



Electronic Arts Inc. Q2 FY 2017 Results

November 1, 2016

Safe Harbor Statement



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

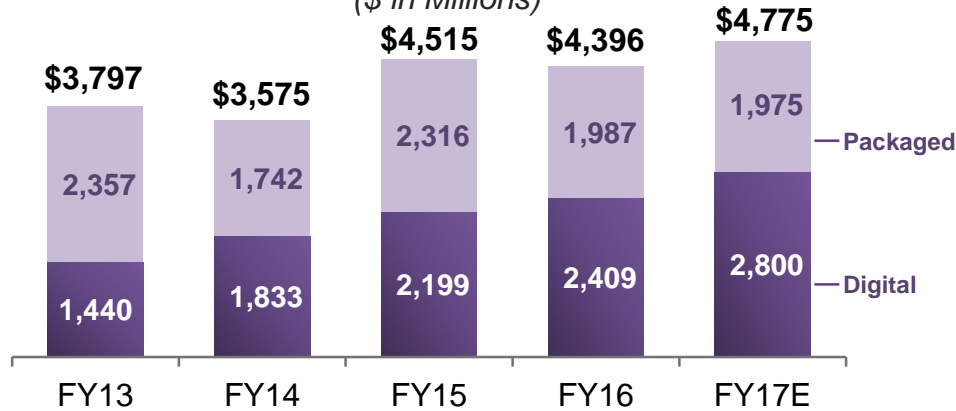
- Some statements set forth in this document, including the information relating to EA's fiscal year 2017 guidance and title slate, contain forward-looking statements that are subject to change. Statements including words such as "anticipate," "believe," "estimate" or "expect" and statements in the future 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 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 service and support digital product offerings, including managing online security; general economic conditions; and other factors described in the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2016.
- These forward-looking statements are valid as of November 1, 2016 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, 2016. Electronic Arts assumes no obligation and does not intend to update these estimates prior to such filing.

EA Growth Trends

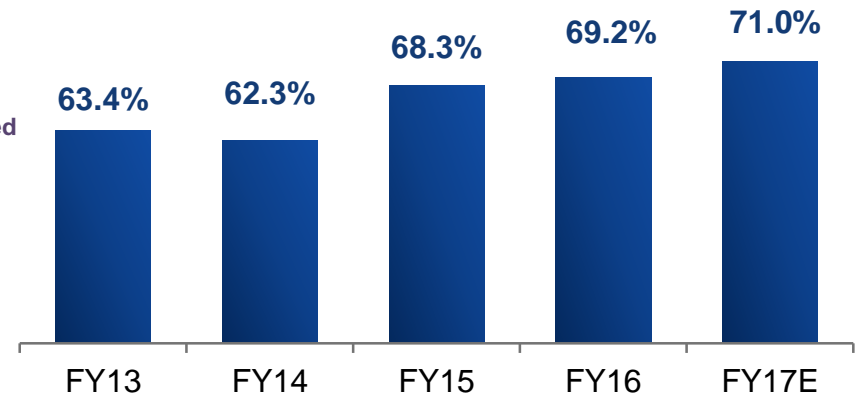


Net Revenue

(\$ in Millions)

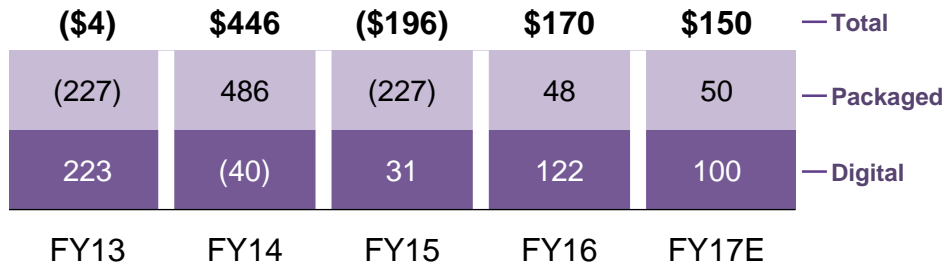


Gross Profit



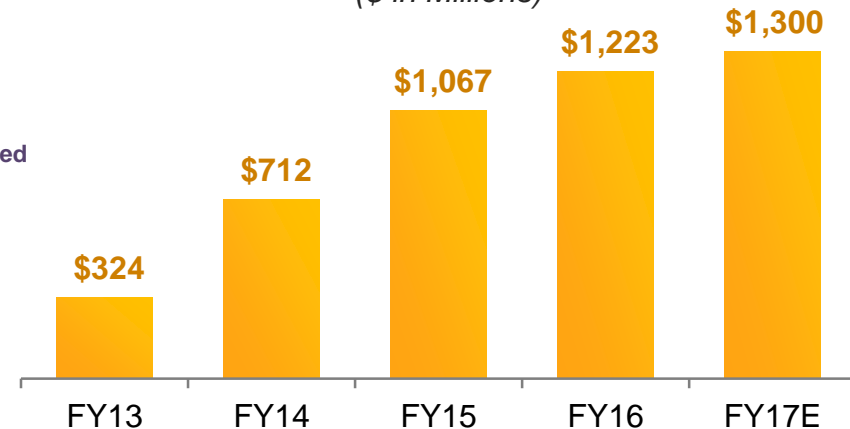
Change in Deferred Net Revenue

(\$ in Millions)



Operating Cash Flow

(\$ in Millions)



Quarterly Actuals vs Guidance Summary



	Q2 FY17		Q2 FY16
	Guidance	Actuals	Actuals
Net Revenue	\$915	\$898	\$815
Cost of Revenue	\$405	\$401	\$409
Operating Expense	\$566	\$546	\$525
Loss Before Tax	\$(65)	\$(52)	\$(128)
Tax Expense (Benefit)	\$(14)	\$(14)	\$12
Net Loss	\$(51)	\$(38)	\$(140)
Diluted Loss Per Share	\$(0.17)	\$(0.13)	\$(0.45)
Basic and Diluted Shares	302	301	312
Operating Cash Flow		\$109	\$9

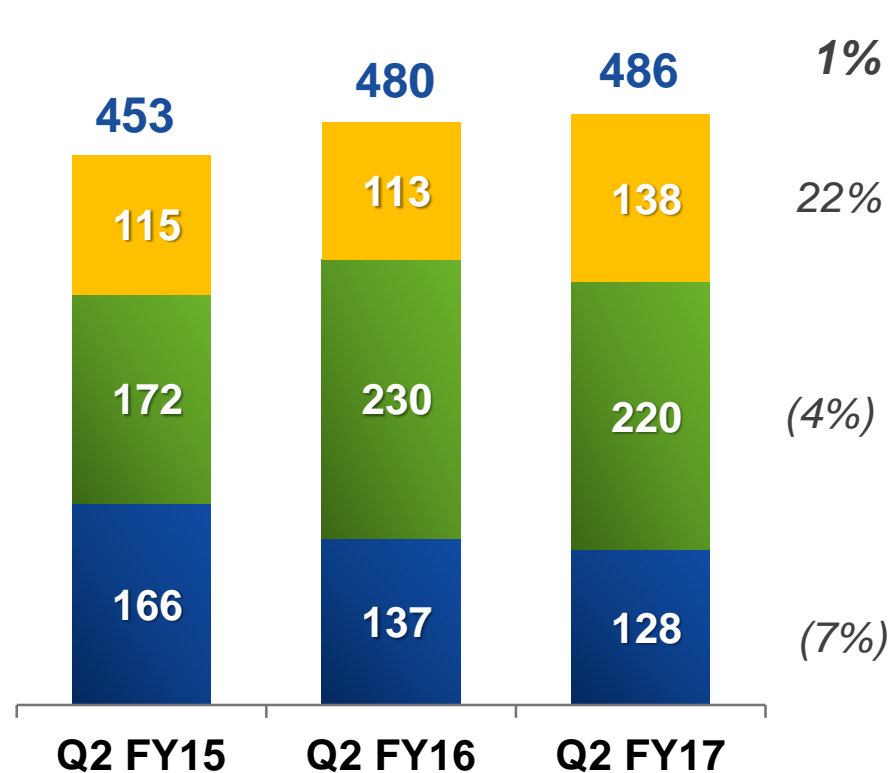
In millions, except per share data. All financial measures are presented on a GAAP basis.

EA Digital Net Sales¹ by Platform

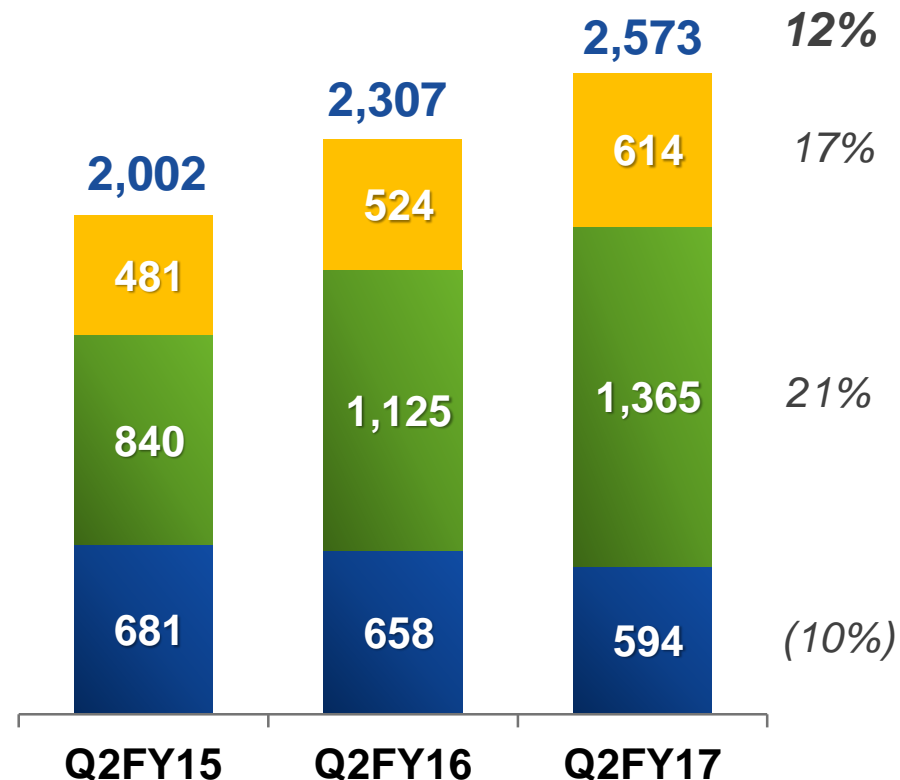


■ PC & Other
 ■ Console
 ■ Mobile

Quarterly (\$ in Millions)



Trailing 12 Months (\$ in Millions)



¹ Net sales is defined as the net amount of products and services sold digitally or sold-in physically in the period.

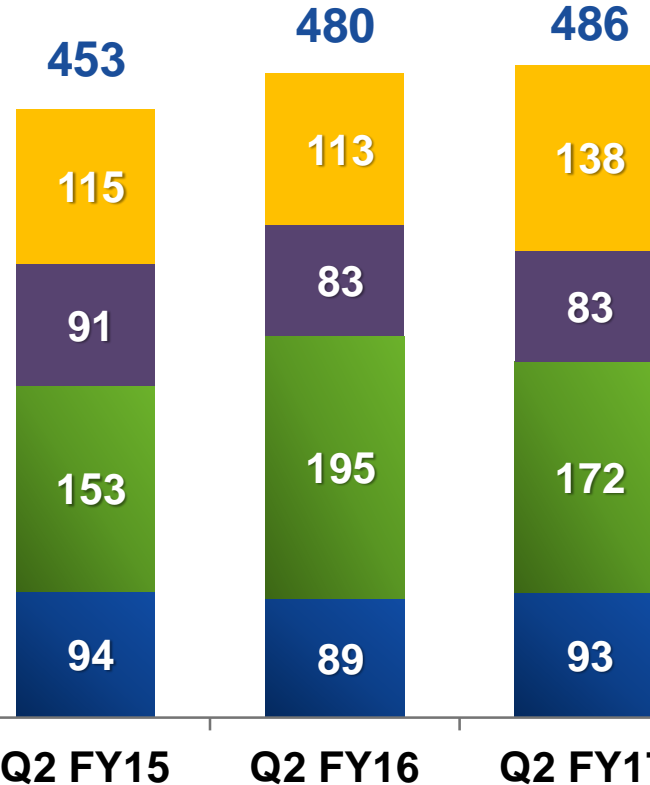
EA Digital Net Sales by Type



■ Full Game Downloads
 ■ Extra Content
 ■ Subs / Ads / Other
 ■ Mobile¹

Quarterly

(\$ in Millions)

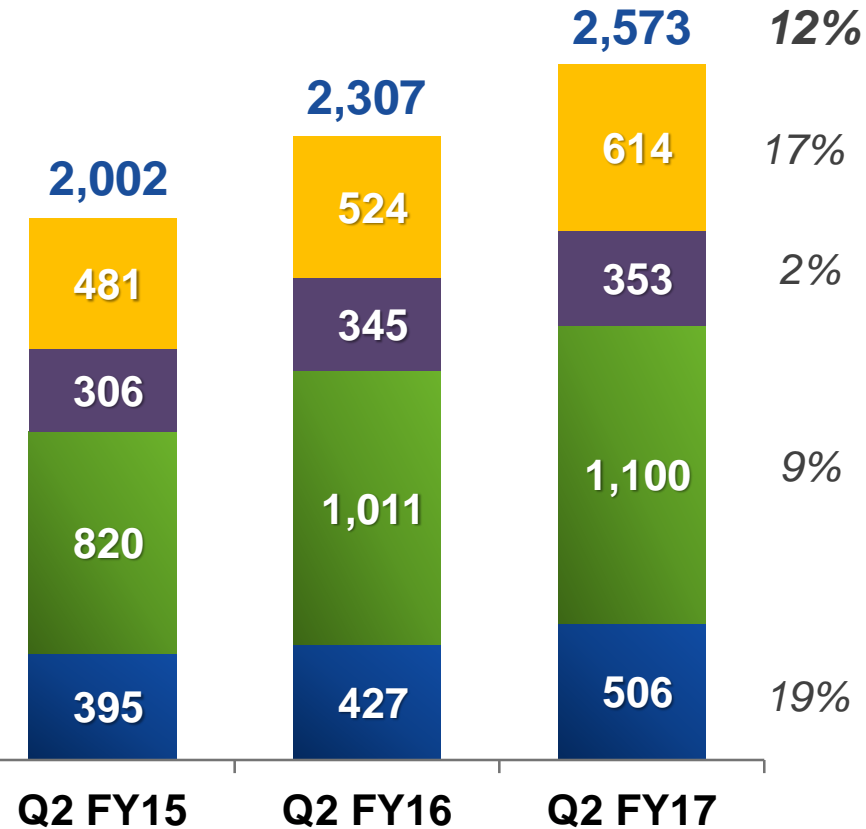


YOY Growth

1%
 22%
 -
 (12%)
 4%

Trailing 12 Months

(\$ in Millions)









YOY Growth

12%
 17%
 2%
 9%
 19%

¹ Handheld net sales are included within each respective category of Full game downloads, Extra content and Subscriptions, advertising and other. Handheld net sales were previously grouped with Mobile and presented as Mobile and handheld through Q4-FY14.

FY17 Announced Console/PC Titles



Launch	Title	Platform(s)	
Q1	 MIRROR'S EDGE™ CATALYST	Console	PC
Q2	 FIFA 17 <small>FIFA Official Licensed Product</small>	Console	PC
	 MADDEN NFL 17	Console	
	 NHL 17	Console	
Q3	BATTLEFIELD 1	Console	PC
	TITANFALL 2	Console	PC
Q4	 NBA LIVE	Console	
	 MASS EFFECT ANDROMEDA	Console	PC

Note: Represents publicly announced titles only. Titles above are shown in alphabetical order. All launch dates are subject to change.

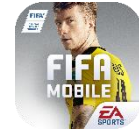
Select Live Services and Mobile¹



Console/PC

Mobile

Active Q2'17



¹ Live services encompasses micro-transactions, subscriptions, and downloadable content. Includes announced titles only.

Q3 FY17 Guidance



The following table provides guidance for EA's Q3 FY17 financial performance. These preliminary estimates and expectations are based on current information as of November 1, 2016 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 additional information on the GAAP-based financial data, please refer to EA's Form 10-Q for the quarter ended June 30, 2016.

	<u>GAAP Guidance</u>	<u>Acquisition- related expenses</u>	<u>Change in deferred net revenue (online- enabled games)</u>	<u>Stock-based compensation</u>
Total Net Revenue	\$ 1,125	-	910	-
Cost of Revenue	\$ 532	(3)	-	-
Operating Expense	\$ 652	(2)	-	(50)
Profit / (Loss) Before Tax	\$ (66)	5	910	50
Basic Shares	304			

In millions.

Note: EA estimates a GAAP basic and diluted share count of 304 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 is expected to be 315 million shares.

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FY17 Guidance



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For additional information on the GAAP-based financial data, please refer to EA's Form 10-Q for the quarter ended June 30, 2016.

	<u>GAAP Guidance</u>	<u>Acquisition- related expenses</u>	<u>Amortization of debt discount and loss on conversion of notes</u>	<u>Change in deferred net revenue (online- enabled games)</u>	<u>Shares from convertible bond hedge</u>	<u>Stock-based compensation</u>
Digital Net Revenue	\$ 2,800	-	-	100	-	-
Packaged Goods & Other Net Revenue	\$ 1,975	-	-	50	-	-
Total Net Revenue	\$ 4,775	-	-	150	-	-
Cost of Revenue	\$ 1,387	(31)	-	-	-	(2)
Operating Expense	\$ 2,304	(6)	-	-	-	(198)
Profit / (Loss) Before Tax	\$ 1,060	37	2	150		200
Diluted Shares	315	-	-	-	(1)	-

In millions.

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Guidance – Phasing



FY17 Quarterly Revenue¹

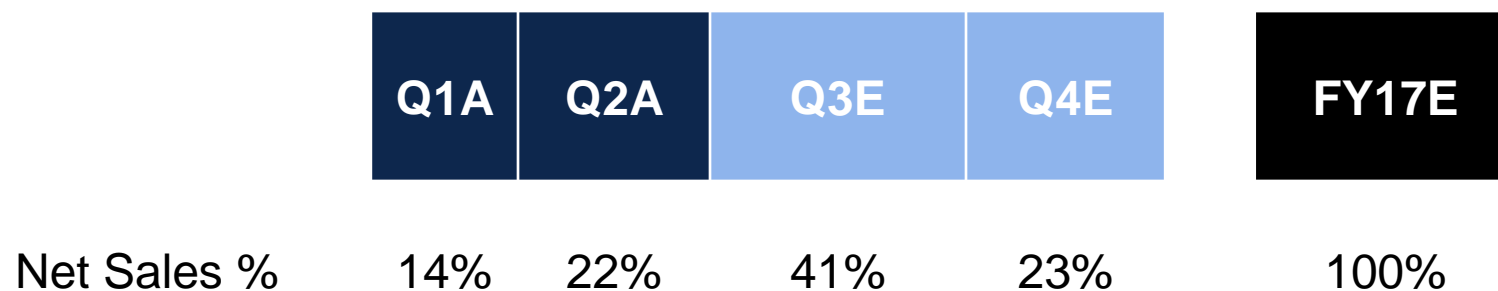
Net Revenue	Q1A	Q2A	Q3E	Q4E	FY17E
GAAP %	27%	19%	23%	31%	100%
GAAP \$M	\$1,271	\$898	\$1,125	\$1,481	\$4,775
Change in deferred net revenue \$M	(\$589)	\$200	\$910	(\$371)	\$150

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Guidance – Phasing

FY17 Quarterly Net Sales¹



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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 Q2A	FY17 Q2A	FY17 Q3-4E
Revenue	EUR	1.12	1.11	1.12
	GBP	1.56	1.33	1.30
Expense	CAD	1.29	1.30	1.32
	SEK	8.47	8.52	8.58

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

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² For FY16 Q2A and FY17 Q2A, FX rates are a simple average of EA's actual monthly P&L rates. For FY17 Q3-4E, the same FX rates are used for all forecast periods.



Cash Flow Selected Data

The following provides guidance for EA's FY17 financial performance. These preliminary estimates and expectations are based on current information as of November 1, 2016 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 Millions)

		Actuals			
		Three Months Ended September 30,		Trailing Twelve Months Ended September 30,	
		2016	2015	2016	2015
Cash Flow Data					
Investing Cash Flow		(168)	60	(653)	(317)
Financing Cash Flow		(232)	(260)	(350)	(457)
Operating Cash Flow	A	109	9	1,146	818
Capital Expenditures	B	29	18	120	89
Free Cash Flow	A - B	80	(9)	1,026	729

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

EA has provided operating cash flow expectations of approximately \$1.3 billion and a capital expenditure forecast of \$110 million for fiscal year 2017. This results in a free cash flow forecast of approximately \$1.2 billion. These forward-looking statements are valid as of November 1, 2016 only. Electronic Arts assumes no obligation to update these forward-looking statements.