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EA.OQ - Q3 2025 Electronic Arts Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 04, 2025 / 10:00PM GMT

OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good afternoon. My name is JL, and I will be your conference operator today. At this time, I would like to welcome everyone to the Electronic Arts third quarter fiscal year 2025 earnings conference call.

I would now like to turn the conference over to Mr. Andrew Uerkwitz, Vice President of Investor Relations. Please go ahead.

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

Thank you. Welcome to EA's third 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 fourth quarter fiscal 2025 earnings call is scheduled for May 6, 2025. As a reminder, we posted scheduled 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, February 4, 2025, 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 - *Electronic Arts Inc - Chairman of the Board, Chief Executive Officer*

Thanks, Andrew. Good afternoon. I want to start by thanking our teams. In Q3, they shared their creativity, dedication and innovation with the world through high-quality games and experiences. Our relentless focus on execution and delivery ensures we continue to bring incredible sports experiences and blockbuster entertainment to hundreds of millions of players and fans around the world.

However, it was not the financial performance we wanted or expected. We know as a leader in global entertainment, great financials even when built and delivered with polished execution can sometimes miss our financial expectations. So let me provide more context on the quarter and share actions taken to build momentum as in the new fiscal year.

Our blockbuster storytelling strategy is built on 3 strategic objectives: first, create an authentic story experience for the core audience; second, build innovative groundbreaking features; and third, emphasize high-quality launches across both PC and console. In order to break out beyond the core audience, games need to directly connect to the evolving demand of players who increasingly seek shared world features and deeper engagement alongside high-quality narratives in this beloved category. Electronic Arts had a high-quality launch and was well reviewed by critics and those who played. However, it did not resonate with a broad enough audience in this highly competitive market.

Now let me dive deeper into the context around EA Sports FC's temporary underperformance and the immediate actions taken. FC started Q3 in a strong position. It had a high-quality and stable launch, it won Sports Game of the Year and preorders engagement, and player monetization were each up year-over-year, leading the net bookings in October that were up double digits year-over-year. However, this momentum did not sustain through the quarter. Two contributing factors to performance downside were soft top-of-funnel acquisition and lapsed engagement later in the quarter.

While early acquisition started out strong, post-launch acquisition cohorts waited longer in the cycle to acquire a new title as many stayed in prior iterations. Combined plays in our full HD experiences were flat year-over-year. This mix shift and slower new player acquisition accounted for about half of the title's underperformance versus expectations.

Solid than expected engagement made up most of the rest. We're constantly shooting the game to drive a competitive and engaging experience. This year, after a number of key changes to gameplay, we started to hear more feedback than usual around specific issues with balance from one of our most competitive cohorts. This resulted in lower-than-expected engagement into the end of the quarter. We took the time to listen and validate what we were hearing and implemented some significant changes to the gameplay experience and corresponding progression and rewards and a large update that went live for players on January 16, just before the launch of our Team of the Year event.

These actions were a success as we've seen a strong response to the title update and our event as well as positive gameplay sentiment indicators from our community.

Following the gameplay update and our popular Team of the Year event, we have reactivated over 2 million Ultimate Team players with all acquisition cohorts experiencing positive trends. Player retention rates surpassed our expectations and saw record title weekly active users over the events weekend. Together, these markets are leading networking to be up year-over-year for the two-week event.

Our live service drives billions of hours of fan engagement annually, and we're constantly updating and fine-tuning both gameplay and our programs to meet ongoing feedback and evolving expectations from our community. Individually, these FC play dynamics would not have materially impacted our quarter. In fact, these are part of the normal course of managing and growing our live service business. However, the convergence of these dynamics became a material source of downside requiring our immediate and comprehensive response. We consider this to be a temporary moment not structural.

Our global football franchise net bookings have grown over 70% over the last five fiscal years, making it one of the biggest sports entertainment properties in the world.

To put this year in perspective, FY25 is still expected to be the second biggest year for the franchise. Given this context around our Q3 results, we remain confident that our strategy, focusing on entertaining massive online communities selling blockbuster stories and harnessing the power of community remains on track.

Now let me provide more color on the rest of our portfolio. The power of EA Sports comes from our team's unique ability to create deep, rich and highly valuable IP, where our players fully emerge themselves in the action, phantom and culture of their favorite sport. No one else can fan experience the depth, authenticity and quality that our sports titles deliver. With an incredible year, we're just beginning to unlock the immense

opportunity within our growing American football ecosystem. The number of players is up double digits year-over-year as our expanded offerings strengthen and build on the passion of our community.

Our teams continue to deliver compelling content across the ecosystem seamlessly introducing players to new experiences. This quarter, we saw players in Ultimate Team grow by double digits as we deepen player engagement and connection. We continue to build momentum into FY26 as we come off what we believe will be a record year for EA Sports.

The real life college season has culminated in its first 12 team national championship, and we have announced that College Football 26 will launch this summer. EA Sports, the NFL and the NFLPA continue to partner to grow the sport and reach new fans around the world through our unrivaled Madden NFL franchise. Together with our partners, we are fully focused on our strategy to continue to forge our two American football titles into a massive online community where players can connect, celebrate their fandom and harness powerful tools to create content.

We are also building all new innovative models of social play with more access points to further engage and entertain core new and casual players. While we continue to invest and focus on our core FC business, we are also building towards a bold vision for the future, delivering for hundreds of millions of global fans through a connected ecosystem of experiences, including new modalities of play. For example, we are developing an entirely new world within the FC platform built around groundbreaking gameplay and cutting-edge tools for social connection and content creation. We are leaning into next-level ways to engage fans and the world's biggest port across the FC platform through play, create, watch and connect.

In service of our players and fans, we are also pushing beyond the boundaries of our sports franchises. Yesterday, we shared that we reached an agreement to acquire TRACAB technologies. Data is at the center of every meaningful advancement in sports today and this group has developed best-in-class optical sports tracking, real-time volumetric data capture technology and analysis capabilities that can extend EA Sports' lead, accelerating how we deliver more authentic, deeply immersive gameplay that mirrors the fluidity and excitement of real-world athletes and competition.

Longer term, TRACAB's capabilities also help us accelerate against our bold vision for the EA Sports app to be the world's leading interactive sports platform following a successful initial regional trial in Q3. We culmination of TRACAB's real-time data technology and our proprietary game engine, we can enable completely new opportunities for fans to create and share real-world sports content in their own way, reimagining highlights generating casual and complex game simulations and watching broadcast alternatives on demand.

We're working to make the EA Sports app, the new frontier for interactive sports fan and beyond games and we look forward to sharing more about our plans in the months ahead. This is one of several bold new steps in our ecosystem plans to engage players and fans across more geographies in around and beyond our games. That together with our core experience gives us confidence in the future of EA Sports.

As we look beyond sports, we've never had a stronger pipeline of entertainment experiences. We continue to execute across the portfolio, and the next two years will prove to be an incredibly exciting time for EA and our players. Yesterday's announcement of Battlefield Labs is a key development in our ongoing expansion of massive online communities.

Battlefield Labs is launching at a crucial moment in our development journey at a scale that allows us to test and refine the game with a community in a way that's unprecedented for Battlefield. This is about embracing a modern, more dynamic approach to development, one that acknowledges how the market has shifted, how player expectations have evolved and how we show up for our players in ways to deliver a truly next-level experience.

This latest news from our teams is a crucial step towards Battlefield's release in FY26. These are exciting times for the Sims as well with the cultural icon celebrating its 25th birthday this year. New updates and features are driving engagement across a massive community of players. A great proof point of our ongoing strategy at work is the launch of the first two creative kids ever designed by our top influencers and content creators. These kits marked the first time that a full collection of in-game assets have been crafted by creators and officially published by the Sims development team.

This is a great step on a path to building a global creator platform in the Sims.

Following the console play test this month, SCAPE remains on track for launch this year across PC, console and mobile, introducing a fresh community-driven model for gaming with native cross-platform and cross progression. Additionally, as we continue to make progress across our strategy to use AI to transform how we deliver entertainment of the world, we recently made the strategic decision to unify our central technology functions under a single Chief Technology Officer, Matt Thomlinson. This alignment reinforces our commitment to embedding technology at the core of our business strategies and operations, enabling us to drive innovation, expand our creative canvas, build bigger and bolder experiences and deepen our connections as a community-driven entertainment company. Matt has been instrumental in shaping the technology strategies and infrastructure that empower our teams to create and collaborate. I greatly look forward to working with him as our CEO.

We believe the fundamental long-term outlook of our business is strong as we further sharpen our focus on entertaining and connecting more people for more time across the world. EA's creative production strength broad IP and technology leadership powered the execution of our vision to deliver more excitement, creation and connection for our global network of plays and fans. Looking to FY26 and beyond, we are taking bold steps across our sports and entertainment portfolio to shape the future of interactive entertainment.

And now I'll turn the call over to Stuart for a deeper look into the quarter and our business.

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

Thank you, Andrew, and hello, everyone. To echo Andrew's remarks, Q3 was not the quarter we expected. But despite the impact to our near-term results, our long-term outlook remains unchanged. Our teams remain focused on -- feedback, continually adapting our games and services to reflect evolving player preferences in addition to refining our portfolio to deliver sustainable growth.

Today, we're announcing our plans for a \$1 billion accelerated stock repurchase in addition to our current \$375 million per quarter program, bringing total stock repurchases to \$2.5 billion were in the first year of our \$5 billion authorization. This action reinforces our strategy and commitment to returning capital to stockholders. It also demonstrates our confidence in our long-term growth outlook supported by our strong balance sheet and cash flow generation. We remain committed to advancing our strategic initiatives while effectively balancing business investment, we're returning capital to stockholders.

Now turning to the quarter. In Q3, net bookings was \$2.2 billion, down 6% year-over-year. Dragon Age: The Veilguard underperformed -- the competitive dynamics of the single-player RPG market and EA Sports FC 25 started strong, but softened through the holiday period. We saw minimal impact from FX within the quarter. Within total net bookings, full game was \$633 million, down 3% year-over-year and live services and other was \$1.58 billion, down 8% year-over-year.

On a trailing 12-month basis, live services are 74% of our business.

Let me start with Dragon Age: The Veilguard. Historically, blockbuster storytelling has been the primary way our industry bought beloved IP to players. The game's financial performance highlights the evolving industry landscape and reinforces the importance of our actions to reallocate resources towards our most significant and highest potential opportunities.

Now I'd like to provide further insights into the quarterly dynamics in Global Football that Andrew shared earlier. Following two consecutive fiscal years of double-digit net bookings growth, our global football franchise saw a mid-single-digit decline year-over-year in Q3. The softer-than-expected results in HD was only partially offset by continued growth in FC Mobile. The HD underperformance was a result of two key factors. Firstly, software acquisition which led to lower-than-expected full game sales of FC 25.

Despite having 40 million players across our catalog of HD titles, our December promotional events to drive conversion, fell short of expectations and historical rates as players remain engaged with prior versions of the game.

Secondly, as Andrew mentioned, we saw faster unusual engagement churn in a competitive cohort as the quarter progressed. Despite having positive key metrics early in the quarter, this player group's engagement was down high single digits, mirroring our net bookings decline. While we regularly manage these factors within live service, their combination had a compounding effect. Faster unusual engagement churn, coupled with lower acquisition credit pressure on lower funnel performance. Our live service model's greater strength is our ability to experiment, tweak, respond and deliver changes for our players.

Our January 16 gameplay update launched ahead of our marquee Team of the Year event is a prime example of this adaptability. Since the game pay release, we have seen a significant turnaround in momentum with competitive cohorts trending towards prior year levels with net bookings up year-over-year during the event. We remain confident in the sustainable long-term growth of Global Football as we continue to refine the experience, expanding opportunities and build toward an even brighter future for the franchise.

Within Global Football for Q3, FC Mobile saw a double-digit increase in new players, engagement and monetization year-over-year. FC Online was up slightly as strong promotional content drove monetization. The expansion of our American football community has continued to see strength with weekly active users and total unique spenders up double-digit year-over-year in the quarter.

In Apex Legends, net bookings were down year-over-year in the quarter but performed in line with our expectations. The Sims franchise delivered year-over-year net bookings growth in Q3 as we continue to broaden the franchise by delivering focused updates and new player experiences that deeply engage and captivate our community. During the quarter, we launched two new credit kits in the Sims 4, and the launch of the MySims: Cozy Bundle outperformed our expectations. With MySims: Cozy Bundle, we saw over 50% of those who purchased the game were new game as we expanded our offerings on the Switch platform.

Now moving to our GAAP quarterly results. We delivered Q3 net revenue of \$1.88 billion, down 3% year-over-year. Gross margins increased 300 basis points, largely a result of lower licensing costs. Operating expenses came in below our expectations of \$1.05 billion, flat to the prior year. Earnings per share was \$1.11, up 4% year-over-year.

We delivered operating cash flow of \$1.18 billion for the quarter, down 7% year-over-year. On a trailing 12-month basis, operating cash flow reached \$2.11 billion and free cash flow reached \$1.89 billion as our business continues to be a strong generator of cash. Please see our earnings slides for further cash flow information. In the third quarter, we returned \$425 million to stockholders through stock repurchases and dividends.

Now turning to guidance. Two weeks ago, we updated our FY25 guidance. I want to outline the assumptions underpinning our outlook. First, our American football business remains on track to surpass \$1 billion in net bookings for FY25. Second, we will base our expectations to include lower contributions from Dragon Age: The Veilguard.

Third, let me walk through our assumptions for Global Football. As mentioned, our Global Football net bookings in Q3 saw a mid-single-digit decline year-over-year. As we exited Q3, HD experience saw double-digit declines year-over-year in net bookings during December and the early weeks of January. However, following the January 16 gameplay update and the launch of Team of the Year, we saw strong term resulting in a return to year-over-year growth during the event. Despite this positive trend, our FY25 guidance at the midpoint adopts a prudent approach, anticipating a low double digit booking in global football franchise net bookings for Q4.

With that said, we remain optimistic and the potential for continued momentum given Team of the Year's performance, the start of our Future Stars event and other upcoming events and updates this quarter. Our approach is measured as our teams learned Q3 and continue to bring updates to the game, monitor player feedback and deliver experiences that sustain engagements.

And fourth, Beyond global football, our core live services assumptions remained largely unchanged. These changes to our underlying assumptions have shaped our revised guidance range, which we shared on January 22. As a reminder, we expect FY25 net bookings to be \$7 billion to \$7.15 billion, down 6% to down 4% year-over-year.

Turning to our FY25 GAAP outlook. We are lowering net revenue guidance to \$7.25 billion to \$7.4 billion. We expect the cost of revenue to be \$1.48 billion to \$1.49 billion. We now expect operating expenses to be approximately \$4.38 billion to \$4.39 billion, up 1% year-over-year. As a result, we expect GAAP operating margin to be 19.2% to 20.5%.

We expect non-GAAP operating margin to be 30.5% to 31.6%. The impact from change in deferred net revenue is expected to be approximately negative 250 to negative 240 basis points. This results in a revised earnings share of \$3.90 to \$4.25. We're also adjusting our operating cash flow guidance to \$1.8 billion to \$1.9 billion. Capital expenditures are still expected to be \$225 million, resulting in free cash flow guidance of \$1.575 billion to \$1.675 billion.

As a reminder, we had a onetime cash tax benefit of \$150 million 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.

At the end of Q4, we expect net bookings of \$1.444 billion to \$1.594 billion, down 13% to down 4% year-over-year, largely driven by declines in Global Football and Apex Legends, partially offset by the release of split fiction. We expect net revenue of \$1.682 billion to \$1.832 billion, cost of revenue to be \$305 million to \$315 million, and operating expenses of approximately \$1.112 billion to \$1.122 billion, resulting in earnings per share of \$0.65 to \$1.

Now before I hand over to Andrew, I want to take a moment to discuss our long-term financial framework, which we shared last year. Our multiyear outlook is designed to provide the flexibility needed to effectively manage two critical drivers of success, gain development time lines and market dynamics. With a strong run-up of new experiences, including EA Sports College Football 26, Battlefield and SCAPE, we are positioned to return to growth in FY26.

Beyond FY26, we will continue to expand our current franchises while also bringing blockbuster storytelling to market. Additionally, we will make measured progress beyond our games as we continue to scale our sports app advertising and sponsorship opportunities. Altogether, we believe these initiatives will drive both top line growth and margin expansion through FY27 and into the future as we outlined at our September Investor Day. We'll look forward to providing further updates on FY26 in May and remain focused on disciplined execution, prioritize capital allocation and strategic investments that drive value for our players, employees and stockholders.

Now I'll hand back to Andrew.

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

Thank you, Stuart. Exceptional effort and post execution don't always generate the results we aim for. The actions we have taken demonstrate the focus and determination of our teams and the deep resiliency of our business. The very definition of entertainment is rapidly changing.

Now more than ever, our success as a company will come from anticipating and exceeding player expectations to deliver innovative experiences that engage, entertain and connect people everywhere across an ever-evolving landscape.

Thank you. And now Stuart and I will answer your questions.

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

Like Andrew said, we're ready to take your questions. We'll take one question and one follow-up from each analyst. With that, we are now ready for the first question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Andrew Marok, Raymond James.

Andrew Marok - Raymond James - Analyst

Maybe one on the aspect of FC around the slower-than-anticipated acquisition. Do you have any sense of the drivers behind the slower uptake of the current year title? Is it anything maybe to do with market structure like a console generation transition effect or maybe something like people hearing negative feedback in the community and deciding to hold off on purchase for a little bit?

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

Great question. Thank you. First off, let me reiterate, this was not the quarter that we wanted or expected and underperformance in our business, particularly on a [tentpole] franchise like FC, we take very, very seriously. As I think about answering the question, the thing I want to reiterate that's important is this will still be an incredibly big FC. It will, in all likelihood, be the second largest FC in the history of the franchise coming off two years of record growth.

I actually think that's a big part of why we may have seen the EA, at least in the acquisition level in the business. As we look across the industry, it's not unnatural for these massive online communities or live service-driven businesses to see ebbs from time to time. Typically, they are of a significantly greater magnitude than what we experienced with FC, be that as it may, when you have a franchise as big as FC is, even a small deviation from our expectations can have a pretty dramatic impact on our quarter as we saw in Q3.

As we look at the top of the funnel, again, we had over 40 million people playing across iterations and I think we had an exceptional game in '23 with two World Cups and the December World Cup in the year, which brought in a lot of new players. We then had the launch of our owned brand, EA Sports FC that we invested meaningfully behind at a marketing level to bring in new players. And at some level, I think that many of those players were very satisfied with the games that we're playing. And one of the things that we recognize is that we have to do a better job of bringing those new players across. Our latest version of FC is far and away the best version that we've ever built.

It won Game of the Year and widely regarded across almost all cohorts to be an exceptional game. And we just have to do better at bringing our players who are in the ecosystem across to the new version. And certainly, with the work that the team has done since then, we've seen meaningful progress on that metric.

The second part of it that we talked about inside of the prepared remarks is the highly competitive cohort that lap later into the quarter. And again, as we think about managing these massive online communities and these live service-driven businesses, we're always tweaking based on player feedback. Again, we have an incredible player community across the globe that invest meaningful amounts of time in these experiences. This year, we started to hear kind of as the quarter progressed that the tuning of the gameplay, particularly for this highly competitive cohort felt more defensively focused than past iterations. And they were asking for a more open aggressive attacking version of football.

Our teams do what our teams do best, which is listen closely to the core community and validated what they were hearing and then began to tweak and tune and test gameplay in advance of what was perhaps the most major gameplay update we've ever done in the history of the franchise, ahead of our January 16 event.

The good news for us, and certainly the good news for our player community is that game update was very well received by that core cohort. And again, combined with the activities that we were undertaking to bring players in past iterations across, we saw incredible momentum going into the Team of the Year event.

Just some core stat as we came out of that weekend, we had record net bookings for the Team of the Year event. We had record weekly active users over the events weekend. Prior to the update, our competitive cohort engagement was down high single digits, post uptake, clearly trending back prior to prior year levels. We had positive trends across all cohorts and not just that highly competitive cohort, but we started to see all cohorts come across. We reactivated 2 million ultimate team players with all acquisition cohorts experienced positive trends.

And we're still seeing that momentum progress into this past weekend Future Stars event. So again, not the quarter that we wanted or expected, not unnatural for massive online communities to have these ebbs. I think our teams demonstrated their commitment to our player base and the resilience of their business in both targeting acquisition top of funnel and engagement deeper into the experience and the momentum that we see coming out of these events going into the rest of the quarter and into FY26 feels very strong to us. Perhaps I'll let Stuart add a little bit from a financial standpoint.

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

Andrew, just to kind of wrap that out a little bit how we think about that's reflecting in the Q4 guide. We did put into the script that we did reflect through low double-digit declines at the midpoint. As you heard Andrew just talk through some of those stats, and we obviously did the pre-announcement, we were 4 days into Team of the Year. It represents roughly 25% of the quarter, and we saw net bookings significantly trend up year-over-year for the event. So just flagging here that not concerning the guide is that if that momentum should continue through the next 6-odd weeks at the end of the quarter through the events and all the actions we have planned that would not be factored into that midpoint.

And that it should provide momentum for us Q4 and then heading into FY26.

Andrew Marok - *Raymond James - Analyst*

Well, thank you for that. Really appreciate the detail there. And if I could maybe sneak in one more really quick. Of course, still very early, but how has that community reception to the Battlefield Labs announcement then relative to your expectations or hopes? And how the last couple of battlefield releases inform this prelaunch cycle, looks like you're bringing players along in a more meaningful fashion than usual?

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

Yes. Another great question. I would say the response to the play test and the Battlefield Labs initiative has been overwhelmingly positive and well beyond our expectations, which is great. It's demonstrative of just the fan love out there for this storage franchise. There's really two big reasons why our team is taking this approach.

The first is, as I think you talk about, there is some trepidation amongst the core community as to what this battlefield will be. Battlefield is this incredible franchise at unbelievable scale with destruction and vehicles and all kinds of things and as much loved in the community. The last two iterations of Battlefield have not resonated as strongly and have been found wanting by meaningful parts of the community globally.

And so we do appreciate and understand that there is some trepidation there. And this development team, the biggest development team we've ever had is committed to working very closely with our players to ensure that they understand what we're doing, they feed into the tuning and balancing at scale of this game.

The second reason is it is the biggest Battlefield we will ever build or at least we have ever built to date. It exists on an incredible scale, both in terms of breadth and depth of gameplay in terms of access points in terms of that you can play this game. And a big part of the modern development process that the team is taking is to test and tune everything to ensure that even as we launch something of this scale, it launches both stable and secure. And I think the combination of those two things is driving this initiative, which is Battlefield Labs, and the way the community has responded has been very positive to date.

Operator

Doug Creutz, TD Cowen.

Doug Creutz - *TD Cowen - Analyst*

I was wondering if you could talk about how the kind of Apex Legends work is going to getting it back to where you want it to be. I know back in August, you thought some of the initiatives that you've taken? And just kind of what's the progress update, what's worked, what hasn't worked and where do you see things going from here?

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

I guess, this incredibly storied franchise. I know I speak so lovingly and partially about all of our franchise. I, too, believe we have some of the great franchises in entertainment and I know our teams are incredibly committed to them in service of our player communities. Apex has got a great new launches in our industry over the last decade and has been loved by that core cohort. We've had over 200 million people play the game.

However, the trajectory of the business of that franchise has not been headed in the direction that we have wanted for some time. And I think you highlight we have been trying, tuning and testing many things in the context of the ongoing support of the community. As we think about Apex today, I really think about the development happening across three core vectors.

The first is how do we continue to support this incredible community that plays the game day in and day out, which numbers tens of million of people. And that's both quality of life anti-cheat and all of the things that make the core experience great as well as the creation of new content for that community. And we continue to try and test and develop more and great content for that community. And I would say we have seen some progress in that, but probably not as much as we would have liked.

The second phase, I think I've talked about this before, is we do believe there will be a time where we need to do a more meaningful update of Apex as a broad game experience. and the team is diligently working on that. You should imagine we probably wouldn't drop that on top of a Battlefield launch. And so from a timing standpoint, our thinking right now is that that would exist post Battlefield.

And then on a longer-term time horizon, again, these franchises that exist at this level and have this much fan love don't come along all that often. What I think we've demonstrated as a company is an ability to build franchises that last 10, 20, 30 years and growing.

Our expectation is that Apex will be also one of those franchises and that some time on a longer-term time horizon, there will be an even bigger, more meaningful update to that broader game experience and Apex 2.0, if you will. This will not be the final incarnation of Apex. So the team remains incredibly committed. We continue to invest behind the core community who continues to play the numbers in the tens of millions of players. We do believe that there should be a more major update that will probably happen after a Battlefield launch just in terms of timing and the team is diligently working through what that would be.

And then longer term, our expectation is that we'll continue to expand what this franchise is and how we support a core community of highly competitive players and new communities that want to come and experience all the greatness that Apex has to offer.

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

I'll just wrap a couple of things on the financials and the one I think Andrew just outlined. Q3 was largely in line with expectations we set out, albeit down year-on-year. We have started to see some sequential improvement with strength in sort of player conversion and monetization.

The content enhancements and some of the changes in the Battle Pass have started to shift where we're seeing more spend uptick against the Battle Pass in previous seasons as we've come through '18 through '21. The outlook for Q4 remains largely unchanged at this point. And we obviously look forward to Season 24 next week.

Operator

Chris Schoell, UBS.

Christopher Schoell - UBS Equities - Analyst

Appreciate the update on Battlefield timing. Seemingly, the industry pipeline could be crowded with a number of major titles being released this year. Can you just remind us how the pipeline for your peers influences your willingness to launch titles in close proximity? And maybe just one more industry question. Given the anticipation for the new Switch console, any thoughts on what opportunity this might present for your IP and the ability to expand a level of collaboration beyond what you've done today?

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

Great question. Certainly, we exist in a competitive marketplace. I've had the great force of being in this company for 25 years, and we have done a great job of competing with all of our great franchises over time. That being said, we've invested -- bring this Battlefield in any battlefield before it. We have four studios.

We've had a meaningful amount of time. We're looking for this to be the biggest battlefield we've ever made. And we, of course, want to make sure that we launch that into a window where we can deliver on the fullness of the promise of what Battlefield can be and grow the community to a level that is commensurate with the size of the game that we're making.

I do believe that this year might be a nuance to year relative to competition. There may be some things happening in the year that may cause us to think differently about our launch timing. We have an FY26 launch window that the team is targeting. We believe the game will be great and REIT at that time. But if we got close to that time frame and believe that this wasn't going to be a great window for us, then we would take a look at what an alternate window might be that would give us the appropriate time, energy and player acquisition opportunity for this battlefield to be all that it needed to be.

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

And Chris, just to add on to that, I think it's important to say, it's partly why we've discussed and shared the multiyear framework that we laid out last year to account to give us the flexibility to think about a potential range of growth rates that could occur depending on market dynamics and timing that Andrew alluded to for our own pipeline. We'll obviously give greater clarity in FY26 guidance on our Q4 call. But the growth is really built sort of around the conviction we have around the pipeline. If you think about we expect FC to rebound through next year. We obviously have College Football we just announced in January coming out in the summer.

We have an exciting year sort of the lifestyle brands. We've talked to scape and obviously continue to expand on the Sims. We just talked with Battlefield as Andrew a second ago. And obviously, we'll continue to balance all of that with the industries like we have overhead. But I think it's important to remind that we have that multiyear framework out is what we remain committed and aligned against.

And again, growth in '26, but that range of growth will depend on timing.

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

And then to the second part of your question around a new console, any time a new console comes into the marketplace, that's of a benefit to us. It gives us the ability to access and acquire new players. Typically, we've had franchises performed very well on Nintendo platforms. Certainly, our expectation is that products like FC and Madden and others might find real energy on the platform as they have done in the past. When you think about something like the Sims and the MySims: Cozy Bundle, which performed well ahead of our expectations, 50% of all players were new to EA. That represents a great opportunity for us.

So again, nothing in our models at this juncture, but our expectation is that any time a great new console comes into the marketplace that gives us access to new players and new communities that we have the IP that will benefit from that.

Operator

Clay Griffin, MoffettNathanson.

Clay Griffin - *MoffettNathanson - Analyst*

Great. Sorry, I've got some technical issues, so I apologize if this has been asked. But Andrew, I wanted to come back to FC, if I could. You spoke very positively about Rush in October. Understanding that engagement has sort of slipped beyond what you guys thought throughout the quarter.

But just curious, just if you could provide some context around how that mode, the introduction of that mode might have played a role in the trends that you saw or maybe just kind of general commentary about how you think that mode evolves from here? And then I've got a follow-up.

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

Yes. Great question. One of the advancements of Rush over what had been a similar type of mode, and I think there may have been some confusion outside of the FC community. Volta, which was a small-sided football mode was very separate. Rush actually permeated many different aspects of the game.

It turns out it's the second most played mode in the game, and it actually hasn't been diluted to monetization. Overall, we believe that ultimately, it will be additive to monetization. I truly believe that what the team is doing there investing in fast pace, socially-driven gameplay is a meaningful part of the advancement of the franchise and certainly the platform beyond what has been typical 11 on 11 competition, and the community has responded very well to that.

Again, I would come back to, I believe that we can attribute the softness in Q3 to top-of-funnel acquisition that we've been targeting meaningfully since then and seeing very positive trends and some gameplay balancing and tuning that the teams addressed in that meaningful player update right before the January 16 event, of which has also generated very positive trends. And so overall, I think Rush is a net positive to the franchise, both now and certainly over the long term.

Clay Griffin - *MoffettNathanson - Analyst*

Great. And then I had read some interesting theories on server delay -- sync and just sort of the general kind of server availability and cashing as perhaps causing you guys some issues here in FC 25. I certainly would not have suspected that to be a meaningful year-over-year driver per se. But can you speak to that idea? And if that's true, what needs to get fixed and on what time line?

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

Certainly, again, we listen and interact with all members of our community, our role is always to serve every aspect that ensure a high quality, stable, secure game experience. From our standpoint, the data that we see would suggest that this is an incredibly stable FC at least as stable and likely more stable than FCs in the past. That doesn't mean that server issues don't happen from time to time and that we don't need to go and address them. That's generally in the normal course of business. And I would say it's very low in terms of overall player impact and quality of life within the player experience.

Operator

Mike Hickey, Benchmark Company.

Mike Hickey - *The Benchmark Company LLC - Analyst*

Andrew And Stuart, thanks for taking my question. Just to -- one, it's good to see here that you expect growth for fiscal '26. Just curious if you think you can grow that year without the release of Battlefield. The second question on College Football, massive success to you and your teams. And also, I think there was the feeling that there's a fair amount of pent-up demand that may have been driving sort of outsized growth from that game.

So just curious how you think about the ability to grow College Football in fiscal '26, maybe your American football, I guess, overall now as an ecosystem.

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

Mike, I'll take the first part and sort of the broader context. Yes, in short, we expect the growth in to be part of the broader pipeline initiative, which obviously includes Battlefield even would exclude Battlefield. When you think about some of the things I just outlined earlier, also we expect to continue to build with FC. Certainly, as we head towards a World Cup year in North America towards the back end of the fiscal and into '27. We've talked about the launch of SCAPE through the summer.

The continued expansion we've outlined for Sims and we talked to some of that on the call today as we continue to expand the audience and platforms that we address -- of college returning in the summer of '26. We look to build on that, both through the American football ecosystem across both Madden and College. I know that we continue to push on that live services across the rest of the portfolio in the year. So yes, again, coming back to before, we do expect to grow in '26. We are cognizant there may be a range of that scale of growth.

Hence, we pushed through that multiyear framework through '26 and '27 kind of smooth out the element of timing, obviously set a benchmark where we believe we can drive the business over the next 12 to 24 months.

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

On college, yes, it was an exceptional year on college and there was almost certainly meaningful pent-up demand in the context of people coming into that. But a few things are also true. One is that when you put 12,000 young athletes into the game, they are incredible ambassadors for franchise they are part of.

Two, the sport of College football is reaching new heights as we see the mechanisms of what's happening at a conference level and a college football championship level, our expectation is the sport in and of itself is going to continue to grow. When combined with what's happened with the year also continues to grow, and we're now seeing it grow into new days and new categories, certainly as part of Amazon, the Christmas Day games of Netflix were an incredible boom for the NFL.

So when we think about American football in totality and our ability to deliver games, content experiences that has the power and the passion of that American football community across both college and the NFL, where both of those sports are growing meaningfully. And we get a compounding effect by really merging the communities together and allowing them to move seamlessly through both products and grow on a year-over-year basis, both in the context of competition, but also in collaboration deep social connection and user-generated content creation.

We actually believe that we're at the very early stages of what could be our next great massive online community, one that will continue to grow in the way that FC has done over the past few years. So net-net, we feel very good about where we're at with College Football and our ability to grow the overall American Football business on a year-over-year basis.

Mike Hickey - *The Benchmark Company LLC - Analyst*

Thanks.

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

Okay. So well, thank you all for your excellent questions. As you've heard me say, interactive entertainment is constantly evolving, shaped by changing player expectations. Our teams remain agile highly focused and adaptable responding swiftly to market dynamics and player feedback. Looking ahead, we've never had a stronger pipeline of entertaining experiences, including the launch of Battlefield and SCAPE in FY26.

We're accelerating our vision for the EA Sports app, and we continue to see significant opportunities to expand our EA Sports franchises. The future has never been more exciting, and we are confident in our ability to deliver sustainable growth drive long-term value for our stockholders and most importantly, create incredible experiences that players across the world lab. Thank you. We look forward to talking to you next quarter.

Operator

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

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