



# **Electronic Arts Inc. Q2 FY 2018 Results**

October 31, 2017

# Safe Harbor Statement



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

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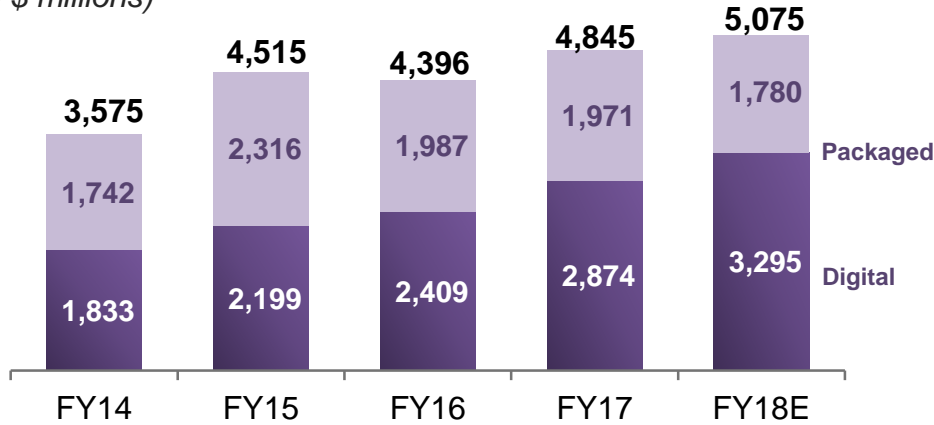
- Some statements set forth in this document, including the information relating to EA's fiscal year 2018 guidance and title slate, contain forward-looking statements that are subject to change. Statements including words such as "anticipate," "believe," "estimate" or "expect" and statements in the future 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 June 30, 2017.
- These forward-looking statements are valid as of October 31, 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 September 30, 2017. Electronic Arts assumes no obligation and does not intend to update these estimates prior to such filing.

# EA Growth Trends

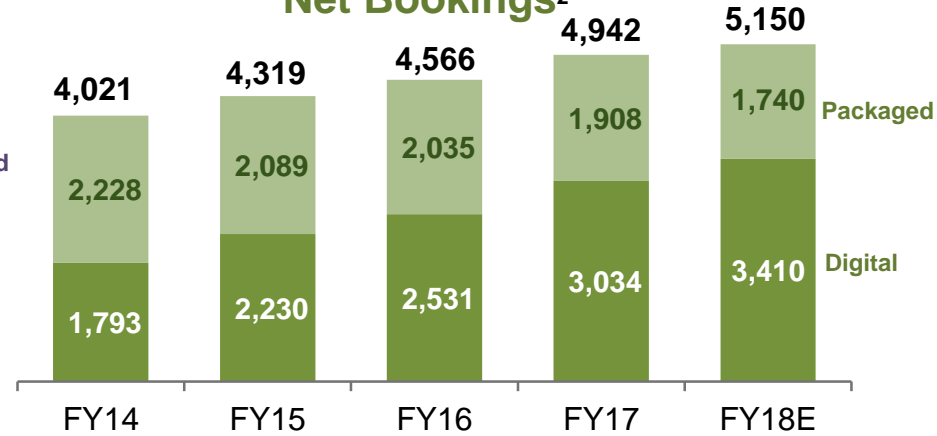


(in \$ millions)

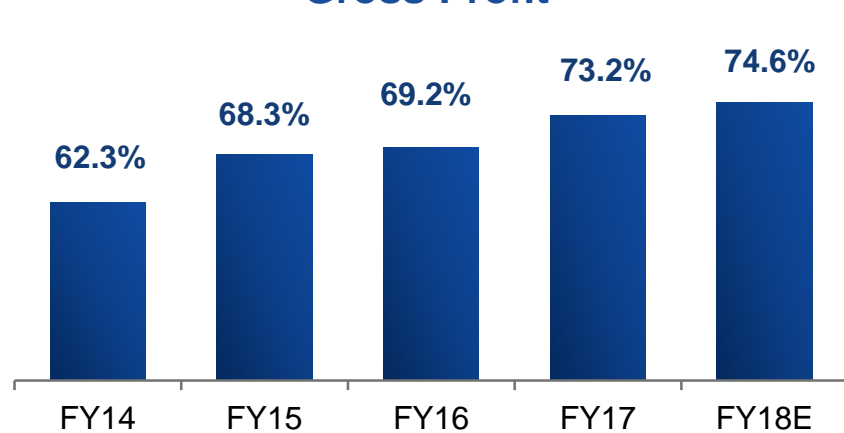
## Net Revenue<sup>1</sup>



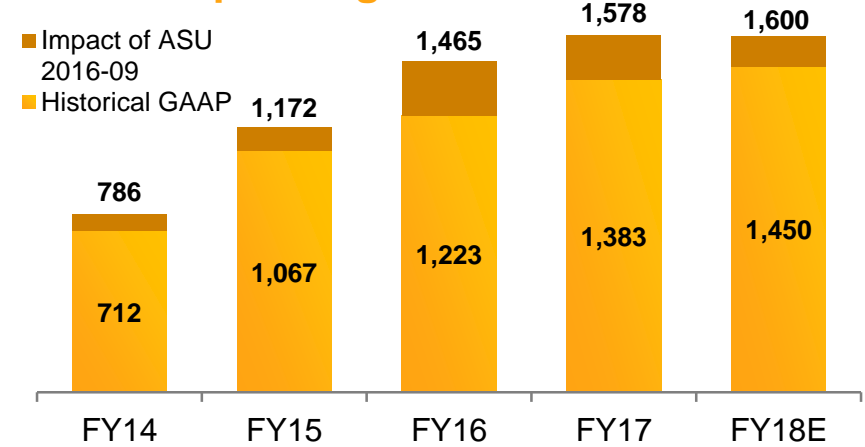
## Net Bookings<sup>2</sup>



## 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 bookings, previously referred to as 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. Net bookings is calculated by adding total revenue to the change in deferred net revenue for online-enabled games. A calculation of net bookings can be found in the "Net Bookings" tab of the Financial Model provided on EA's IR website.

<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.

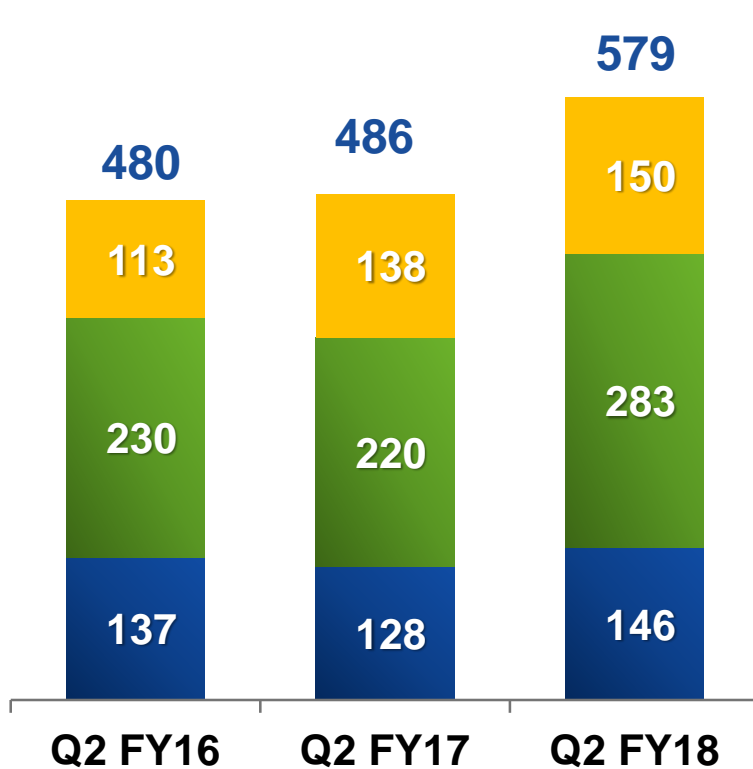
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# EA Digital Net Bookings by Platform



■ PC & Other    
 ■ Console    
 ■ Mobile

**Quarterly**  
*(in \$ millions)*



**YOY Growth**

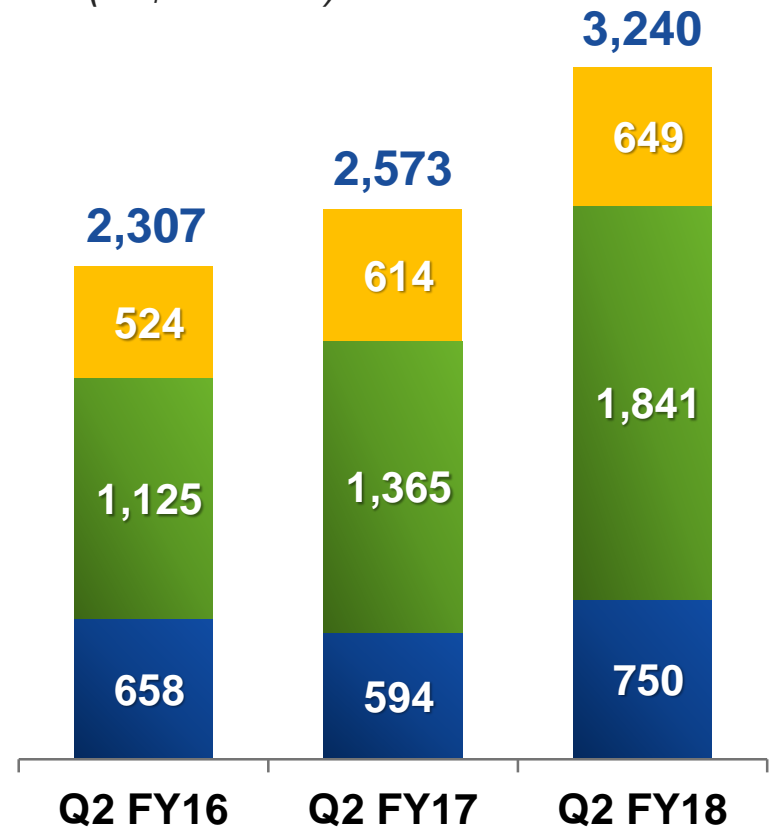
19%

9%

29%

14%

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



**YOY Growth**

26%

6%

35%

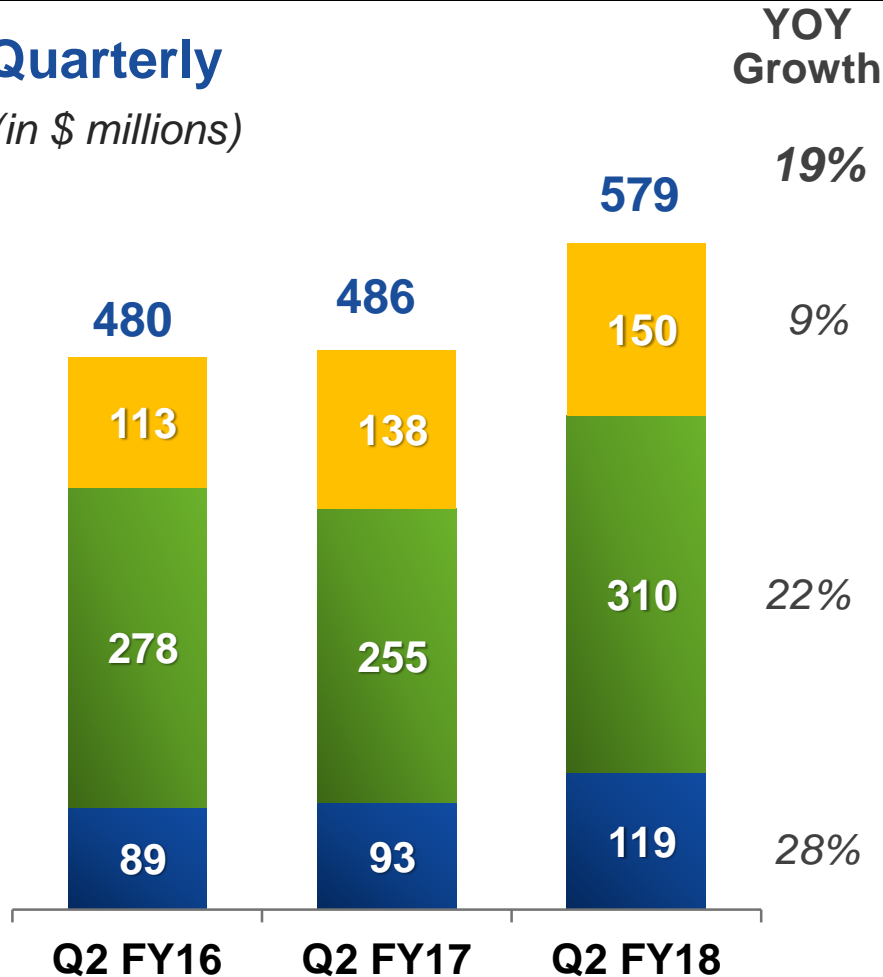
26%

# EA Digital Net Bookings 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 bookings 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> <small>FIFA OFFICIAL LICENSED PRODUCT</small>	Console PC
Q2	 <b>MADDEN NFL 18</b>	Console
	 <b>NBA LIVE 18</b>	Console
	 <b>NHL 18</b>	Console
Q3	 <b>STAR WARS BATTLEFRONT II</b>	Console PC
	 <b>NEED FOR SPEED PAYBACK</b>	Console PC
	 <b>The SIMS 4</b>	Console
Q4	 <b>UFC 3</b>	Console

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 Q2'18



# 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 October 31, 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 fiscal quarter ended June 30, 2017.

	<b>Twelve Months Ending March 31, 2018</b>			
	<b>GAAP-Based Financial Data</b>			
	<b>GAAP Guidance</b>	<b>Acquisition- related expenses</b>	<b>Change in deferred net revenue (online- enabled games)</b>	<b>Stock-based compensation</b>
<i>(in \$ millions)</i>				
Digital net revenue	3,295	-	115	-
Packaged goods & other net revenue	1,780	-	(40)	-
<b>Total net revenue</b>	<b>5,075</b>	<b>-</b>	<b>75</b>	<b>-</b>
Cost of revenue	1,290	-	-	(3)
Operating expense	2,443	(6)	-	(237)
Income before provision for income taxes	1,344	6	75	240
Net income	1,136			
Number of shares used in computation				
Diluted shares	313			

These forward-looking statements are valid as of October 31, 2017 only. Electronic Arts assumes no obligation to update these forward-looking statements.



# Q3 FY18 Guidance



The following table provides guidance for EA's Q3 FY18 financial performance. These preliminary estimates and expectations are based on current information as of October 31, 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 fiscal quarter ended June 30, 2017.

	<b>Three Months Ending December 31, 2017</b>			
	<b>GAAP-Based Financial Data</b>			
	<b>GAAP Guidance</b>	<b>Acquisition- related expenses</b>	<b>Change in deferred net revenue (online- enabled games)</b>	<b>Stock-based compensation</b>
<i>(in \$ millions)</i>				
Total net revenue	1,135	-	865	-
Cost of revenue	521	-	-	(1)
Operating expense	690	(1)	-	(64)
Income/(loss) before provision for income taxes	(79)	1	865	65
Net income/(loss)	(64)			
Number of shares used in computation				
Basic shares	309			

The Company estimates a GAAP basic and diluted share count of 309 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 313 million shares.

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# Guidance – Phasing



## FY18 Quarterly Net Revenue and Net Bookings

	Q1A	Q2A	Q3E	Q4E	FY18E
GAAP Net Revenue %	29%	19%	22%	30%	<b>100%</b>
GAAP Net Revenue \$M	\$1,449	\$959	\$1,135	\$1,532	<b>\$5,075</b>
Change in deferred net revenue \$M	(\$674)	\$220	\$865	(\$336)	<b>\$75</b>
Net Bookings %	15%	23%	39%	23%	<b>100%</b>

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# Currency Assumptions



- **Current FX assumptions<sup>1</sup>:**

	<b>USD/</b>	<b>FY17 Q2A</b>	<b>FY18 Q2A</b>	<b>FY18 Q3-4E</b>
<b>Net Bookings</b>	EUR	1.11	1.16	1.17
	GBP	1.33	1.29	1.34
<b>Operating Expenses</b>	CAD	1.30	1.27	1.24
	SEK	8.52	8.29	8.16

- **Rule of thumb**

- If the U.S. dollar strengthens 10% against the Euro and British pound sterling:
  - With hedging, total net bookings decrease 2.1%
  - Total cost of goods sold (COGS) and operating expenses decrease 1.6%
- If the U.S. dollar strengthens 10% against the Canadian dollar and Swedish krona:
  - Total net bookings decrease 0.4%
  - With hedging, total COGS and operating expenses decrease 0.7%

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

<sup>1</sup> For FY17 Q2A and FY18 Q2A, FX rates are a simple average of EA's actual monthly P&L rates. For FY18 Q3-4E, the same FX rates are used for all forecast periods.

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# Cash Flow Selected Data

At the beginning of fiscal 2018, EA adopted FASB ASU 2016-09. 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 September 30, 2016 and the trailing twelve months ended September 30, 2016 and 2017 have been recast to reflect the impact of ASU 2016-09.

(in \$ millions)		<b>Actuals</b>			
		<b>Three Months Ended September 30,</b>		<b>Trailing Twelve Months Ended September 30,</b>	
		<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Cash Flow Data</b>					
Investing Cash Flow		(120)	(168)	(918)	(653)
Financing Cash Flow		(136)	(245)	(586)	(527)
Operating Cash Flow	A	52	122	1,802	1,323
Capital Expenditures	B	30	29	117	120
Free Cash Flow	A - B	22	93	1,685	1,203

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

(in \$ millions)	<b>Three Months Ended September 30,</b>	
	<b>2017</b>	<b>2016</b>
Operating cash flow under historical GAAP	39	109
Operating cash flow under ASU 2016-09	52	122
Impact of ASU 2016-09 on operating cash flow	13	13