the premium aspect actually on our Investor Day, and we saw meaningful conversion get back to prior levels on the way through. We have seen a lower player engagement base of this part of the cycle and we have reflected that all the way through the rest of the year. So Andrew's earlier comments, we have an incredible IP and game inside of Apex.

We continue to invest behind making sure we have meaningful change and systemic change inside the product as we look to the future and you expect us to see that we can start to grow the business back as we get through the latter parts of early 2016 and beyond.

Andrew Wilson - *Electronic Arts Inc - Chairman of the Board, Chief Executive Officer*

I might add a little something there as we think about Apex. I think, again, along with my prepared remarks, but just a little more context, I think what we've come to understand is we look at these large-scale live service-driven free-to-play businesses, particularly with our experience in Asia and in the West. And what we have observed over the last 15 or 20 years is really two things. One is that once you reach a level of scale by virtue of a quality game with incredible mechanic, innovation, creativity and a large global player base.

It's very, very difficult to displace them from the top tier of games played in the world. But what is equally true is that the level of innovation and creativity has to continue to scale with the community over time to ensure you can maintain growth and not just maintain size. And so as you think about us in Apex, we're in an incredibly good position given that we have reached that very top tier. We do have an incredibly strong brand a really strong mechanic and a very committed global community.

As we go forward, we'll really be investing on two vectors. The first is in the growth of our season oriented content, and what you've seen from us over the last few seasons is progressively bigger season drops each time. Very high quality has driven very high sentiment amongst our player base, and we're adding to the level of innovation and creativity on a season-by-season basis. But to Stuart's point, as we think about step function growth over the course of time, what we've also observed is a need for kind of meaningful systematic innovation in the game that fundamentally changes the way the game plays more broadly and our teams are working on that as well.

And so we do have a moment right now where we are managing the current trajectory of the business. but we believe by virtue of the strength of the brand, the size of the global community, the position we hold in the top tier of these free-to-play live service games that will be able to return that to growth in the business side over the course of time.

Operator

Andrew Marok, Raymond James.

Andrew Marok - *Raymond James Financial Group, Inc. - Analyst*

Maybe building off the back of that last explanation there. As you're going through the systematic rethink of Apex, how much of this can maybe be done fixing a part while the car is in motion? Or is this something that may require like a whole studs up rebuild and something like an Apex 2.0 might be the way to go about it rather than incremental change?

Andrew Wilson - *Electronic Arts Inc - Chairman of the Board, Chief Executive Officer*

It's a really good question and probably beyond the scope of this conversation. But what I would say is that typically, what we have seen again, in the context of live service driven games at scale is the version two thing has almost never been as successful as the version one thing. And so actually, the objective right now is to ensure that we are continuing to support the global player base that we have and deliver the new innovative creative content on a season-by-season basis, as well as build these other things, but build them in a way that players do not have to give up the progress that they've made or the investment that they have put into the existing ecosystem.

Anytime we call a global player community to have to choose between the investments they've made to date and future innovation creativity, that's never a good place to put our community in. And so our objective will be to continue to innovate in the core experience, and you're seeing that from season to season now as our seasons get progressively bigger, and we're changing kind of key modalities at play within those seasons and then build additional opportunities for engagement in different modalities of play beyond what the current core mechanic delivers. And we think we can do those two things together, and we don't believe we have to separate the experience in order to do so. But again, the team is working through this now.

Andrew Marok - *Raymond James Financial Group, Inc. - Analyst*

Great. And then maybe one quick one on Veilguard, if I could. I have seen some very strong reviews so far. But as far as you can tell, what drives that kind of breakout of success we've seen in some single-player fantasy games in the last couple of years? And how do you feel that Veilguard might compare along those lines?

Andrew Wilson - *Electronic Arts Inc - Chairman of the Board, Chief Executive Officer*

I certainly think Veilguard has breakout potential. Again, 10 years ago, Dragon Age: Inquisition one Game of the Year and was a very strong performer for us in the conduct of our business. This is entertainment. And so while much of our business has moved to live service moment-to-moment, deliver innovation and creativity for a deeply engaged community over the course of time. this opportunity to bring in incredibly high quality, creative storytelling set in amazing world with rich characters living out those stories you're able to capture that moment in entertainment success almost certainly follows.

And we see that in the context of movies, and we're seeing in the context of TV seasons, and we see in the context of video games. When we think about what we have with Veilguard right now, we have a storage studio in BioWare. We have a storied IP and Dragon Age. We have a team that took extra time to make sure the world was rich and the characters were interesting and the story was compelling I think we're going into a market that has limited competition for this category of game given some of the moves that have happened across the broader industry.

And so while I think it's too early to predict the outcome the critical reviews have been incredibly strong. The team feels really energized by what they have delivered. And my sense is that, yes, it has breakout capabilities.

Stuart Canfield - *Electronic Arts Inc - Chief Financial Officer, Executive Vice President*

Andrew, just to add for that. Just on the back of Andrew's comments, obviously, we feel with positioning probably well for the purpose of how we think about the back half of the year, we maintained our original assumptions for the game at this point.

Operator

Chris Schoell, UBS.

Chris Schoell - *UBS Group AG - Analyst*

Stuart, using the midpoint of your guidance range, I believe, implies a bookings acceleration in fiscal 4Q relative to fiscal 3Q. Can you just help us think through the drivers there? I recognize there's a partner title, but any incremental color would be helpful. And then maybe just one on the football franchise. I appreciate the stats you gave on a total football basis. But any further details you can give regarding College football's impact on Madden to date? And how do you expect that dynamic to evolve going forward?

Stuart Canfield - *Electronic Arts Inc - Chief Financial Officer, Executive Vice President*

So first of all, so as we outlined before in the macro framework, we obviously passed through H1 performance through the full year, which means, by implication, we're expecting the balance here to deliver on our expectations with some puts and takes on key properties. As you think about the quarterly phasing is always important to remember, we have differences between release slates, obviously, seasonality and title launches would change some of that mix and some of those comparable year-on-year look back in past quarters where it's World Cup. 18 months ago, we have a new title launch in Q4 this year, we didn't have before.

So have to take you through some of the puts and takes around the phasing between Q3 and Q4 as we see that occur. On the overall American football business, we feel incredibly convicted that performance that we saw inside of Q2. Obviously, to a somewhat Andrew's commentary earlier, we had strong performance from both NPV College and obviously, the overall broader exist American football. And we expect both of that to -- both of the properties to still continue as part existed through the back half of the year by virtue of the raised midpoint that we put inside the guidance.

Operator

Doug Creutz, TD Cowen.

Doug Creutz - *TD Cowen - Analyst*

You mentioned Dragon Age: Inquisition earlier, and I think it's fair to say that since then, BioWare has had a somewhat challenging decade with a lot of turnover management. And and some titles that didn't work as well as they would have liked. What have you done? What is LoRa done over the past several years to put BioWare into a position to ship a strong title like Veilguard? And what does this say about the future of BioWare from here?

Andrew Wilson - *Electronic Arts Inc - Chairman of the Board, Chief Executive Officer*

It's a really good question. And there's a great deal of things that have happened. First, I would say, as we look back over BioWare, BioWare has been across a number of different studios and build a number of different types of games Anthem is probably the one that people remember most for not really living up to the expectations of what a BioWare game should be. And while that is almost certainly true what I'd remind people is it was also by we're trying to do something very, very different than what would typically be known as a BioWare game.

It was really about building different mechanics and different models at play into a BioWare world. And while the reviews at the time actually heralded the world as being incredibly rich and wonderful and high fidelity and traversing that world being great and something like character is being super interesting the pieces of the puzzle just didn't quite come together in the way that I think BioWare had hoped. A big shift happened after that, which was by we're really returning to BioWare type games, really returning to BioWare's strength.

And what's happened subsequently since Anthem is the BioWare team has really rallied around what made BioWare a fan favorite studio and a fan favorite brand and the types of games they make incredibly rich world, incredibly nuanced characters really powerful and compelling stories with comradery and friendship and relationships and decisions that matter in the context of gameplay. And I think it's really been that return to what made BioWare great and giving the studio the time to really deliver against what makes BioWare great in the context of the Dragon Age world is what amounts to a game like Dragon Age: The Veilguard.

Okay. Well, thank you all for being here, and thank you for your excellent questions. It's been a great opportunity to continue to talk through the progress we are making on the strategic vision we shared at Investor Day. It's truly an inspiring time for our company, and we're focused more than ever as we continue to lean into our biggest opportunities. We're in an extraordinary position to continue growing, innovating and leading for the future of entertainment. Thank you all, and speak to you next quarter.

Operator

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

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