Prepared Remarks
Q3 Fiscal 2025

ANDREW UERKWITZ:

Thank you.

Welcome to EA's third 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 fourth quarter fiscal year 2025 earnings call is scheduled for May 6th, 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, February 4th, 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:

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, Q3 was not the financial performance we wanted or expected. We know as a leader in global entertainment, great titles – 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 we head into the new fiscal year.

Our Blockbuster Storytelling strategy is built on three strategic objectives: First, create an authentic story and experience for the core audience; Second, build innovative, ground breaking features; and third, emphasize high quality launches across both PC and console. In order to break beyond the core audience, games need to directly connect to the evolving demands of players who increasingly seek shared-world features and deeper engagement alongside high-quality narratives in this beloved category. *Dragon Age* 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 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 pre-orders, engagement, and player monetization were each up year over year -- leading to 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 acquisitions started out strong, post-launch acquisition cohorts waited longer in the cycle to acquire the new title as many stayed in prior iterations. Combined players 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.
Softer than expected engagement made up most of the rest. We're constantly tuning 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 both the gameplay experience, and corresponding progression and rewards, in a large update that went live for players on January 16th 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 two 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 event's weekend. Together, these markers are leading net bookings 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 player dynamics would not have materially impacted our quarter. In fact, these are part of the normal course of managing and growing a 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, telling blockbuster stories, and harnessing the power of community — remains on track.

Now, let me provide more color on the rest of the portfolio.

The power of EA SPORTS comes from our teams' unique ability to create deep, rich, and highly valuable IP where our players fully immerse themselves in the action, fandom, and culture of their favorite sport. Nowhere else can fans 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 deepened 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 modalities 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 toward 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 ground-breaking gameplay and cutting-edge tools for social connection and content creation. We are leaning into next-level ways to engage fans of the world's biggest sport across the FC platform through play, create, watch, and connect.

In service of our players and fans we are also pushing beyond the bounds 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. Through a combination 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 fandom 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 experiences, 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 our 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 toward 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 Creator Kits ever designed by our top influencers and content creators. These Kits mark 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 playtest this past month, *skate.* 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 to 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 CTO.

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 talent, production strength, broad IP, and technology leadership power the execution of a vision to deliver more excitement, creation, and connection for our global network of players 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:

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 player feedback, continually adapting our games and services to reflect evolving player preferences in addition to refining our portfolio to deliver sustainable growth.

Today, we are 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 within 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 with returning capital to stockholders.

Now, turning to the quarter.

In Q3, net bookings was $2.22 billion, down 6% year-over-year. *Dragon Age: The Veilguard* underperformed, highlighting 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 twelve-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 brought 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, softer 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 remained engaged with prior versions of the game.

Secondly, as Andrew mentioned, we saw faster-than-usual 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 a live service, their combination had a compounding effect. Faster-than-usual engagement churn coupled with lower acquisition created pressure on lower-funnel performance. Our live service model's greatest strength is our ability to experiment, tweak, respond, and deliver changes for our players.

Our January 16th gameplay update, launched ahead of our marquee Team of the Year event, is a prime example of this adaptability. Since the gameplay 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, expand engagement opportunities, and build toward an even brighter future for the franchise.

Within Global Football for Q3, FC Mobile saw 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-digits 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 creator 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 to EA 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 at $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 twelve months 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've revised 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, our HD experience saw double-digit declines year over year in net bookings during December and the early weeks of January. However, following the January 16th gameplay update, and the launch of Team of the Year, we saw strong momentum 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 decline in Global Football franchise net bookings for Q4. That said, we remain optimistic about the potential for continued momentum given Team of the

Year's performance, the start of our Future Star's event, and other upcoming events and updates this quarter. Our approach is measured as our teams learn from Q3, and continue to bring updates to the game, monitor player feedback, and deliver experiences that can sustain engagement.

And fourth, beyond Global Football, our core live services assumptions remain largely unchanged.

These changes to our underlying assumptions have shaped our revised guidance range, which we shared on January 22nd. As a reminder, we expect FY25 net bookings to be $7.000 billion to $7.150 billion, down 6% to down 4% year over year.

Turning to our FY25 GAAP outlook, we are lowering net revenue guidance to $7.250 billion to $7.400 billion.

We expect cost of revenue to be $1.480 billion to $1.490 billion.

We now expect operating expenses to be approximately $4.380 billion to $4.390 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 per share of $3.90 to $4.25.

We are also adjusting our operating cash flow guidance to $1.800 billion to $1.900 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 one-time 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.

Turning to 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 $1.00 .

Now before I hand off to Andrew, I want to take a moment to discuss our long-term financial framework, which we shared last year. Our multi-year outlook is designed to provide the flexibility needed to effectively manage two critical drivers of success: game development timelines and market dynamics.

With a strong lineup of new experiences—including *EA SPORTS College Football 26*, *Battlefield*, and *skate.*—we are positioned to return to growth in FY26. Beyond FY26, we will continue to expand our current franchises while also bringing blockbuster story telling to market. Additionally, we will make measured progress beyond our games as we continue to scale our EA Sports App, advertising, and sponsorship opportunities. All together, 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 look forward to providing further updates on FY26 in May, and remain focused on disciplined execution, prioritized capital allocation, and strategic investments that drive value for our players, employees, and stockholders.

Now, I'll hand it back to Andrew.

ANDREW WILSON:

Thank you, Stuart.

Exceptional effort and polished 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 are here 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 February 4, 2025" 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 February 4, 2025. 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 December 31, 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 December 31, 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.