



# Electronic Arts Inc. Q1 FY 2018 Results

July 27, 2017

# Safe Harbor Statement

Please review our risk factors on Form 10-K filed with the SEC.



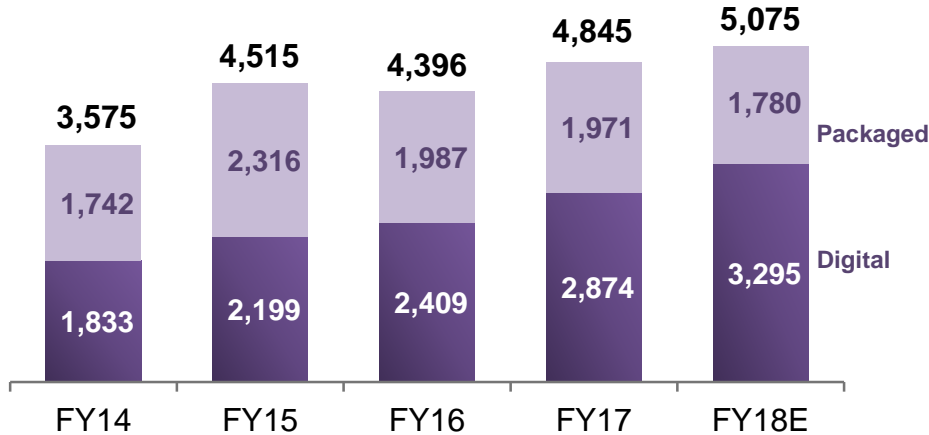
- Some statements set forth in this document, including the information relating to EA’s fiscal year 2018 guidance and title slate, contain forward-looking statements that are subject to change. Statements including words such as “anticipate,” “believe,” “estimate” or “expect” and statements in the future tense are forward-looking statements. These forward-looking statements are preliminary estimates and expectations based on current information and are subject to business and economic risks and uncertainties that could cause actual events or actual future results to differ materially from the expectations set forth 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 titles; the Company’s ability to develop and support digital products and services, including managing online security and privacy; the Company’s ability to manage expenses; the competition in the interactive entertainment industry; the effectiveness of the Company’s sales and marketing programs; timely development and release of Electronic Arts’ products; the Company’s ability to realize the anticipated benefits of acquisitions; the consumer demand for, and the availability of an adequate supply of console hardware units; the Company’s ability to predict consumer preferences among competing platforms; the Company’s ability to develop and implement new technology; foreign currency exchange rate fluctuations; general economic conditions; and other factors described in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2017.
- These forward-looking statements are valid as of July 27, 2017 only.
- The preliminary financial results set forth in this document 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 June 30, 2017. Electronic Arts assumes no obligation and does not intend to update these estimates prior to such filing.

# EA Growth Trends

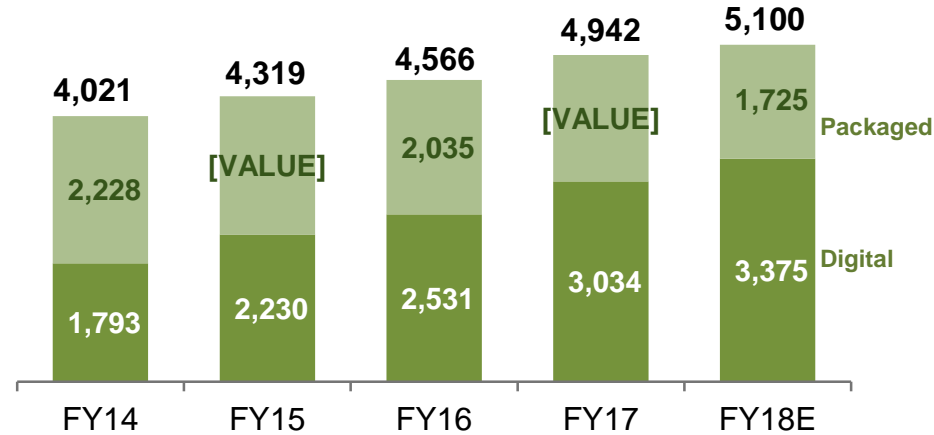


(in \$ millions)

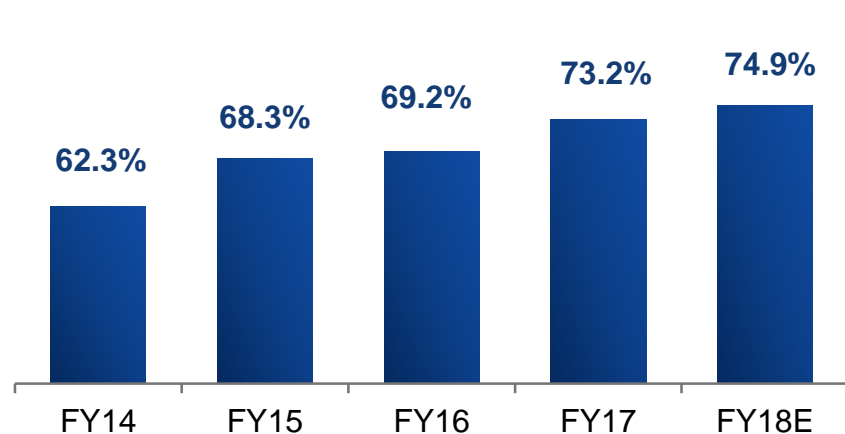
## Net Revenue<sup>1</sup>



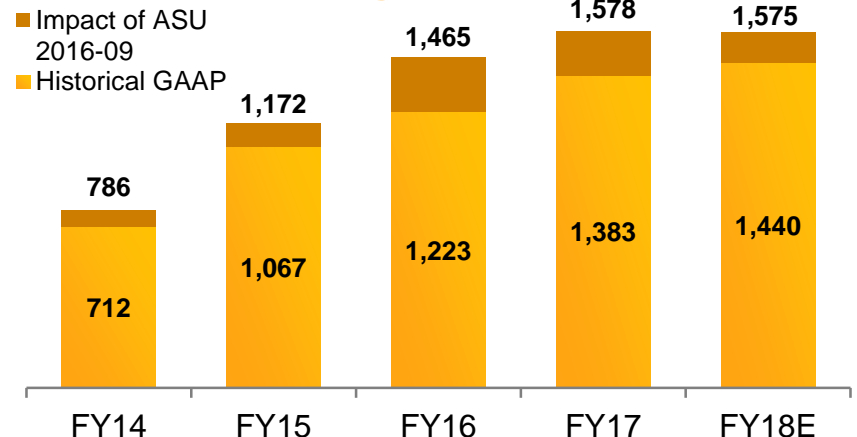
## Net Sales<sup>2</sup>



## Gross Profit<sup>1</sup>



## Operating Cash Flow<sup>1,3</sup>



<sup>1</sup> Net revenue, gross profit and operating cash flow are presented on a GAAP basis.

<sup>2</sup> Net sales is an operating metric that EA defines as the net amount of products and services sold digitally or sold-in physically in the period.

<sup>3</sup> At the beginning of fiscal 2018, EA adopted FASB ASU 2016-09 related to stock-based compensation. The new guidance does not impact total cash and cash flow, but it does increase operating cash flow and decrease cash flow from financing activities.

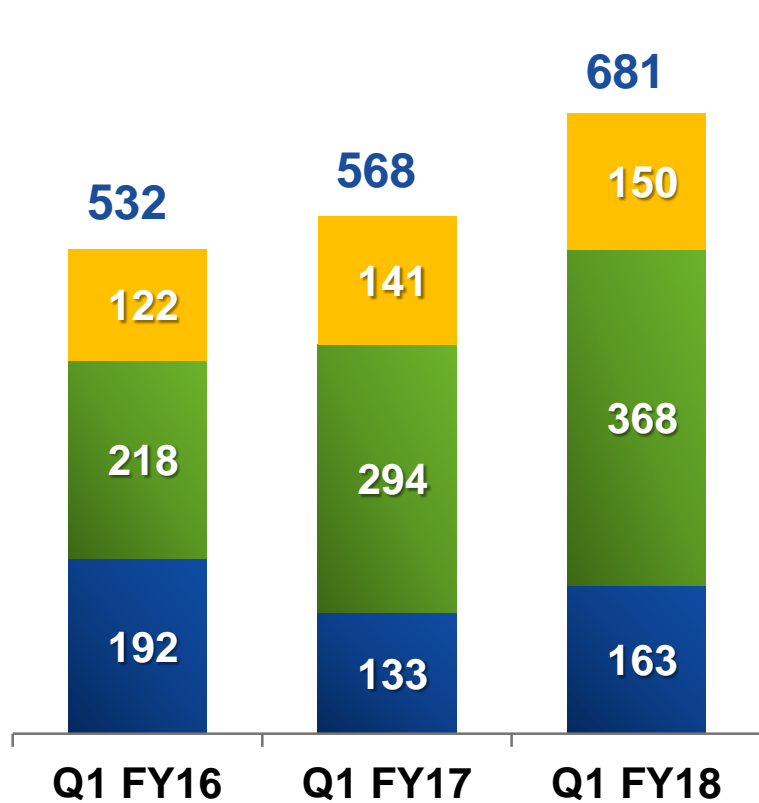
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# EA Digital Net Sales by Platform



■ PC & Other    
 ■ Console    
 ■ Mobile

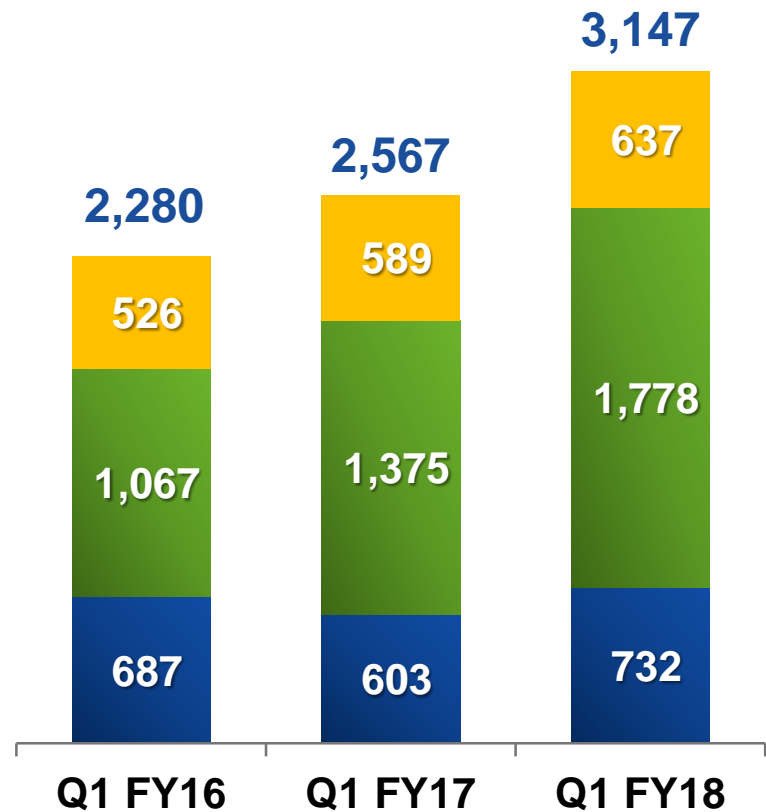
## Quarterly *(in \$ millions)*



## YOY Growth

20%  
 6%  
 25%  
 23%

## Trailing 12 Months *(in \$ millions)*



## YOY Growth

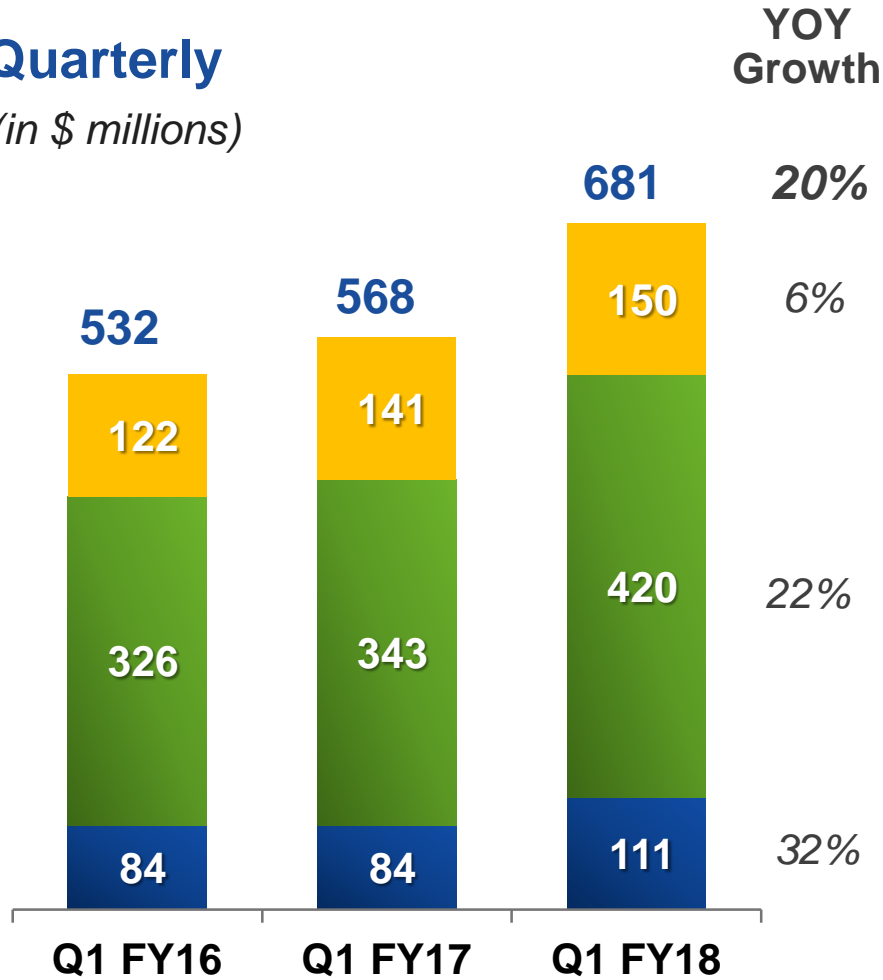
23%  
 8%  
 29%  
 21%

# EA Digital Net Sales by Type

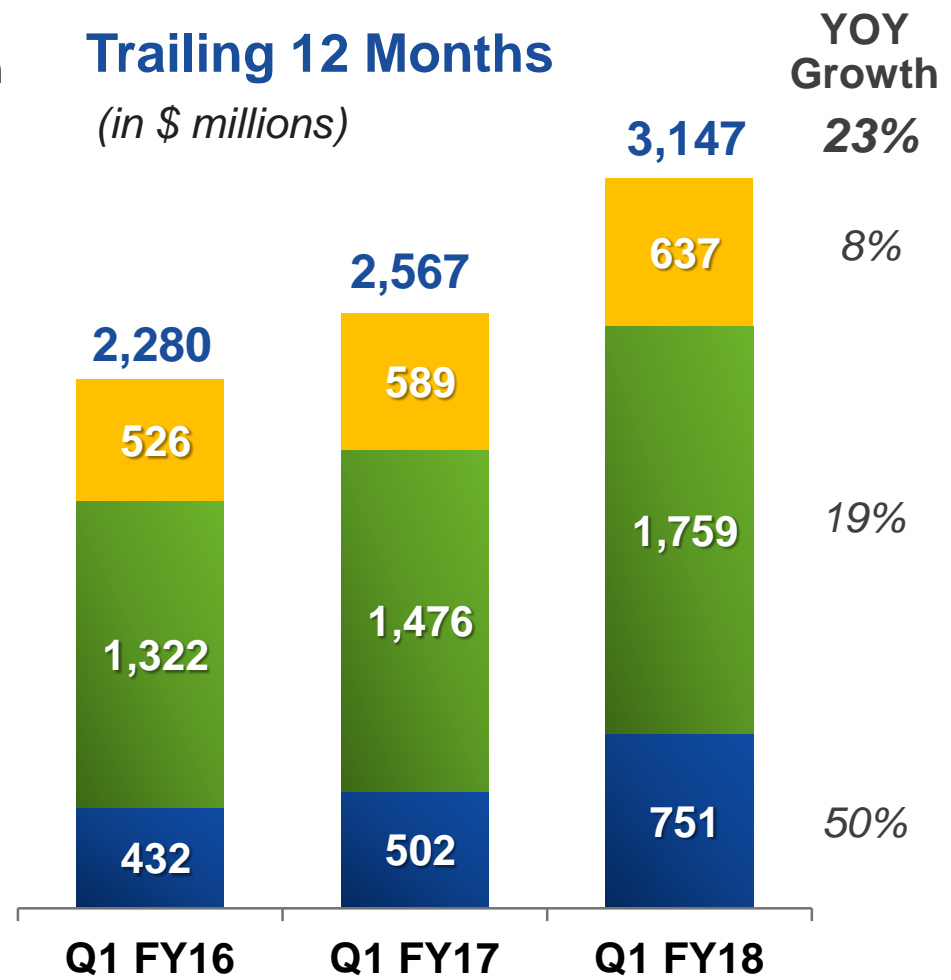


■ Full Game Downloads
 ■ Live Services<sup>1</sup>
■ Mobile

## Quarterly (in \$ millions)










## Trailing 12 Months (in \$ millions)



<sup>1</sup>Live services includes net sales previously presented as “Extra Content” and “Subscriptions, Advertising and Other” through Q4 FY17.



# FY18 Announced Console/PC Titles

Launch	Title	Platform(s)
Q1	 <b>FIFA 18</b>	Console PC
Q2	 <b>MADDEN NFL 18</b>	Console
	 <b>NBA LIVE 18</b>	Console
	 <b>NHL 18</b>	Console
Q3	 <b>THE SIMS 4</b>	Console
	 <b>NEED FOR SPEED PAYBACK</b>	Console PC
	 <b>STAR WARS BATTLEFRONT II</b>	Console PC
Q4	<b>UFC 3</b>	Console

Note: An early version of this presentation incorrectly had the Sims 4 launch in Q2. The launch is in Q3, as disclosed in our press release of July 26, 2017.  
Note: Represents publicly announced titles only. Titles above are shown in alphabetical order. All launch dates are subject to change.

# Select Live Services and Mobile



## Console/PC

## Mobile

Active Q1'18

**MASS EFFECT**  
ANDROMEDA

**BATTLEFIELD 1**  
PREMIUM PASS

access

**FIFA ONLINE 3**

**FIFA**   
ULTIMATE TEAM™ Official Licensed Product

**HOCKEY**  
ULTIMATE TEAM

**MADDEN NFL 17**  
ULTIMATE TEAM

Origin  
access

**STAR WARS**  
THE  
**OLD REPUBLIC**

**STAR WARS**  
**BATTLEFRONT**  
EA  
SEASON PASS

**UFC**  
**ULTIMATE**  
TEAM



# FY18 Guidance



The following table provides guidance for EA's FY18 financial performance. These preliminary estimates and expectations are based on current information as of July 27, 2017 and are subject to business and economic risks and uncertainties that could cause actual events or actual future results to differ materially from expectations set forth herein. In addition, while EA no longer provides expectations on non-GAAP financial performance measures, the following outlook for GAAP-based financial data and a long-term tax rate of 21% are used internally by EA to adjust our GAAP expectations to assess EA's operating results and plan for future periods.

For more information about the nature of the GAAP-based financial data, please refer to EA's Form 10-K for the fiscal year ended March 31, 2017.

	<b>Twelve Months Ending March 31, 2018</b>			
	<b>GAAP-Based Financial Data</b>			
	<b>GAAP</b>	<b>Acquisition-</b>	<b>Change in</b>	<b>Stock-based</b>
	<b>Guidance</b>	<b>related</b>	<b>deferred net</b>	<b>compensation</b>
		<b>expenses</b>	<b>revenue</b>	
			<b>(online-</b>	
			<b>enabled</b>	
			<b>games)</b>	
(in \$ millions)				
Digital net revenue	3,295	-	80	-
Packaged goods & other net revenue	1,780	-	(55)	-
Total net revenue	5,075	-	25	-
Cost of revenue	1,276	-	-	(1)
Operating expense	2,420	(6)	-	(239)
Income before provision for income taxes	1,364	6	25	240
Net income	1,125			
Number of shares used in computation				
Diluted shares	315			

These forward-looking statements are valid as of July 27, 2017 only. Electronic Arts assumes no obligation to update these forward-looking statements.



# Q2 FY18 Guidance



The following table provides guidance for EA's Q2 FY18 financial performance. These preliminary estimates and expectations are based on current information as of July 27, 2017 and are subject to business and economic risks and uncertainties that could cause actual events or actual future results to differ materially from expectations set forth herein. In addition, while EA no longer provides expectations on non-GAAP financial performance measures, the following outlook for GAAP-based financial data and a long-term tax rate of 21% are used internally by EA to adjust our GAAP expectations to assess EA's operating results and plan for future periods.

For more information about the nature of the GAAP-based financial data, please refer to EA's Form 10-K for the fiscal year ended March 31, 2017.

	<b>Three Months Ending September 30, 2017</b>			
	<b>GAAP-Based Financial Data</b>			<b>Stock-based compensation</b>
	<b>GAAP Guidance</b>	<b>Acquisition- related expenses</b>	<b>Change in deferred net revenue (online- enabled games)</b>	
<i>(in \$ millions)</i>				
Total net revenue	955	-	205	-
Cost of revenue	389	-	-	-
Operating expense	638	(2)	-	(61)
Income/(loss) before provision for income taxes	(69)	2	205	61
Net income/(loss)	(57)			
Number of shares used in computation				
Basic shares	310			

The Company estimates a GAAP basic and diluted share count of 310 million shares due to a forecasted net loss. If the Company reports net income instead of a net loss, diluted share count for calculating diluted earnings per share would be 314 million shares.

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# Guidance – Phasing

## FY18 Quarterly Net Revenue and Net Sales

	<b>Q1A</b>	<b>Q2E</b>	<b>Q3E</b>	<b>Q4E</b>	<b>FY18E</b>
GAAP Net Revenue %	29%	19%	22%	30%	<b>100%</b>
GAAP Net Revenue \$M	\$1,449	\$955	\$1,134	\$1,537	<b>\$5,075</b>
Change in deferred net revenue \$M	(\$674)	\$205	\$866	(\$372)	<b>\$25</b>
Net Sales %	15%	23%	39%	23%	<b>100%</b>

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# Currency Assumptions<sup>1</sup>



- **Current FX assumptions<sup>2</sup>:**
  - **If the USD strengthens relative to the EUR or GBP, both Revenue and EPS would decrease**
  - **If the USD strengthens relative to the CAD or SEK, Expenses would decrease and EPS would increase**

	<b>USD/</b>	<b>FY17 Q1A</b>	<b>FY18 Q1A</b>	<b>FY18 Q2-4E</b>
<b>Revenue</b>	EUR	1.13	1.09	1.14
	GBP	1.46	1.27	1.30
<b>Expense</b>	CAD	1.29	1.35	1.31
	SEK	8.18	8.80	8.56

Note: Our financial guidance includes the forecasted impact of the FX cash flow hedging program.

<sup>1</sup> These forward-looking statements are valid as of July 27, 2017 only. Electronic Arts assumes no obligation to update these forward-looking statements.

<sup>2</sup> For FY17 Q1A and FY18 Q1A, FX rates are a simple average of EA's actual monthly P&L rates. For FY18 Q2-4E, the same FX rates are used for all forecast periods.



# Cash Flow Selected Data

At the beginning of fiscal 2018, EA adopted FASB ASU 2016-09, related to stock-based compensation. This pronouncement requires EA to change how it reports the cash effects of stock-based compensation in the Consolidated Statement of Cash Flow. It does not impact total cash and cash flow, but it does increase operating cash flow and decrease cash flow from financing activities. In the table below, operating and financing cash flow figures for the three months ended June 30, 2016 and the trailing twelve months ended June 30, 2016 and 2017 have been recast to reflect the impact of ASU 2016-09 which EA adopted in Q1 FY18.

<i>(in \$ millions)</i>		<b>Actuals</b>			
		<b>Three Months Ended June 30,</b>		<b>Trailing Twelve Months Ended June 30,</b>	
		<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Cash Flow Data</b>					
Investing Cash Flow		(288)	(81)	(966)	(425)
Financing Cash Flow		(215)	(249)	(695)	(580)
Operating Cash Flow	A	176	(118)	1,872	1,248
Capital Expenditures	B	33	40	116	109
Free Cash Flow	A - B	143	(158)	1,756	1,139

The following table reflects the impact of ASU 2016-09 on operating cash flow for the periods presented:

<i>(in \$ millions)</i>	<b>Three Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>
Operating cash flow under historical GAAP	42	(248)
Operating cash flow under ASU 2016-09	176	(118)
Impact of ASU 2016-09 on operating cash flow	134	130