



Prepared Remarks
Q2 Fiscal 2025

ANDREW UERKWITZ:

Thank you.

Welcome to EA's second quarter fiscal year 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 year 2025 earnings call is scheduled for February 4th, 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 29th, 2024, and disclaims any duty to update them.

During this call, the financial metrics, with the exception of free cash flow and non-GAAP operating margin, 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:

Thanks, Andrew. Good Afternoon.

EA's strong fiscal year continues as we again over delivered 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 harnessing 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, introduce 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 all new audiences. Considering the size of our community, the depth of their 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 A.I. has the 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 over-performance of our guidance by our sports franchises. The power of EA SPORTS comes from our teams' unique ability to create deep, rich, and highly valuable IP that celebrates the biggest sports in the world. Nowhere else can players and fans dive into experiences with the excitement, depth, authenticity, innovation, and quality that our experiences can deliver.

For American Football, we set out on a multi-year journey to build a massive online community to harness 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 a quarter 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 NIL 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 the stadiums to social media, from broadcast booths 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 the 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 players across multiple entry points have joined the club— finding joy, competition, inspiration, and a 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 fandom. 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 creator tools like Highlighter.

The deeply social, 5v5 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 played with friends have 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 modalities of play to continue to build massive online communities. We are also able to leverage the scale, technology and breadth of our teams' capability to build the most authentic experiences across

the broader sports world. This month saw the launch of NHL 25 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 sits at the intersection of sports, entertainment, technology, fandom, and culture. Across more platforms, more modalities, and more geographies, we're 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 too.

Our upcoming soft launch in Spain will focus on European Football, and benefit from our partnership with LALIGA. 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 in Apex Legends launched with significantly more new features for casual and seasoned players alike, including more modes, a 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 a 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 stalwart. Second, to drive significant growth and re-engagement, large systematic change is required. 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, re-engineering, and reimagining The Sims 4. Building The Sims 4 as the foundation of the franchise enables our players to continue to engage with the content they've 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 based gameplay, and mobile narrative games.

The Life and Death Expansion Pack in Sims 4 is dropping Oct 31 and early indicators show it's trending ahead of Episode 16. Starting in November, a new UGX product, The Sims 4 Creator Kits — designed and built by our community creators — will start rolling out.

Also in November, MySims: 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 Veilguard. It's been ten 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 this year's action-packed adventure. We expect Dragon Age to be a great example of how our blockbuster storytelling engages and connects fans in truly unique ways.

Looking ahead, I'm excited about what we are building towards over the next six - 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:

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 our global communities, highlighted 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 FY25 guidance. And as we look to the future, we remain focused on executing the strategic roadmap outlined at our Investor Day, delivering long-term value creation through increased scale to drive top-line growth, improved 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 for *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 exceeded our expectations, as our American Football Ultimate Team modes delivered engaging entertainment to players across both College Football and Madden NFL.

On a trailing twelve-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 bookings 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 FY25 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 successful 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 17th, we observed a return to spending conversion levels consistent with previous seasons. As we look forward, we have adjusted the rest of FY25 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 Reaper's 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 MySims: 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 our strategic initiatives.

Earnings per share was \$1.11. As a reminder, in the year ago period, we saw \$0.34 one-time non-cash 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 twelve months 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 FY25 to \$7.500 billion to \$7.800 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 FY25; second, after the successful launch of FC 25, we continue to expect our EA SPORTS FC franchise to grow over a record FY24; 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 FY25 GAAP outlook, we are raising net revenue guidance to \$7.400 billion to \$7.700 billion. We expect cost of revenue to be \$1.530 billion to \$1.560 billion.

We now expect operating expenses to be approximately \$4.445 billion to \$4.515 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 \$1.850 billion to \$2.050 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 \$2.400 billion to \$2.550 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 \$1.100 billion to \$1.150 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 FY27 for net bookings growth. And, as we drive increased scale in our top-line, we expect material margin expansion from FY25 through FY27 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 livestream - for our Investor Day last month. We appreciate your support in our journey as we lead the future of entertainment.

ANDREW WILSON:

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 that deliver more value and less friction for fans everywhere.

We are building for this future, today. Our incredible teams, utilizing cutting edge technology, continues 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.

Forward-Looking Statements

Some statements set forth in this release, including the information relating to EA's expectations under the heading "Business Outlook as of October 29, 2024" and other information regarding EA's 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 and trends; 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 II, Item 1A of 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 our Annual Report on Form 10-K for the fiscal year ended March 31, 2024.

These forward-looking statements are current as of October 29, 2024. 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, 2024. 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, 2024.

Non-GAAP Financial Measures

As a supplement to the Company's financial measures presented in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), the Company presents certain non-GAAP measures of financial performance, including non-GAAP operating margin, and free cash flow. These non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. In addition, these non-GAAP measures have limitations in that they do not reflect all of the items associated with the Company's results of operations as determined in accordance with GAAP. These non-GAAP financial measures do not reflect a comprehensive system of accounting and differ from GAAP

measures with the same names and may differ from non-GAAP financial measures with the same or similar names that are used by other companies.

The non-GAAP financial measures exclude acquisition-related expenses, stock-based compensation, restructuring and related charges, and capital expenditures as applicable in any given reporting period and our outlook. The Company may consider whether other significant items that arise in the future should be excluded from our non-GAAP financial measures. Management believes that these non-GAAP financial measures provide investors with additional useful information to better understand and evaluate the Company's operating results and future prospects because they exclude certain items that may not be indicative of the Company's core business, operating results, or future outlook. These non-GAAP financial measures with further adjustments, are used by management to understand ongoing financial and business performance.

The Company uses a tax rate of 19% internally to evaluate its operating performance and to forecast, plan and analyze future periods. Accordingly, the Company applies the same tax rate to its management reporting. financial results

Investors are encouraged to review the related GAAP financial measures and the reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measure.