



Electronic Arts Inc. Q4 FY 2017 Results

May 9, 2017

Safe Harbor Statement



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

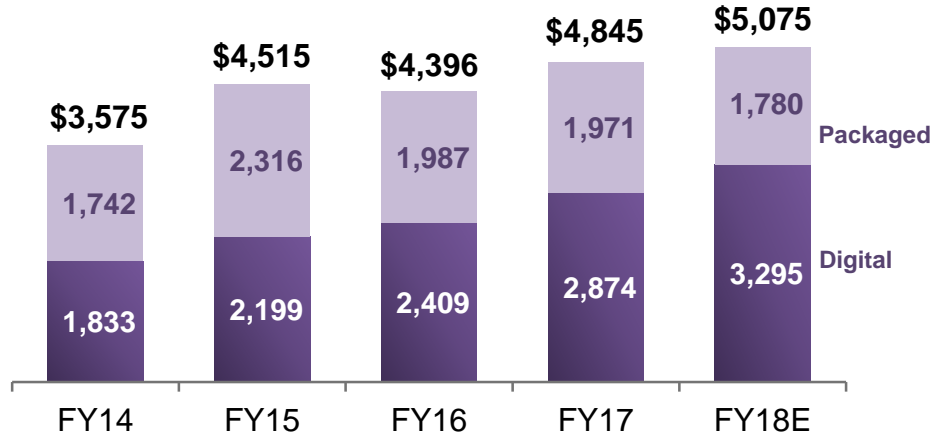
- Some statements set forth in this document, including the information relating to EA's fiscal year 2018 guidance and title slate, contain forward-looking statements that are subject to change. Statements including words such as "anticipate," "believe," "estimate" or "expect" and statements in the future 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 Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2016.
- These forward-looking statements are valid as of May 9, 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 Annual Report on Form 10-K for the fiscal year ended March 31, 2017. Electronic Arts assumes no obligation and does not intend to update these estimates prior to such filing.

EA Growth Trends

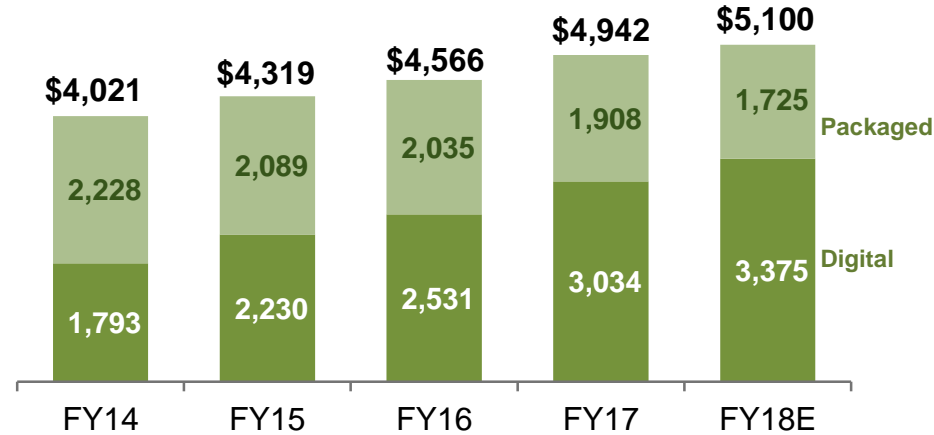


(\$ in Millions)

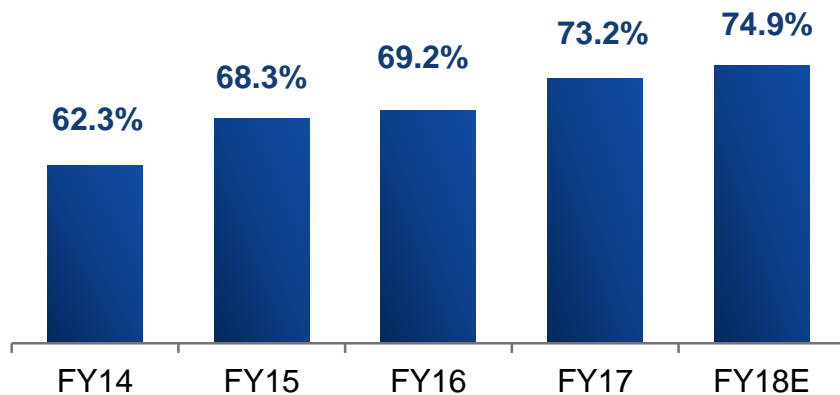
Net Revenue¹



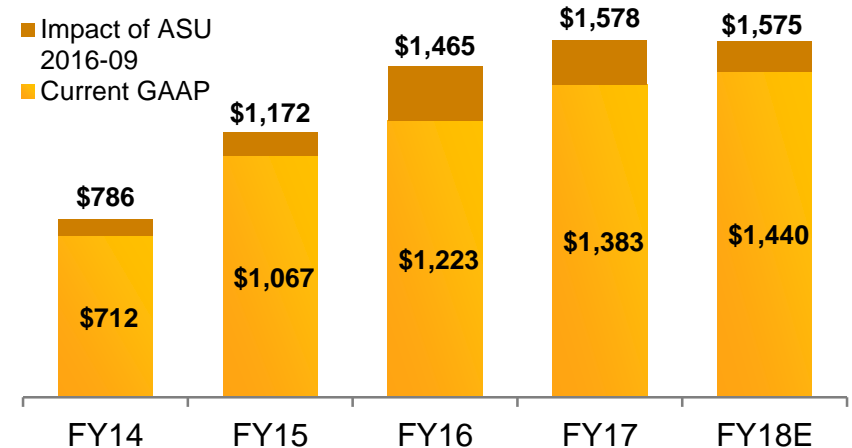
Net Sales²



Gross Profit¹



Operating Cash Flow^{1,3}



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

² 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.

³ Starting in Q1 fiscal 2018, EA will adopt FASB ASU 2016-09 related to stock-based compensation. It does not impact total cash and cash flow, but it does increase operating cash flow and decrease cash flow from financing activities.

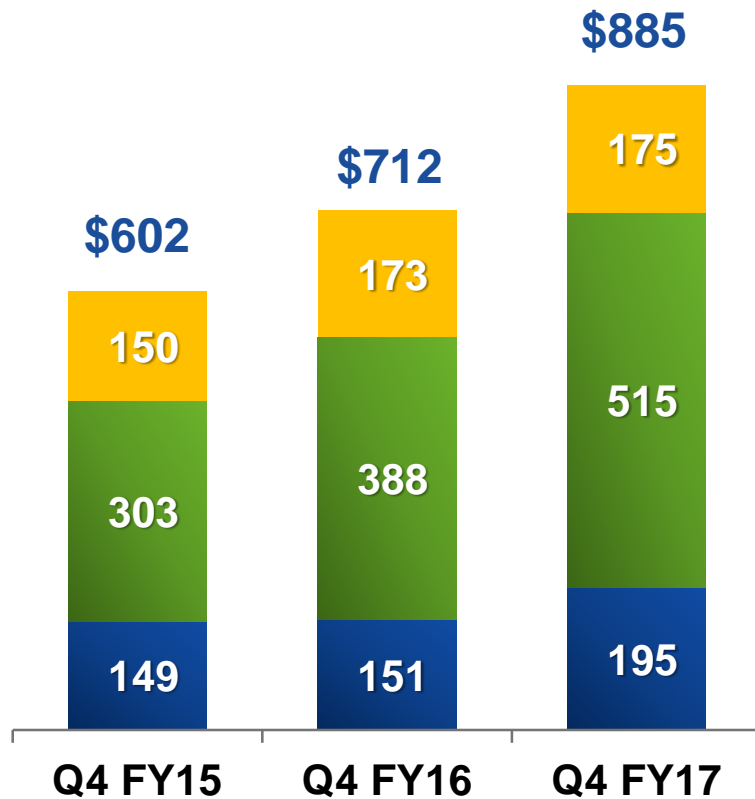
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EA Digital Net Sales by Platform



■ PC & Other
 ■ Console
 ■ Mobile

Quarterly (\$ in Millions)



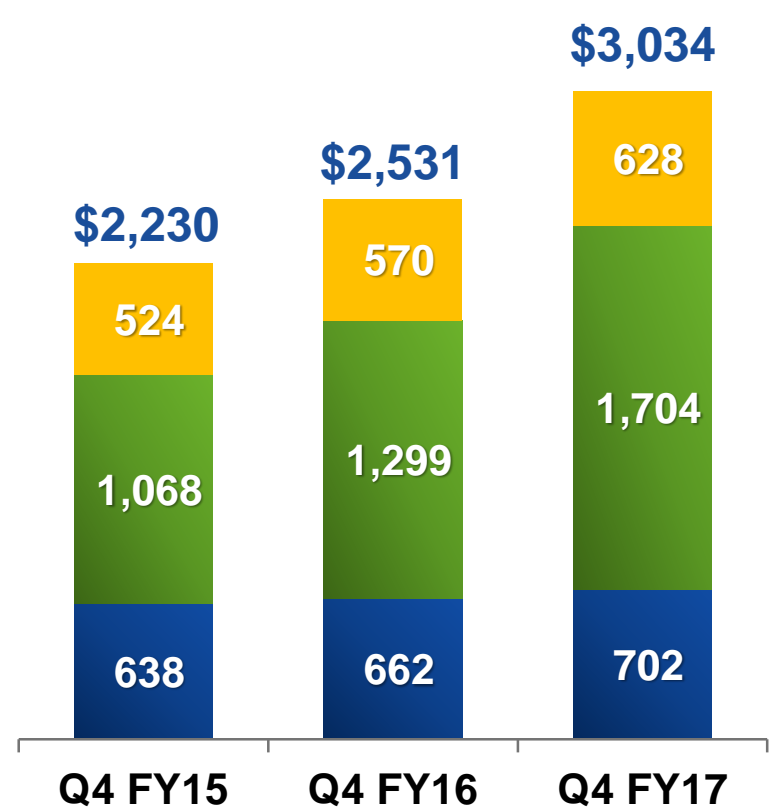
YOY Growth
24%

1%

33%

29%

Trailing 12 Months (\$ in Millions)



YOY Growth

20%

10%

31%

6%

EA Digital Net Sales by Type



■ Full Game Downloads
 ■ Extra Content
 ■ Subs / Ads / Other
 ■ Mobile

Quarterly

(\$ in Millions)

\$885

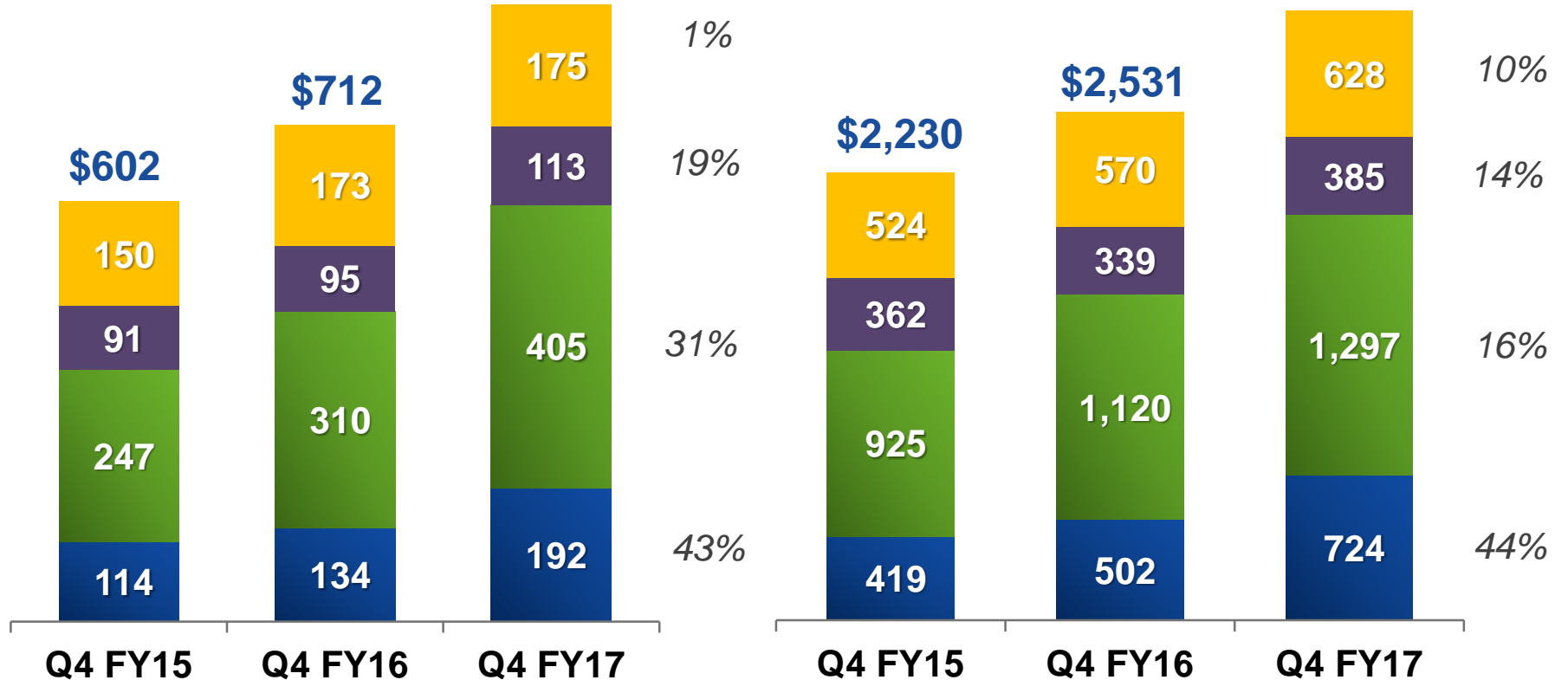
YOY Growth
24%

Trailing 12 Months

(\$ in Millions)

\$3,034

YOY Growth
20%

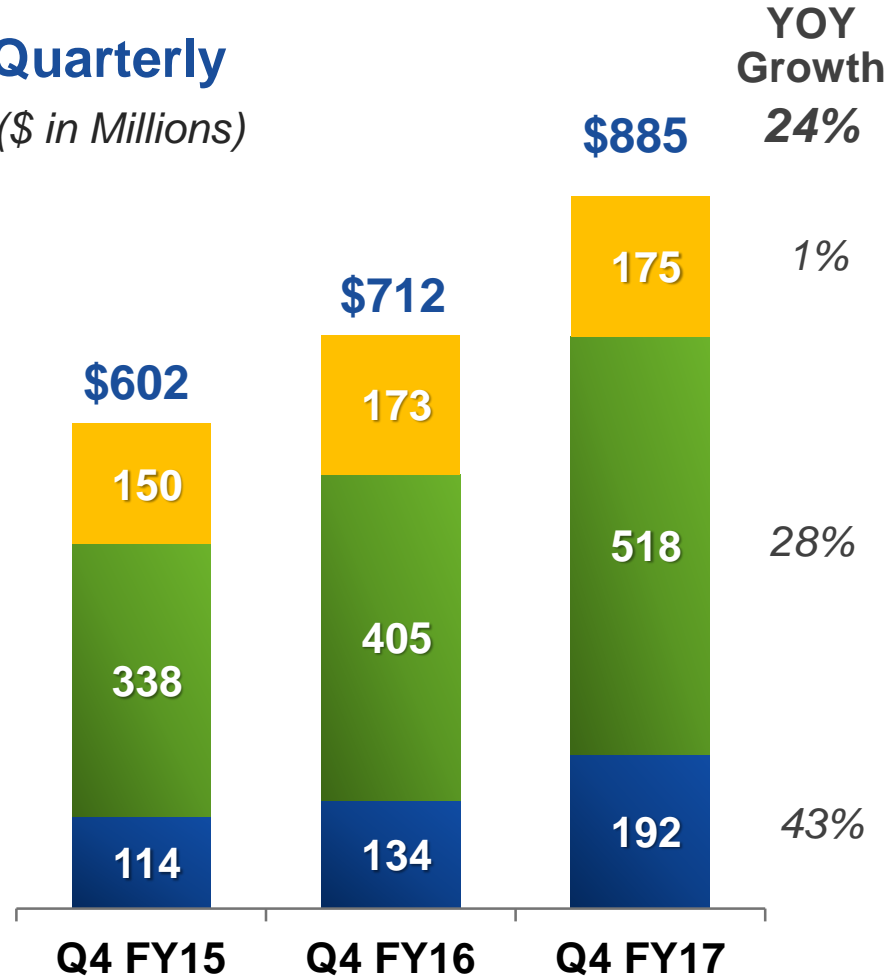


EA Digital Net Sales by Type (New Format¹)

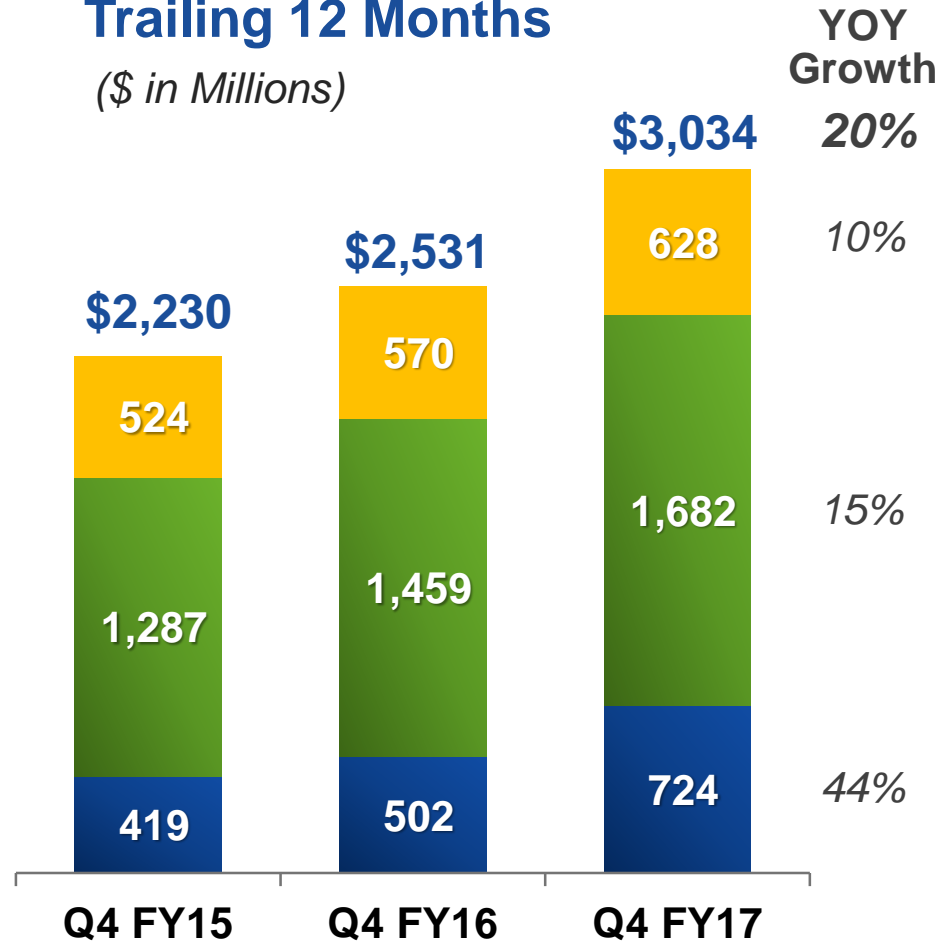


■ Full Game Downloads
 ■ Live Services
 ■ Mobile

Quarterly (\$ in Millions)







Trailing 12 Months (\$ in Millions)



¹ Beginning in Q1 FY18, EA will merge two of the digital net sales categories, "Extra Content" and "Subscriptions, Advertising, and Other", and externally report the combined amounts as "Live Services".

FY18 Announced Console/PC Titles



Launch	Title	Platform(s)	
Q1			
Q2	 FIFA 18 <small>FIFA Official Licensed Product</small>	Console	PC
	 MADDEN NFL 18	Console	
	 NBA LIVE 18	Console	
	 NHL 18	Console	
Q3	Need for Speed	Console	PC
	STAR WARS BATTLEFRONT II <small>EA</small>	Console	PC
Q4	UFC 3	Console	

Select Live Services and Mobile



Console/PC

Mobile

Active Q4'17



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 May 9, 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-Q for the quarter ended December 31, 2016.

	Twelve Months Ending March 31, 2018			
	GAAP-Based Financial Data			
	<u>GAAP</u> <u>Guidance</u>	<u>Acquisition-</u> <u>related</u> <u>expenses</u>	<u>Change in</u> <u>deferred net</u> <u>revenue</u> <u>(online-</u> <u>enabled</u> <u>games)</u>	<u>Stock-based</u> <u>compensation</u>
(\$ 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			
Diluted shares	315			

These forward-looking statements are valid as of May 9, 2017 only. Electronic Arts assumes no obligation to update these forward-looking statements.

Q1 FY18 Guidance



The following table provides guidance for EA's Q1 FY18 financial performance. These preliminary estimates and expectations are based on current information as of May 9, 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-Q for the quarter ended December 31, 2016.

	Three Months Ending June 30, 2017			
	GAAP-Based Financial Data			
	GAAP	Acquisition-	Change in	Stock-based
(\$ in millions)	<u>Guidance</u>	<u>related</u>	<u>deferred net</u>	<u>compensation</u>
		<u>expenses</u>	<u>revenue</u>	
			<u>(online-</u>	
			<u>enabled</u>	
			<u>games)</u>	
Total net revenue	\$ 1,425	-	(675)	-
Cost of revenue	157	-	-	-
Operating expense	546	(1)	-	(50)
Income before provision for income taxes	724	1	(675)	50
Net income	\$ 605			
Diluted shares	314			

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Guidance – Phasing



FY18 Quarterly Revenue and Net Sales

	Q1E	Q2E	Q3E	Q4E	FY18E
GAAP Net Revenue %	28%	19%	22%	31%	100%
GAAP Net Revenue \$M	\$1,425	\$945	\$1,135	\$1,570	\$5,075
Change in deferred net revenue \$M	(\$675)	\$185	\$900	(\$385)	\$25
Net Sales %	15%	22%	40%	23%	100%

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Currency Assumptions¹



- **Current FX assumptions²:**
 - **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**

	USD/	FY16 Q4A	FY17 Q4A	FY18 Q1E
Revenue	EUR	1.09	1.06	1.05
	GBP	1.44	1.24	1.25
Expense	CAD	1.39	1.33	1.32
	SEK	8.47	9.02	9.01

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

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² For FY16 Q4A and FY17 Q4A, FX rates are a simple average of EA's actual monthly P&L rates. For FY18 Q1E, the same FX rates are used for all forecast periods.



Cash Flow Selected Data

(\$ in Millions)

	Three Months Ended March 31,		Twelve Months Ended March 31,		
	2017	2016	2017	2016	
Cash Flow Data					
Investing cash flow	\$ (261)	\$ (401)	\$ (759)	\$ (484)	
Financing cash flow	(74)	212	(534)	(306)	
Operating cash flow	A	407	396	1,383	1,223
Capital expenditures	B	29	30	123	93
Free cash flow	A - B	\$ 378	\$ 366	\$ 1,260	\$ 1,130

Free Cash Flow is defined as Operating Cash Flow less Capital Expenditures.

Starting in Q1 fiscal 2018, EA will adopt FASB ASU 2016-09 related to stock-based compensation. The new guidance will require EA to change how it reports the cash effects of stock-based compensation in the 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. The following table reflects the impact of this standard on operating cash flow for the periods presented:

	<u>Twelve Months Ended March 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
(\$ in millions)	<u>Guidance</u>	<u>Actuals</u>	<u>Actuals</u>
Operating cash flow under current GAAP	\$ 1,440	\$ 1,383	\$ 1,223
Operating cash flow under ASU 2016-09	1,575	1,578	1,465
Impact of ASU 2016-09 on operating cash flow	\$ 135	\$ 195	\$ 242

EA has provided operating cash flow expectations of approximately \$1,575 million and a capital expenditure forecast of \$120 million for fiscal year 2018. This results in a free cash flow forecast of approximately \$1,455 million. These preliminary estimates and expectations are based on current information as of May 9, 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. These forward-looking statements are valid as of May 9, 2017 only. Electronic Arts assumes no obligation to update these forward-looking statements.