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EA.OQ - Q4 2025 Electronic Arts Inc Earnings Call

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**OVERVIEW:**

Company Summary

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## PRESENTATION

**Operator**

Ladies and gentlemen, good afternoon. My name is Abby, and I will be your conference operator today. At this time, I would like to welcome everyone to the Electronic Arts fourth quarter and fiscal year 2025 earnings conference call.

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

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

Thank you. Welcome to EA's fourth quarter and 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 first quarterly fiscal year 2026 earnings call is scheduled for July 29, 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 in 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, May 6, 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.

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

Thank you, Andrew. Good afternoon, everyone. I want to start by recognizing the incredible efforts of our teams. Throughout FY25, they delivered high-quality games that entertained and connected hundreds of millions of people around the world. It is because of their strong execution and unwavering focus that we were able to deliver Q4 results that significantly exceeded our expectations, highlighted by a reacceleration of growth in EA Sports FC, continued momentum in American Football, double-digit net bookings growth in The Sims and the highly successful launch of Split Fiction. These successes illustrate the increasing momentum in our business as we continue to deliver against our strategic road map.

Let me review Q4 and the year. Through deep community engagement, innovative content and agile execution, we reignited momentum in EA SPORTS FC after a temporary slowdown in Q3. The January gameplay update, which was the biggest live service update we've ever launched in FC combined with outreach to our player community and our Team of the Year event resulted in a true, brand-building moment with our fans. Feedback was overwhelmingly positive on the faster pace of gameplay and reward tuning. The regular cadence of updates, events and highly valued content releases that follow throughout the quarter continued this strong momentum.

As a result, net bookings came in well above expectations with player engagement up double digits following the January update. Specifically, our competitive cohort engagement returned to more normalized levels and ended the quarter up year-over-year. FC Mobile continues to exceed our expectations with engagement and acquisition up year-over-year as a result of our continued focus on hyperculturalization, web store launched last quarter driving more meaningful net bookings and our successful Team of the Year program.

New player acquisition and daily active users were up over 20% year over year. FC Mobile remains a key strategic initiative to grow the reach of our global football franchise. A great demonstration of how we're growing our audience through FC Mobile is the fact that our four largest mobile markets, including territories across the Middle East and Southeast Asia are different from our four largest HD markets.

Not only is our Global Football business regularly the top video game in the Western Hemisphere, it is also one of the largest sports entertainment platforms in the world. Q4 was a strong finish to an incredible year for our American football ecosystem. Players across Madden NFL and College Football across console and PC grew double digits and hours played up 68% leading to net bookings of over $1 billion, up over 70% year over year. This quarter, American Football continued to perform well beyond the college season ending National Championship in January and the Super Bowl in February.

Post-season engagement and monetization continue to play a more meaningful role as players and fans look to us for their sports entertainment in the off-season. For example, the recent NFL draft was a prime opportunity to continue to connect Madden NFL and College Football through high-value, timely content to generate ongoing engagement connect with our fans 365 days a year and drive player retention as we head into the next fiscal year.

In addition, UFC 5, F1 24 and NHL 25 delivered consistent quality and deepened player connection across the portfolio. The EA Sports app currently in soft launch with La Liga in Spain is delivering positive early indicators of engagement and retention, reinforcing our vision to grow into the world's leading interactive sports platform.

Looking ahead, we plan to broaden our reach into additional markets with new strategic partners, while steadily enhancing the app experience through expanded features and more personalized content. Our focus remains on driving daily engagement, fostering community interaction and supporting long-term global growth. We have a number of unique opportunities to expand reach for EA Sports.

For instance, FC Mobile will play a key role in deepening player engagement, starting with a recently announced partnership with Apple and MLS around integrated streaming and cross-platform fandom with the first match streaming next week. EA is always on experiences and real-time responsiveness truly demonstrate the commitment of our teams and the resilience and structural advantage of our business.

Nowhere was this more evident than in our sports franchises across Q4. Titles like EA SPORTS FC and Madden NFL align with the rhythm of global competition, keeping fans connected year-round. This led to the biggest net bookings year ever for EA Sports. FY25 was also a pivotal year for our entertainment pipeline, setting up a significant period of growth and innovation for EA, our players and our fans.

As we celebrated the 25th birthday of The Sims, the franchise delivered double-digit year-over-year growth in net bookings in Q4. This growth reflects successful player reengagement and the continued impact of our strategy to expand the global audience and elevate community connection. Highlights included the release of a new expansion pack, Businesses & Hobbies, the return of The Sims 1 and 2 and the release of Creator-Made kits. This marks the best fourth quarter net bookings performance for the franchise ever and paves the way for a continued expansion of The Sims universe over the next several years.

Q4 also saw a strong launch of a new IP in Split Fiction from Hazelight Studios. This incredible title overperformed our expectations, capturing global attention and to date has reached nearly 4 million units sold. This success is proof that shared experiences paired with great stories and varied gameplay have the power to break through and capture the imaginations of people around the world.

This quarter was a strong finish to a pivotal year where we acted decisively realigning resources, managing costs and focusing on our biggest opportunities. We took important learnings from Q3 to sharpen our operational discipline, strengthen execution across the business and deliver long-term value for our players, communities and stockholders. As we look to the next two years and beyond, we are positioned for strong growth driven by expansion across our live services new game launches and building global fandom through new experiences.

In FY26, we are launching two of our most iconic franchises, Skate and Battlefield. Built as a dynamic live service, Skate is designed to grow alongside its community, offering new ways to express creativity, style and progression over time. With early access planned for FY26, we're focused on delivering a fun, authentic foundation that we can build on for years to come.

Turning to Battlefield. We're taking a modern player first approach to building, testing and marketing this next level experience. Through Battlefield Labs, the biggest play testing initiative in franchise history, we're engaging players earlier and more meaningfully than ever before, testing at scale and validating core gameplay experiences to deliver something truly special for our players.

Through our play sessions with a core group of Battlefield players across Europe and North America, we've completed thousands of hours of gameplay and the response has far exceeded expectations. Over 600,000 players have signed up for labs to date alongside an amazing 350 million views of the Battlefield content since our announcement. Based on this incredible global demand, we're expanding labs by inviting more players across Europe and North America and will begin to include Asia. This marks a key milestone as therefore, a full, worldwide launch backed by the largest Battlefield team in our history and grounded in community collaboration we remain firmly on track for an FY26 release with a major global reveal later this summer.

As we look to the future of The Sims, our vision is to continue to build the franchise into one of the world's most powerful creative platforms with self-expression, social connection and user-generated content converge in exciting new ways. In FY26, we will continue to empower a new generation of creators and players to shape culture, community and commerce through The Sims like never before.

Looking further ahead, we plan to transform the franchise into a unified ecosystem across games, marketplaces and social spaces. We also believe there are more record years to come for EA SPORTS. The immense opportunity around our global football and American football franchises is that these real live sports are growing in popularity every year, giving us an inherent multiplier of the total addressable market.

This is a unique advantage for us to naturally grow our core player base while greatly expanding our audience. Across FC, Madden NFL and College Football, we will continue to focus on our unrivaled core gameplay through innovation and bold moves like the recent acquisition of TRACAB that we expect to progress how we deliver more authentic, immersive gameplay than ever before.

As we look to expand our audiences, we will use this data to build new ways to play, more ways to connect and empower our players with new tools to create and share. Over the next several years, you should expect more milestone moments as we work to engage our football fans through EA SPORTS FC, Madden NFL and College Football.

Our relaunch of College Football 25 was only the first step in this multiyear growth strategy for American Football. For example, this experience grew our audience by adding over 5 million new fans to the ecosystem. Looking ahead, our deeper integration between Madden NFL and College Football is setting the stage for a unified, massive online community. Our American football ecosystem is following the playbook of our hugely successful global football franchise, positioning it for long-term success.

In Global Football, we've already achieved milestone growth with FC Mobile and FC Online, two key drivers expanding our global reach. Looking ahead, the 2026 World Cup represents a major acquisition opportunity and the next defining moment for the franchise, rooted in deep social connection. All of this gives us confidence in the long-term success of our bigger sports franchises.

Across our sports portfolio and beyond, we are on track to deliver growth through new experiences, deeper integration across platforms, more robust community creation tools and the EA Sports app. I also want to take a moment to talk about how AI is powering our future. We view AI as a powerful accelerator of creativity, innovation and player connection.

Across our teams, we're investing in new workflows and capabilities to integrate AI to enhance how we build, scale and personalize experiences, from dynamic in-game worlds to delivering authentic athlete and team likenesses at incredible scale, our developers are using AI to push the boundaries of what's possible in design, animation and storytelling helping us deliver deeper, more immersive game play. This is about amplifying the power of this technology to unlock new possibilities for the future of interactive entertainment.

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

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

Thanks, Andrew, and good afternoon, everyone. FY25 was a year of focused execution as we prioritize our highest impact initiatives and continued realigning our investments around our long-term growth framework. That focus was particularly evident in our fourth quarter, where we saw accelerating momentum heading into FY26. Q4 outperformance was driven by exceptional execution from our EA SPORTS FC teams with the January gameplay update and targeted community-driven tuning.

This resulted in a significant rebound in engagement and monetization. Combined with sustained strength in American Football beyond the end of the season, and the breakout success of Split Fiction, we expanded margins, generated strong free cash flow and returned over $1 billion to stockholders for enhanced repurchase program and dividends. This performance reinforces the execution of our teams and the resilience of our business model and resulted in a strong close to FY25.

Turning to FY25 results. We delivered net bookings of $7.36 billion, down 1%. Our expanded American Football ecosystem surpassed $1 billion in net bookings, up over 70% year over year. Growth was offset by impact from slate timing and softness in Apex Legends. Full game net bookings was $2.02 billion, up 1%, driven by strength in EA SPORTS College Football 25 and new blockbuster releases, including Split Fiction and Dragon Age: The Veilguard, which offset prior year contributions from Star Wars Jedi: Survivor and softness in FC 25 full game sales.

Live services net bookings was $5.34 billion, down 2%, reflecting an approximate 4 points headwind from Apex Legends in addition to an approximate three points headwind from the December and January softness in Fc Ultimate Team. These headwinds were partially offset by the strength of American Football. Moving to our GAAP results. We delivered net revenue of $7.46 billion, down 1%. Cost of revenue decreased by 10% to $1.54 billion, driving a gross margin of 79.3% and an improvement of nearly 200 basis points, driven in part by lower licensing fees.

Operating expenses were $4.4 billion, up 2% with increases in people costs, largely offset by cost savings in other areas of the business. Our earnings per share was $4.25. We delivered our second highest fiscal year operating cash flow result of $2.08 billion as the business continues to be a strong generator of cash. Capital expenditures was $221 million, resulting in free cash flow of $1.86 billion. For the year, we returned 145% of our free cash flow or $2.7 billion to stockholders through our accelerated stock repurchase program and normal course buybacks and dividends.

Please see our earnings slides for further cash flow information. Turning to Q4 performance. We delivered net bookings of $1.8 billion, up 8%, exceeding our January revised guidance by double digits as we rebuilt momentum across the quarter. Full game net bookings were $384 million, up 48%, driven by the successful launch of Split Fiction with units sold nearly double our expectations.

Live services and other net bookings were $1.42 billion, up 1% exceeding our revised guidance on the strength in FC Ultimate Team, College Football Ultimate Team and The Sims. Now turning to key franchise performances in the fourth quarter.

In Global Football, engagement and monetization rebounded following the January '16 gameplay update. After the gameplay update, FC Ultimate Team posted high single-digit net bookings growth in constant currency fueled by strong reengagement for our competitive cohort. FC Mobile saw double-digit growth in net bookings ahead of our expectations with the web store accounting for mid-single-digit percentage of the overall total.

FC Mobile continues to be an important contributor to global reach and engagement as we expand and deepen our presence in top geographies that differ from our HD title, particularly in Southeast Asia and the Middle East. In American football, late cycle engagement trends remain strong in the ecosystem with the Q4 average for weekly active users higher than the fiscal year average.

In the quarter, College Football Ultimate Team significantly outperformed with average net bookings per spender, more than 50% above expectations, driven by high-impact content drops like REWIND and names of the game. Madden NFL 25 acquisition also exceeded our expectations, driven by expanded platform reach as well as strong late holiday demand for the title relative to prior quarters. The Sims franchise delivered over 30% net bookings growth in Q4, driven by the 25th birthday celebrations that reignited player engagement and accelerated reengagement across the community.

The rerelease of legacy titles, combined with target updates aligned to our broader franchise road map, drove higher attach rates, particularly among casual spenders. On a GAAP basis, we delivered net revenue of $1.9 billion, up 7%. Cost of revenue was $368 million, resulting in a gross margin of 80.6%, supported by favorable digital mix. Operating expenses were $1.13 billion, down 5% as we lap a comparable period that include a $61 million restructuring and related charge.

Earnings per share was $0.98, up 46%, driven by net revenue growth and improved operating leverage. Operating cash flow was $549 million, with capital expenditures of $54 million we delivered free cash flow of $495 million. Now moving to our outlook. We expect fiscal year net bookings of $7.6 billion to $8 billion up 3% to 9% year over year. Our assumptions for FY26 reflects four key factors. First, we expect Batterfield launched in the fiscal year. Second, we expect growth to be driven by our EA Sports portfolio, The Sims franchise and the launch of Battelfield and Skate. Third, While FX remains volatile, our guide assumes an approximate 1 point headwind from FX. Please see our earnings slides for more detail on our currency assumptions.

And fourth, we expect an approximate 5 points headwind from catalog and Apex Legends. In regards to these headwinds, first, our catalog is seeing near-term pressure as we transition to a more focused slate, anchored around massive online communities and select blockbuster storytelling investments. As a result, catalog is now a smaller contributor to total net bookings than historically, and we expect this shift to weigh on year-over-year comparisons in the year as our portfolio continues its structural transition.

Second, while Apex Legends' traction in line with our expectations for the past two quarters, our FY26 guide assumes an approximately 40% year over year decline in net bookings. We expect stronger headwinds in the first half of the fiscal year, followed by more moderate declines in the back half.

We continue to focus on delivering for our core players and investing in the long-term evolution of the franchise. Turning to GAAP. We expect net revenue of $7.1 billion to $7.5 billion. We expect GAAP operating expenses to be $4.47 billion to $4.57 billion, up 2% -- up 4% year over year predominantly related to Battlefield marketing.

We expect GAAP operating margin to be 16.3% to 18.9%. We expect non-GAAP operating margin to be 27.2% to 29.2%. The impact from change in deferred net revenue is expected to be approximately 480 to 440 basis points. We expect GAAP EPS of $3.09 to $3.79. We reiterate our financial margin framework through FY27, with margin expansion underpinned by continued live services growth, multiple new plan releases, a World Cup in the summer of 2026 and a milestone moment at EA SPORTS FC. We expect operating cash flow between $2.2 billion and $2.4 billion, with capital expenditures expected to be relatively flat to the prior year at $225 million. We expect to deliver free cash flow of $1.975 billion to $2.175 billion, up 6% to 17%.

We remain committed to a strong return of capital program with our goal to return at least 80% of free cash flow with stock repurchases and dividends through FY27. Now turning to our Q1 guidance. We expect net bookings for Q1 to be $1.175 billion to $1.275 billion, down 7% to up

1%. As is typical for Q1, this reflects seasonally lower contributions from our EA Sports portfolio. Included in our outlook is an approximate 5 point headwind from Apex Legends, which we anticipate will continue at a similar rate through the first half of the fiscal year. We also expect an additional 2 point headwind from catalog.

As a reminder, we expect some of these headwinds in addition to challenging year-over-year comparisons to also weigh on Q2 with growth accelerating in the back half of the year, driven by the typical seasonality of our EA SPORTS franchises as well as our anticipated Battlefield launch. For Q1, we expect live services excluding Apex Legends to grow low single digits, led by growth in our EA SPORTS portfolio.

In particular, EA sports FC is showing positive net booking momentum through the early weeks of Q1. That said, we're taking a measured view of the quarter overall as team in the season, Q1's largest event remains in progress.

Turning to GAAP. We expect net revenue of $1.55 billion to $1.65 billion, cost of revenue to be $265 million to $285 million and operating expenses of approximately $1.11 billion to $1.12 billion, up 7% to 8%. Roughly half of this year-over-year increase is related to continued investments in line with Q4 for the other primary driver expense growth being costs associated with resource reprioritization. We expect earnings per share of $0.49 to $0.66.

To close, FY25 was a year of focused execution. We delivered strong performance across our biggest franchises, expanded margins, generated over $2 billion in operating cash flow and returned $2.7 billion to stockholders. As we enter FY26 and FY27, we do so from a position of strength and a business structurally positioned for growth and margin expansion led by sustained leadership in EA SPORTS, The Sims, Battlefield, skate, and unannounced new releases.

Our multiyear growth trajectory remains firmly underway, consistent with what we shared at Investor Day and our conviction in our financial margin framework remains unchanged. We remain focused on disciplined investment, operational agility and delivering strong returns.

Now I'll hand the call back to Andrew.

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

Thank you, Stuart. FY25 was a pivotal year for Electronic Arts, a year defined by creative breakthroughs, stronger player connection and meaningful progress across our portfolio. We sharpened our focus, delivered bold new experiences and laid the groundwork for an even more ambitious future.

As we look ahead, we are confident in a strong slate of upcoming releases, our strategy to invest in our biggest long-term opportunities and our focused well-tested execution approach. With leading IP, transformative technology, a global network of passionate players and the best creative talent in the industry, EA is uniquely positioned to lead in a rapidly evolving world. We know that road ahead may bring near-term economic uncertainty, but our focus, adaptability and strategic clarity gives us the tools to thrive. This is an important moment for our company, and we've never been more optimistic about what comes next.

Thank you. And now Stuart and I are here for your questions.

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## QUESTIONS AND ANSWERS

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

(Event Instructions)

With that, Abby, we are now ready for our first question.

**Operator**

(Operator Instructions)

Matthew Cost, Morgan Stanley.

**Matthew Andrew Cost** - *Morgan Stanley - Analyst*

I guess one to start for Andrew. When you think about the temporary slowdown that you saw in FC and then the efforts evidently very successful to turn it around in January. What ultimately were the main issues in retrospect, how did you fix them? What changes in the game were the most effective to fix them? And how will that impact how you'll approach future FC games? And then I have one follow-up.

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

Thank you, Matt. Great question. I think if we take two or three steps back now and really look at the total situation, I think the first thing to recognize is it's actually not unnatural for franchises of this size, this scale and this level of enduring strength to have momentary lags from time to time, the kind of ebbs and flows of a live service business.

As we look at a lot of large-scale global franchises coming out of COVID, many of them had prolonged slowdowns at 40%, 50% of the annual revenue before kind of clawing some back and some never really made it back to where they were. So it's not an unnatural thing that we had to deal with. Again, we didn't expect that FC would go through that, but it did. And so then we started to think about, well, why would that have happened? And why did it happen at that time?

The first is, we've been growing exceptionally well year-over-year throughout the history of the franchise, but certainly through COVID and since COVID. And so we grew a lot. We brought in a lot of new players during COVID and grew the business meaningfully. And coming out of COVID many franchises kind of took that moment to have a little slowdown or a prolonged slowdown in some cases.

We did not. And part of the reason was we rolled straight into a World Cup, which, as we know, is always a great acquisition and engagement opportunity for the franchise. Then as we go back to history, sometimes we would see some momentary softness coming out of the World Cup. This time, we rolled straight into an FC rebrand. And that was a very large concerted effort across the entire franchise, both in the context of development in the context of marketing and in the context of partnerships that we were working through and working with to relaunch our football franchise under our own brand, EA SPORTS FC. And so that was really why we hadn't seen any slowdown at that point.

So again, not unnatural. That's why we think we had the timing that we did. Then it came down to what was really driving it. And there was two things. We've talked about this a few times since then, but there are really two things. One was given how many new players we've brought into the franchise over the preceding three years and the level of engagement we have driven, we didn't see the same migration track from the outgoing title to the incoming title. The good news for us at that time, of course, was that we weren't losing people out of the ecosystem.

They just weren't moving from FC 24 to FC 25 at the same rate they had in the past or certainly at the same rate that we've seen early in the launch window. The second piece was, as our core cohort, our core competitive cohort got deeper into the game experience, they started to give us feedback that it was more defensively tuned than they would otherwise like. And some of the score lines that we're seeing and some of the gameplay tactics that were being used weren't conducive to the kind of outcomes that they typically would be looking for in their highly competitive play.

Again, this wasn't across the entire cohort of the game. For the most part, it was very well received. It was sports game of the year. It was very highly rated. And for all but our very core cohort, they thought the game was exactly as it should be. But this competitive cohort is very important to us. We work very closely with them. And as they got deeper into the gameplay, they felt that it wasn't really tuned in the way that they would like.

So as we came through Q3, we listened, we learned, and we really had two tracks of action that we had to take. The first track was really incentivizing players to move from '24 to '25 and that was a very deliberate personal marketing program against cohorts that were still engaged deeply in '24 that we believed we're going to really enjoy the '25 experience and we spoke to them individually in digital channels and really personalize the marketing to them in order to incent them to make the transition.

And certainly, we saw meaningful transition. And as we came into Q4, we're seeing more normalized levels between '24 and '25 that we would have seen in years gone by. The second track, which was a far more involved track, was our development team spent countless hours interacting with that core community, listening to them, evaluating their feedback, corroborating that feedback with what they were seeing in gameplay and then build out the most robust gameplay update that we've ever done in the history of the franchise and launched that with our biggest event of the season to that point.

And again, feedback was overwhelmingly positive. That core cohort came back into the game at normalized levels and engaged deeply and we ended the year up year-over-year. And so as we look through that, the learning for us is this is, one, it's not unnatural for there to be ebbs and flows in these massive online live service businesses. We had delayed our ebb by virtue of COVID, the World Cup and then an FC launch. The second thing is that as we've done that, we need to make sure that we're working very closely with our core cohort and marketing to each of the cohorts individually to ensure they understand the benefits of the incoming title.

As we look into our FY26 launches, you should imagine that not only will be working very, very closely with our core cohorts, around the tuning and balancing and polishing of the game, we also took a lot of learning with how we incentivize players to move from one year's version to the next year's version. And certainly, we come out of Q4 with incredible momentum, and we come into FY26 feeling very good about the future of the franchise at this scale.

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**Matthew Andrew Cost** - *Morgan Stanley - Analyst*

Great. And then, Stuart, if I could ask about some commentary in the press release, there's a comment in here about continued growth in live services and the launch of some new nonannual titles in fiscal '27. Is that consistent with the long-term growth profile that you shared during the Investor Day in September, or you expected to consistently outperform the video game market?

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

Yeah. I think the commentary in the prepared remarks is really help continue unpack the conviction we have in the framework we put out for Investor Day and give a little bit more context on layering behind the various components and pieces. I think if you see the FY26 and the guidance we just put out, you can start to see the power and the model that we have today, as you look at margin expansion capability, the cash flow numbers, plus 6 to plus 17 What you see there is us continue to build out how we drive growth in both components, both on the top line through growth and that continuing through our core business, so our live service, massive online communities.

And secondly, I want to be clear that, obviously, inside of that between '26 and '27 will also be additional titles from our pipeline. But yes, to our point, we've reiterated, we remain on track for the margin framework that we laid out back on Investor Day.

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**Operator**

Eric Sheridan, Goldman Sachs.

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**Eric Sheridan** - *Goldman Sachs - Analyst*

Maybe I can ask a 2-parter on Battlefield. Given the approach you took to sort of have the game out in the community, sort of in a beta test over multiple quarters now, what have been some of the key learnings about how to position Battlefield for creative and commercial success? And how would you compare some of those learnings to prior versions of the games and what you might have learned from bringing the game to market in prior years?

And the second part would be, is there any way to identify how to think about the growth investments behind Battlefield that may be aligned with the title's launch in the fiscal '26 guidance just so we can line up elements of supporting growth against the potential for the franchise.

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

Let me take the first part of that, and then I'll hand it off to Stuart for the second part. This Battlefield, as we've said many times, is the biggest battlefield we've ever made. And of course, you would expect us to say that, but we've certainly had the biggest team behind it, and we've given them as much time as they need to get to real quality aligned with our core Battlefield community. If you go back through our Battlefield all the way back to Battlefield 4, I might argue that we've released incredible games every time. They've always been high quality. We've always worked closely with the community, but we haven't always worked as closely as we should have.

We haven't always really worked to help them understand the things that we're building and for us to understand the things that they really want out of a Battlefield. We know that when we get it right, Battlefield is a giant franchise and often the biggest shooter in the year. And so this time, we wanted to ensure that, one, our player base and our global community had a better understanding of the things that we were building and how we're building and some of the approaches that we're taking to building.

But more importantly, we wanted them to have the ability to feed back on map construction, weapon lineup, progression, all of the things that make Battlefield great at Battlefield scale. And given that this is the biggest Battlefield ever, there was really no other way to go about that other than Battlefield labs in the way we have. And I would tell you, we've been overwhelmed by the feedback not just the positive feedback that our players are giving us around what we're doing, how we're doing it, the scale and nature of what we're doing, but also just their willingness to deeply engage with us through this process.

Hundreds of thousands of people have weighed into this and really given us feedback that is going to help us tune and balance this incredible scale game. And as we now -- as we move into the next phase, we'll start to open up to a wider audience, bringing in more across North America and Europe and starting with Asia. And so again, this is all about two things. One is helping our community understand the nature of the things that we're building, but more important, have us understand the things that they want out of this game and ensuring we're tuning and balancing and polishing in a way that is aligned with their expectations. And we know when we get that right, the opportunities is incredibly large.

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

All right. To your second question, if we think about unique investments this year versus last year and how we think about growth investment around Battlefield. We called out, obviously, our OpEx structure this year remains flat outside of the go-to-market cost of Battlefield, which obviously unique versus the prior year. As you know, we expense as we go. So predominantly, the R&D incremental this year is slight versus material, which is just costs that continue to increment themselves as we get closer to some aspects of game development that come later in the cycle as we release.

We should also assume that we continue to invest behind the product post launch, which will be incremental in the year. But overall, I would (inaudible) you that the biggest change year-over-year as the go-to-market costs, which we've called out as the only dominant driver investment structure for us. Outside of that, we've managed to continue to reallocate, continue to be disciplined in how we capture costs against our product and our strategy. and we'll continue to do so quarter over the quarter.

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**Operator**

Doug Creutz, TD cowen.

**Doug Creutz** - *TD Cowen - Analyst*

I just wondering if you could talk a bit about how to think about American Football in the coming year. Obviously, College football '25 you had a huge amount of pent-up demand, and that could create a tough comp depending on a lot of things. But just how are you guys thinking about the puts and takes for that franchise fiscal year and how to think about potential growth?

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

Yeah. I'll start just in terms of an overarching strategy for American football, and then I'll let Stuart kind of lean into more in the forecast and projection. The good news for us is American Football in the context of both NFL and college continues to grow in both fandom and engagement broadly.

And so our expectation is that overall, the sports will grow and typically where we deliver in line with fans expectations, we have the benefit of that growth and that acts as a multiplier for us. And we certainly expect that in the context of American football on a go-forward basis. We have a big ambition around building the largest football community in this country and really being a leading digital football fan platform through interactive entertainment.

The launch of College Football in this past year was just the first step. And again, I acknowledge that there was almost certainly pent-up demand, having not launched the franchise for 10 years. But I'd also say, given the quality of the game that our team built, given the level of engagement that we had from the fan base, those fans don't love college football any less this year than they did last year.

And certainly, as we look forward now to building much deeper connection between college and the NFL product this year and then building out much bigger social ecosystems around the combined franchise in future years, our expectation that we will continue to grow this business in line with the growth of the sport and benefit from the ongoing uptake of young fans with interactive entertainment.

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

And Doug, to your second part of your question, you should think that we've been pretty prudent and balanced for many of the reasons that kind of you outlined and Andrew built on. We know, obviously, last year was a record year. It's absolutely a tough comp. And we would expect that Q2 likely could be a tougher comp base on the pent-up demand for College Football as well.

We also expect to continue to build on learnings given it's year two, how do we see the mix play out between the titles, how do we think about the incredible service that we saw continue for College and the opportunity for that next year. So overall, in the guidance, as is general across the entire guidance for the fiscal year, we've been pretty pragmatic and balanced. To Andrew's point expectations, both this year and beyond continue to drive growth through this franchise.

**Operator**

Chris Schoell, UBS.

**Chris Schoell** - *UBS Equities - Analyst*

Maybe a two-part question. Appreciate you're now guiding in a very dynamic macro environment. To the extent the economy does soften, what areas of your business do you believe are most macro-sensitive. And any learnings from history that you would point to?

And second question, we've seen your peers announce games at higher price points. How do you think about the pricing power for your own IP? And could we see you take a similar approach with your own key franchises going forward?

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

Great questions. The first on the macro, I think having been in this company now for 25 years, I've had the great fortune of navigating many twists and turns in the macro environment. What has typically been the case is our industry, and in particular, our company, and more specifically, our biggest franchises, have not been immune, but they've been incredibly resilient through even macro challenging times.

Typically, we've seen our biggest franchises perform very well, and there's really good reason for that. Entertainment is a fundamental human need. It's been with us since the beginning of time. At this point in time, our form of entertainment is the first form of entertainment for much of the global population, and that grows every year as our industry continues to grow, and we represent incredible value.

When you think about the amount of money, a game cost, the amount of money it costs to extend and enhance that over the course of 365 days of play, it still represents incredible value to get that entertainment fixed. And so while we are always prudent and pragmatic and thoughtful as we navigate macro uncertainty, we do believe that if we continue to deliver incredible entertainment experiences, we continue to invest behind our biggest franchises that remember, aren't just about entertainment, but are also about connection.

This is where people spend their best time with their best friends where they connect with them every day to enjoy their best moments of the day that even in a world where we may not be immune from a meaningful macroeconomic downtime, we do believe that we will be resilient and we do believe that we can grow over the course of time through that. In terms of pricing power, again, our business is very different today than it was even just 10 years ago.

In a world where everything we did 10 years ago was about selling shiny disks and plastic boxes in retail shelves, well, that's still a part of our business. It's a significantly smaller part of our business, and we now have pricing represented everything from free to play all the way to deluxe editions and beyond.

At the end of the day, whether we're doing something that costs a dollar or we're doing something that costs $10 or we're doing something that costs $100, our objective is always to deliver incredible quality and exponential value for our player base. And what we've discovered over the course of time is whether we can marry quality and value together our business is strong, resilient and continues to grow.

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

And Chris, just to close quickly. From a guidance perspective, we put out, we have reflected no changes in the current strategy at this point.

**Operator**

Andrew Marok, Raymond James.

**Andrew Marok** - *Raymond James - Analyst*

Now that the big major expected release has moved out of fiscal '26 in the industry. I guess how do you see the rest of the gaming industry positioning potential releases over the next few months? And how does that impact your thoughts on the competitive landscape for the Battlefield launch window and subsequent performance expectations?

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

I'm not sure I can comment on the rest of the industry and their launches or launch timing other than to say, typically today, games take many years to build and develop. And it's unlikely that if you weren't already ready to launch in this window, it may be hard to get ready and take advantage of what might be otherwise a less competitive window than we may have anticipated earlier.

Relative to Battlefield, what we have said all along is we've been building towards a window that we thought made the most sense of Battlefield. but we wouldn't launch into a window that we thought truncated the value that we've invested into the franchise or the value that we think our players will derive from it once they jump in and start playing.

I think now without going too far, we believe that window is clearer than it was before, and we feel very good about launching Battlefield in FY26.

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**Operator**

James Heaney, Jefferies.

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**James Heaney** - *Jefferies - Analyst*

Maybe, Stuart, you're guiding to some fairly impressive operating leverage in fiscal 2026. Can you just talk about what's specifically driving that? And if there's anything in particular you'd want to call out? And then I had a follow-up for Andrew.

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

Yeah. Thanks, James. I think it's what we alluded to before, and we are trying to indicate through the Investor Day, it's really the power of incredible IP at scale through a massive online community construct like Battlefield, also bringing skate. And the ability for us that we've been carrying the cost of Battlefield into multiple studios over a four year period already within the P&L. So as you start to bring these IP to scale and get to market, we get to accelerate the top line at incredibly high margins. So the owned IP, Battlefield for instance has a high PC penetration. So both of those enable us to get meaningful leverage from the business.

We've also continued to be very disciplined around our investment structure. We've been deliberately continuing to make decisions on a regular basis that reallocate and reprioritize capital and so is our strategic growth model. You can see that as we continue to hold that investment structure, which we appreciate has been a headwind over the last two or three years, now you're starting to see that investment structure pay up in the growth and importantly, the leverage of the business.

And you should think that if we continue to have strength and expand beyond that guidance range, you'll see that leverage continue. And it's not that disaligned from the cash that I just talked to earlier on the question on the call, where you get plus 6% to plus 17%, is an incredible alignment and proxy that you see in terms of how we get growth across the business. So that is the power of the model we have. It's the virtue of expensing investments along the way. But most importantly, it's the own license state of those and the scale through service we can bring against them.

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**James Heaney** - *Jefferies - Analyst*

That's helpful. And then, Andrew, could you just talk about how you're planning to market Madden versus CFP this year along with the MVP bundle? Just interested to hear your perspective on how important overall bundling is for your sports strategy going forward.

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

I think what we recognize is that there is a great many fans who love both College Football and the NFL and this is an opportunity for them to participate in both. It was a very successful bundle last season. At one time, it was one of the most -- we had Madden in the top 10, and we had College and we had the bundle. Our expectation is that this year, there will also be a number of players, maybe even more players that choose to jump into both college and the NFL, and we will look to provide that opportunity for our player base.

Otherwise, we'll continue to drive Madden, we'll continue to drive College. But remember, the biggest part of our overarching strategy here is to build out the largest American football fan community in this country and be the leading digital football fan platform, and we believe we can do that through college football, through Madden and through the ongoing social ecosystem we built around those two franchises that make it make even more sense for our player base to play both even if they aren't currently thinking about doing so.

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**Operator**

Eric Handler, Roth Capital Partners.

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

I wonder if you could talk about a little bit about the monetization impact of the World Cup. I know past couple of World Cups, there's been some like delayed gratification because the World Cup brings people in, they don't necessarily spend right away, but then they spend later. How do we think about the trajectory with the World Cup? And then also, do you think with the World Cup next year in North America, what do you think that impact might have on the game itself?

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

Thank you for the question. Again, we've seen different outcomes of the World Cup over many, many World Cups and having been deeply involved with what was our FIFA franchise and our FC franchise since 2004, I've seen many -- the full spectrum of outcomes. One thing is almost certainly true and consistent through every one, which is that when the world is thinking about football, that's great for our business, where we can offer the opportunity for fans to come together, compete, collaborate and celebrate the world of football in the context of our franchise, that's a great benefit to our business.

It almost certainly is a great acquisition tool for us. It's absolutely a great engagement tool for us. And over the course of time, it also works out to drive growth in the business. Relative to it being in North America, the last time we came through a World Cup, we actually grew our player base here by 50%. And so we think that's a really big opportunity for us certainly, as the sport grows globally, it also grows here in North America. And with the tournament happening here and our ability to activate it deeply in and around the celebration of football in the context of our game and our game community, we think there is real upside there.

Certainly, over the course of time as we grow through '26 through '27 into '28, again, this is the biggest sport in the world. It continues to grow every year. We will be using all opportunities to celebrate global football, and we'll do that across console, PC and more importantly, we're doing that more in mobile, which gives us growth in new markets and new territories even where they're not hosting the World Cup.

Well, thank you all for joining us today and for your thoughtful questions. As we wrap FY25, this year stands out as a powerful reflection of our momentum and connection with players. The success of College Football and the continued strength of FC drove another record year for EA Sports. The Sims closed the year with its strongest ever performance, reaffirming its place as a cultural icon and a vibrant platform for creativity and community.

With a robust pipeline, we see the next two years as an important inflection point for our business. We couldn't be more excited about what we're building towards and our position for growth. Thanks again. We look forward to speaking next quarter.

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**Operator**

And ladies and gentlemen, that concludes today's call, and we thank you all for joining. You may now disconnect.

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