



# **Electronic Arts Inc. Q3 FY 2018 Results**

January 30, 2018

# Safe Harbor Statement



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

---

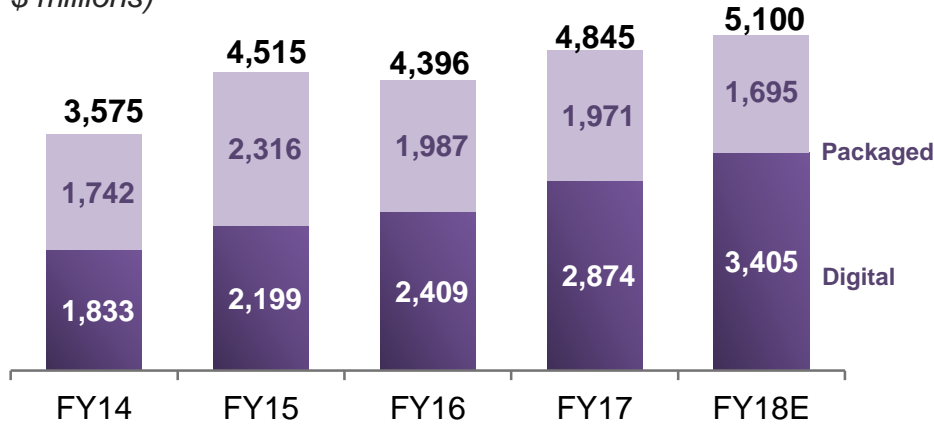
- Some statements set forth in this document, including the information relating to EA's fiscal year 2018 guidance and title slate, contain forward-looking statements that are subject to change. Statements including words such as "anticipate," "believe," "estimate" or "expect" and statements in the future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

# EA Growth Trends

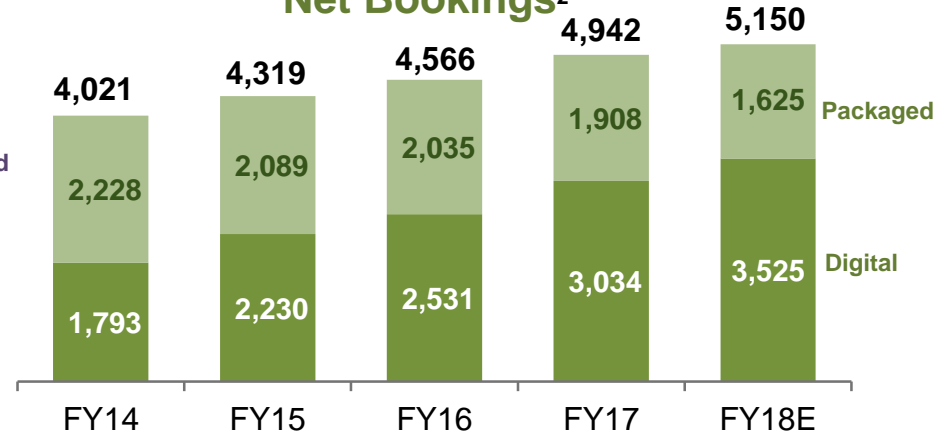


(in \$ millions)

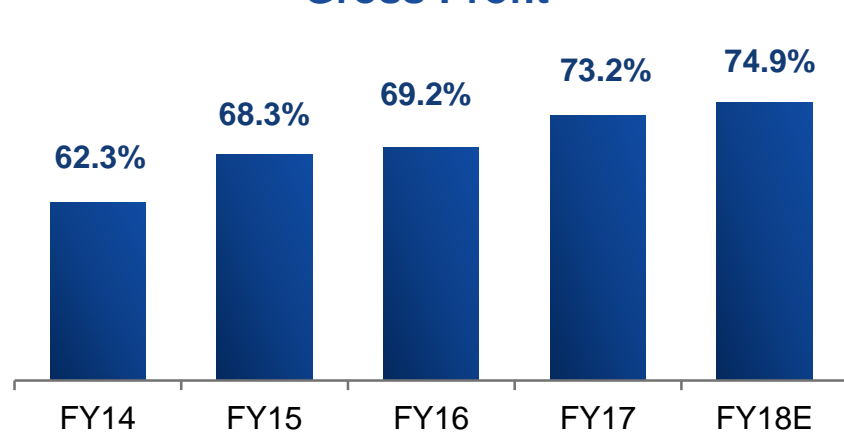
## Net Revenue<sup>1</sup>



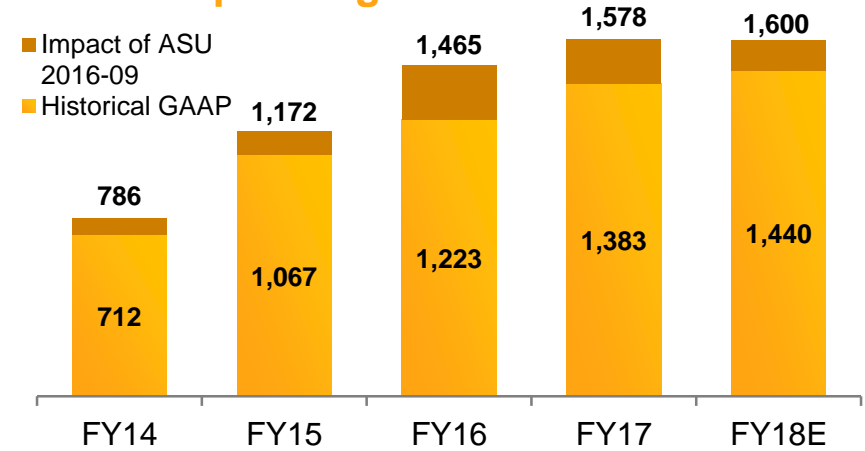
## Net Bookings<sup>2</sup>



## 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 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 net 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.

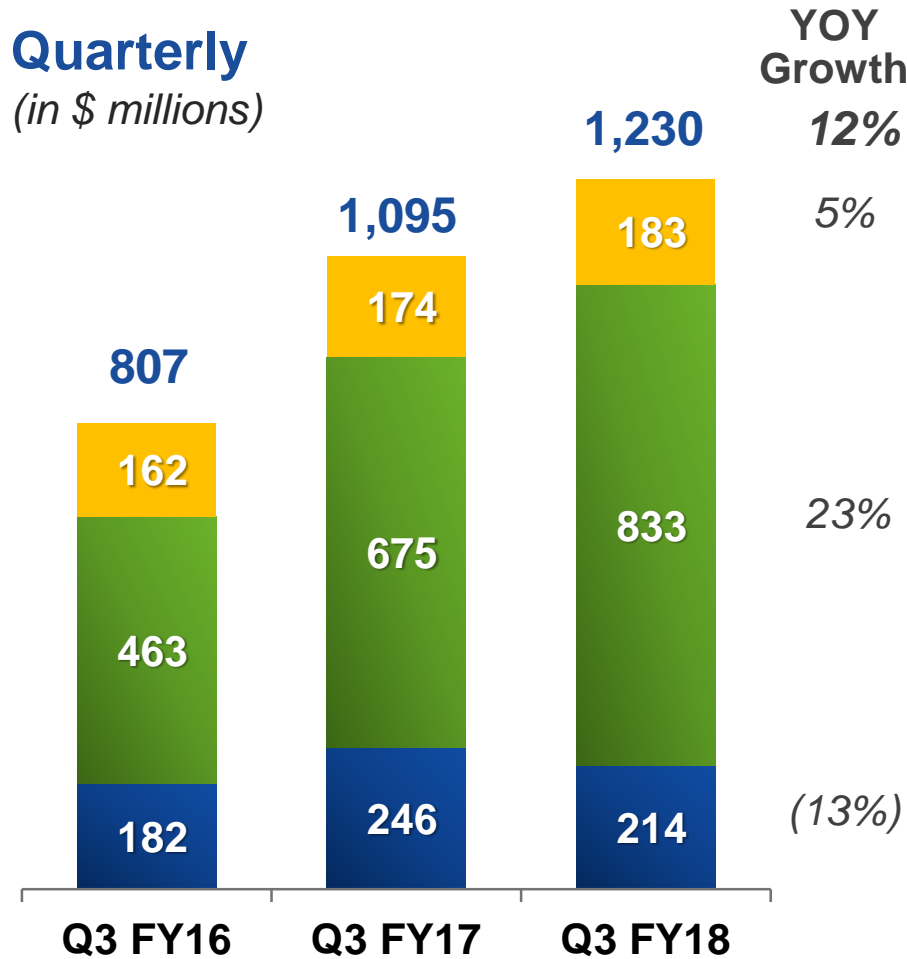
These forward-looking statements are valid as of January 30, 2018 only. Electronic Arts assumes no obligation to update these forward-looking statements.

# EA Digital Net Bookings by Platform

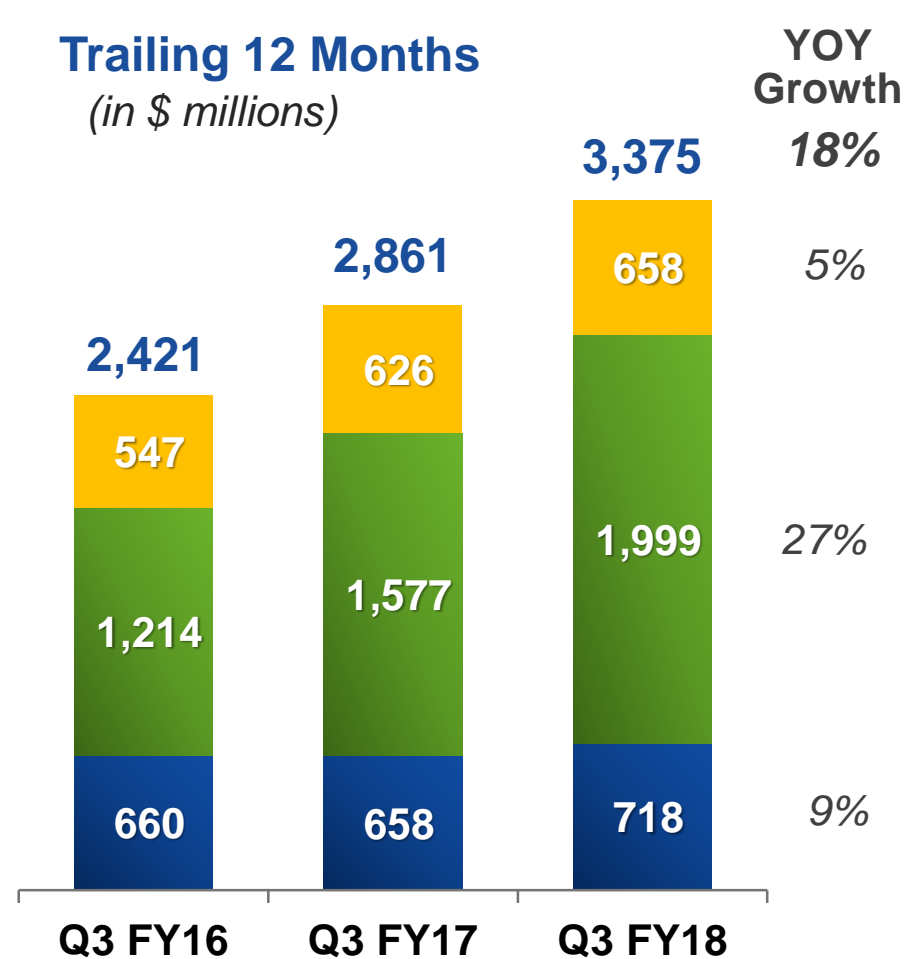


■ PC & Other
 ■ Console
 ■ Mobile

## Quarterly *(in \$ millions)*



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



# EA Digital Net Bookings by Type



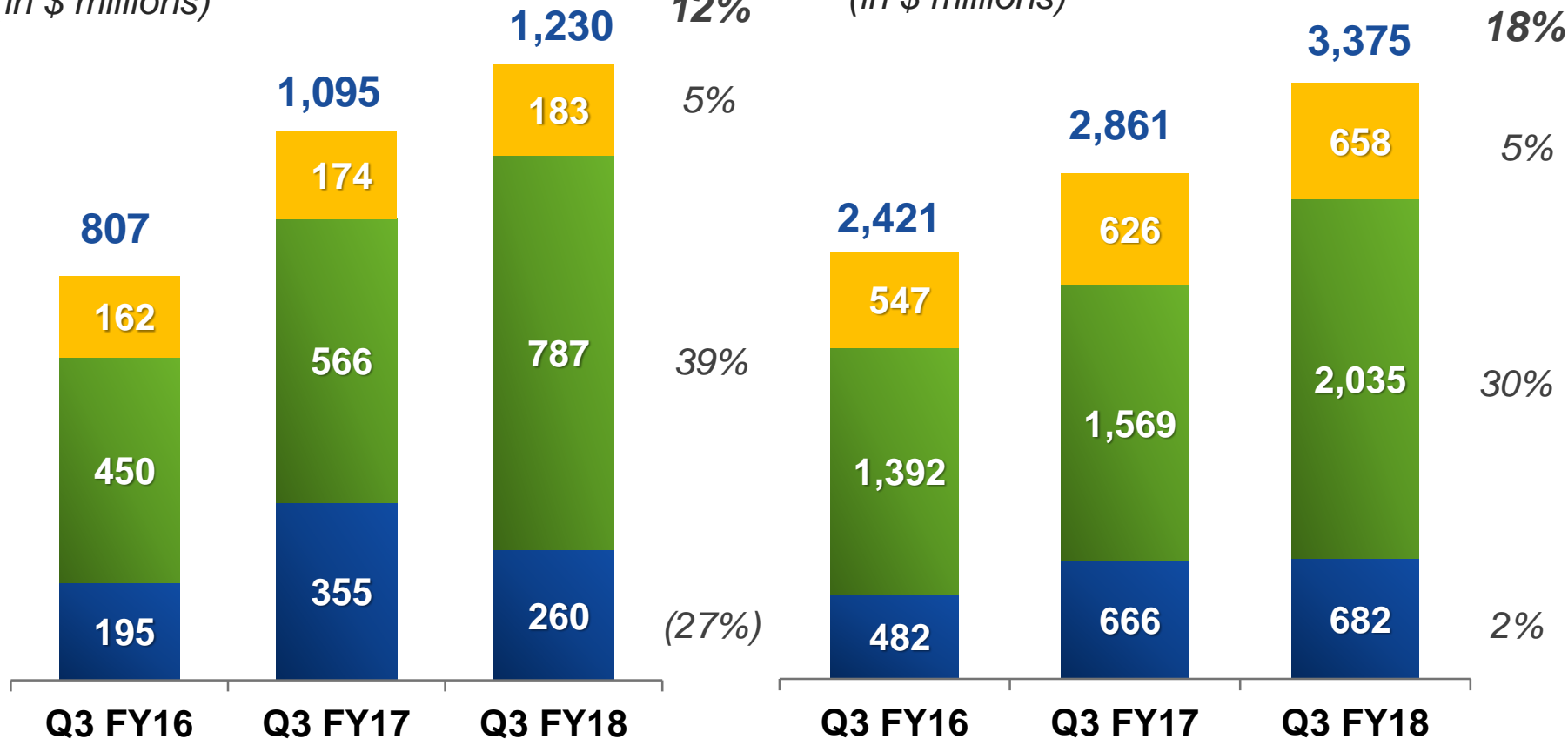
■ Full Game Downloads
 ■ Live Services<sup>1</sup>
■ Mobile

**Quarterly**  
(in \$ millions)

YOY Growth  
12%

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











YOY Growth  
18%



<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			
Q2	 <b>FIFA 18</b> 	Console	PC
	 <b>MADDEN NFL 18</b>	Console	
	 <b>NBA LIVE 18</b>	Console	
	 <b>NHL 18</b>	Console	
Q3	<b>STAR WARS</b> <b>BATTLEFRONT II</b> 	Console	PC
	 <b>NEED FOR SPEED PAYBACK</b>	Console	PC
	 <b>The SIMS 4</b>	Console	
Q4	<b>A WAY OUT</b>	Console	PC
	 <b>Fe</b>	Console	PC
	 <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.

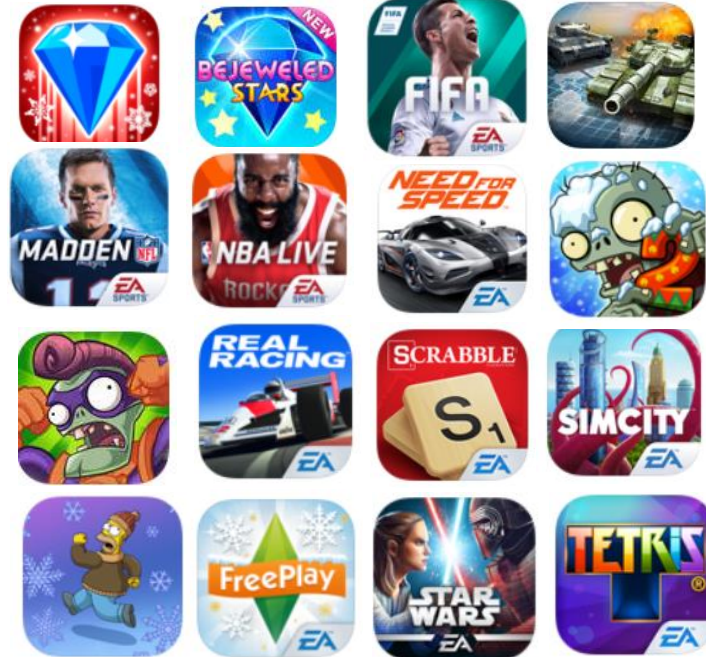
# Select Live Services and Mobile



## Console/PC

## Mobile

Active Q3 FY18



# 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 January 30, 2018 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 September 30, 2017.

	Twelve Months Ending March 31, 2018			
	GAAP-Based Financial Data			
	GAAP Guidance	Acquisition- related expenses	Change in deferred net revenue (online- enabled games)	Stock-based compensation
<i>(in \$ millions)</i>				
Digital net revenue	3,405	-	120	-
Packaged goods & other net revenue	1,695	-	(70)	-
<b>Total net revenue</b>	<b>5,100</b>	<b>-</b>	<b>50</b>	<b>-</b>
Cost of revenue	1,278	(2)	-	(3)
Operating expense	2,462	(7)	-	(245)
Income before provision for income taxes	1,372	9	50	248
<b>Net income</b>	<b>1,015</b>			
Number of shares used in computation:				
Diluted shares	312			

These forward-looking statements are valid as of January 30, 2018 only. Electronic Arts assumes no obligation to update these forward-looking statements.



# Q4 FY18 Guidance



The following table provides guidance for EA's Q4 FY18 financial performance. These preliminary estimates and expectations are based on current information as of January 30, 2018 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 September 30, 2017.

	<b>Three 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>				
Total net revenue	1,532	-	(307)	-
Cost of revenue	234	(1)	-	(1)
Operating expense	619	(3)	-	(74)
Income before provision for income taxes	677	4	(307)	75
Net income	579			
Number of shares used in computation:				
Diluted shares	311			

These forward-looking statements are valid as of January 30, 2018 only. Electronic Arts assumes no obligation to update these forward-looking statements.

# Guidance – Phasing



## FY18 Quarterly Net Revenue and Net Bookings

	Q1A	Q2A	Q3A	Q4E	FY18E
GAAP Net Revenue %	28%	19%	23%	30%	<b>100%</b>
GAAP Net Revenue \$M	\$1,449	\$959	\$1,160	\$1,532	<b>\$5,100</b>
Change in deferred net revenue \$M	(\$674)	\$220	\$811	(\$307)	<b>\$50</b>
Net Bookings %	15%	23%	38%	24%	<b>100%</b>

These forward-looking statements are valid as of January 30, 2018 only. Electronic Arts assumes no obligation to update these forward-looking statements.

# Currency Assumptions



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

	<b>USD/</b>	<b>FY17 Q3A</b>	<b>FY18 Q3A</b>	<b>FY18 Q4E</b>
<b>Net Bookings</b>	EUR	1.09	1.18	1.19
	GBP	1.25	1.33	1.34
<b>Operating Expenses</b>	CAD	1.34	1.26	1.27
	SEK	8.93	8.26	8.28

- **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 revenue 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 cost of revenue 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 Q3A and FY18 Q3A, FX rates are a simple average of EA's actual monthly P&L rates. For FY18 Q4E, the same FX rates are used for all forecast periods.

These forward-looking statements are valid as of January 30, 2018 only. Electronic Arts assumes no obligation to update these forward-looking statements.



# 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 December 31, 2016 and the trailing twelve months ended December 31, 2016 and 2017 have been recast to reflect the impact of ASU 2016-09.

(in \$ millions)		Actuals			
		Three Months Ended December 31,		Trailing Twelve Months Ended December 31,	
		2017	2016	2017	2016
<b>Cash Flow Data</b>					
Investing Cash Flow		(185)	(249)	(854)	(899)
Financing Cash Flow		(157)	(131)	(612)	(431)
Operating Cash Flow	A	849	1,137	1,514	1,555
Capital Expenditures	B	24	25	116	124
Free Cash Flow	A - B	825	1,112	1,398	1,431

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

(in \$ millions)	Three Months Ended December 31,	
	2017	2016
Operating cash flow under historical GAAP	844	1,115
Operating cash flow under ASU 2016-09	849	1,137
Impact of ASU 2016-09 on operating cash flow	5	22