



# **Electronic Arts Inc. Q4 FY 2018 Results**

May 8, 2018

# Safe Harbor Statement



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

---

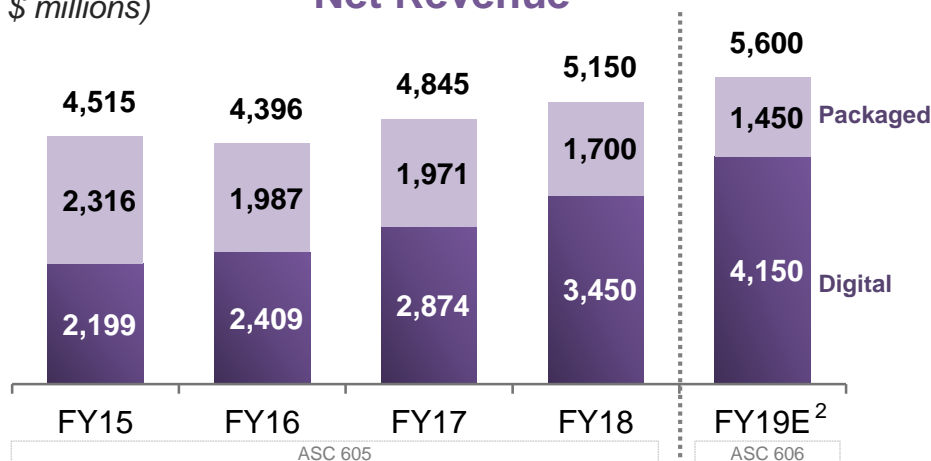
- Some statements set forth in this document, including the information relating to EA's fiscal year 2019 guidance and title slate, contain forward-looking statements that are subject to change. Statements including words such as "anticipate," "believe," "estimate" or "expect" and statements in the future 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, 2017.
- These forward-looking statements are valid as of May 8, 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 Annual Report on Form 10-K for the fiscal year ended March 31, 2018. Electronic Arts assumes no obligation and does not intend to update these estimates prior to such filing.

# EA Growth Trends

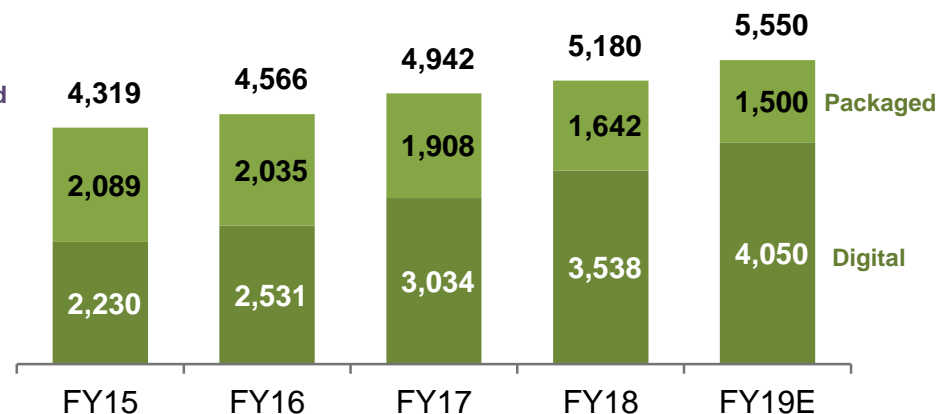


(in \$ millions)

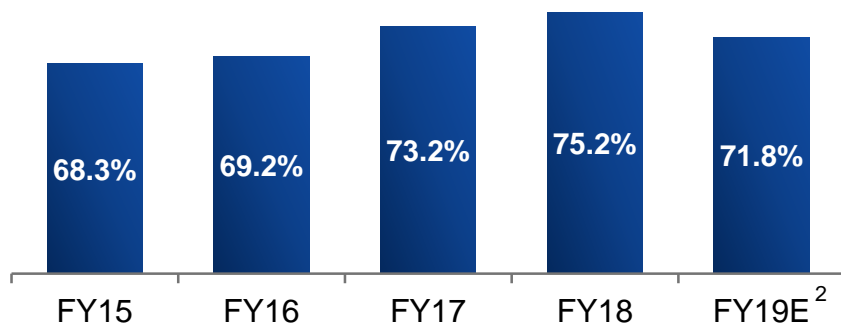
## Net Revenue<sup>1</sup>



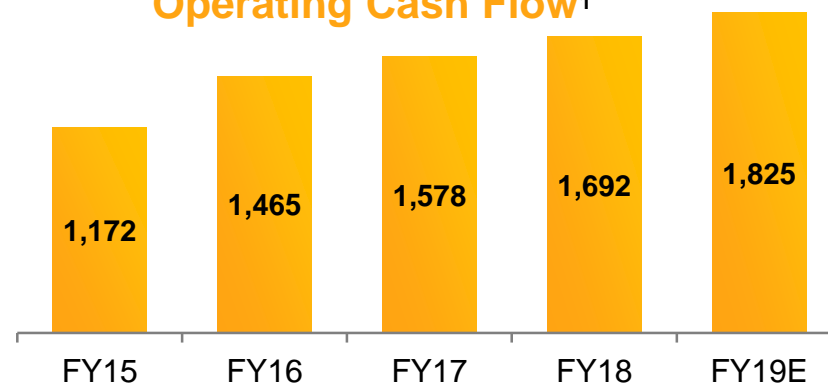
## Net Bookings<sup>3</sup>



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



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



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

2. In fiscal 2019, EA adopted FASB ASU 2014-09 (Topic 606), Revenue from Contracts with Customers. Topic 606 significantly changes how EA recognizes and reports revenue. For more information about the adoption of Topic 606 and information with respect to mobile platform fees, please refer to the FAQ document, dated as of May 8, 2018, posted on our IR website.

3. 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 and, for periods after the fourth quarter of fiscal 2018, mobile platform fees. A calculation of net bookings can be found in the "Net Bookings" tab of the Financial Model provided on our IR website. These forward-looking statements are valid as of May 8, 2018 only. Electronic Arts assumes no obligation to update these forward-looking statements.

# EA Digital Net Bookings by Platform



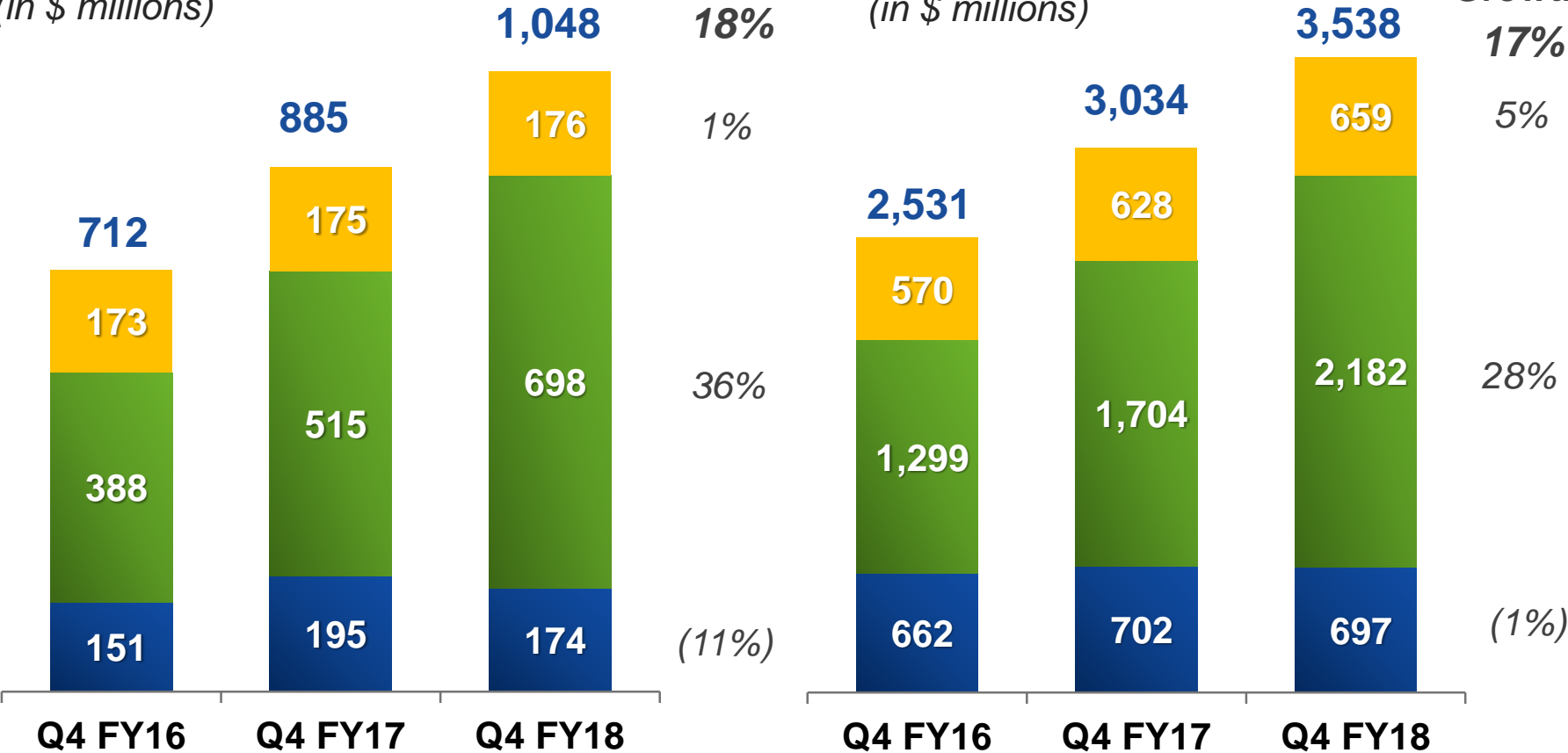
■ PC & Other    
 ■ Console    
 ■ Mobile

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

YOY  
Growth  
**18%**

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

YOY  
Growth  
**17%**

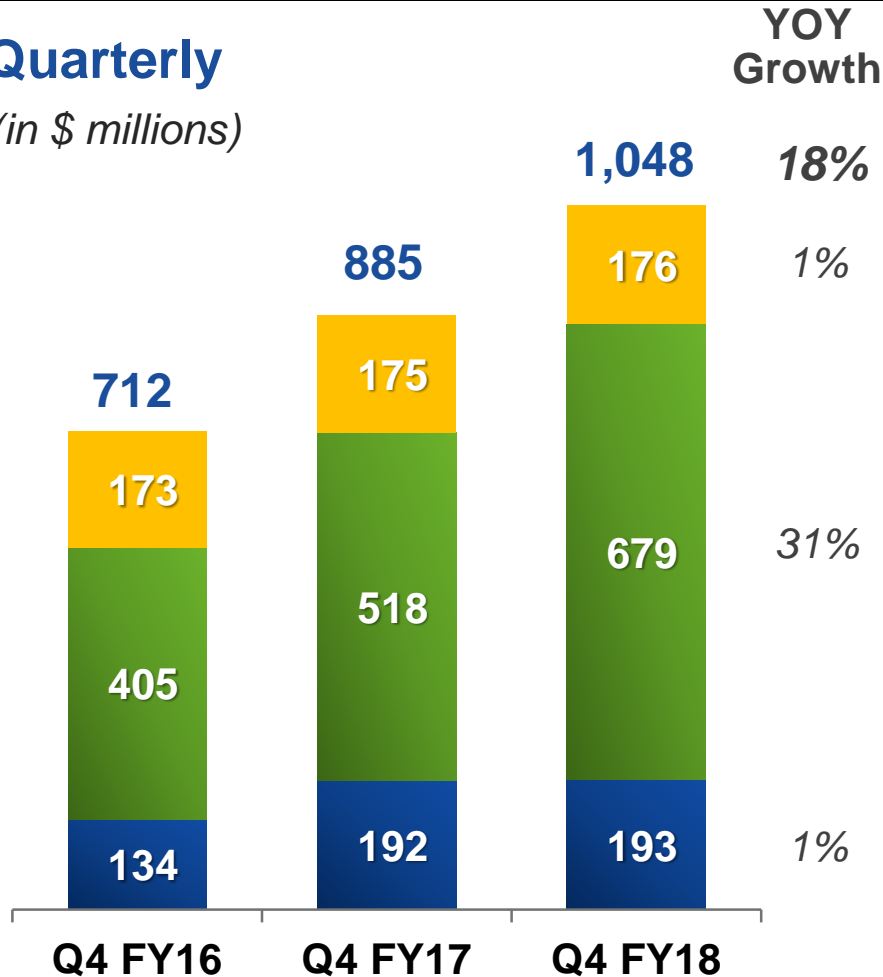


# EA Digital Net Bookings by Type

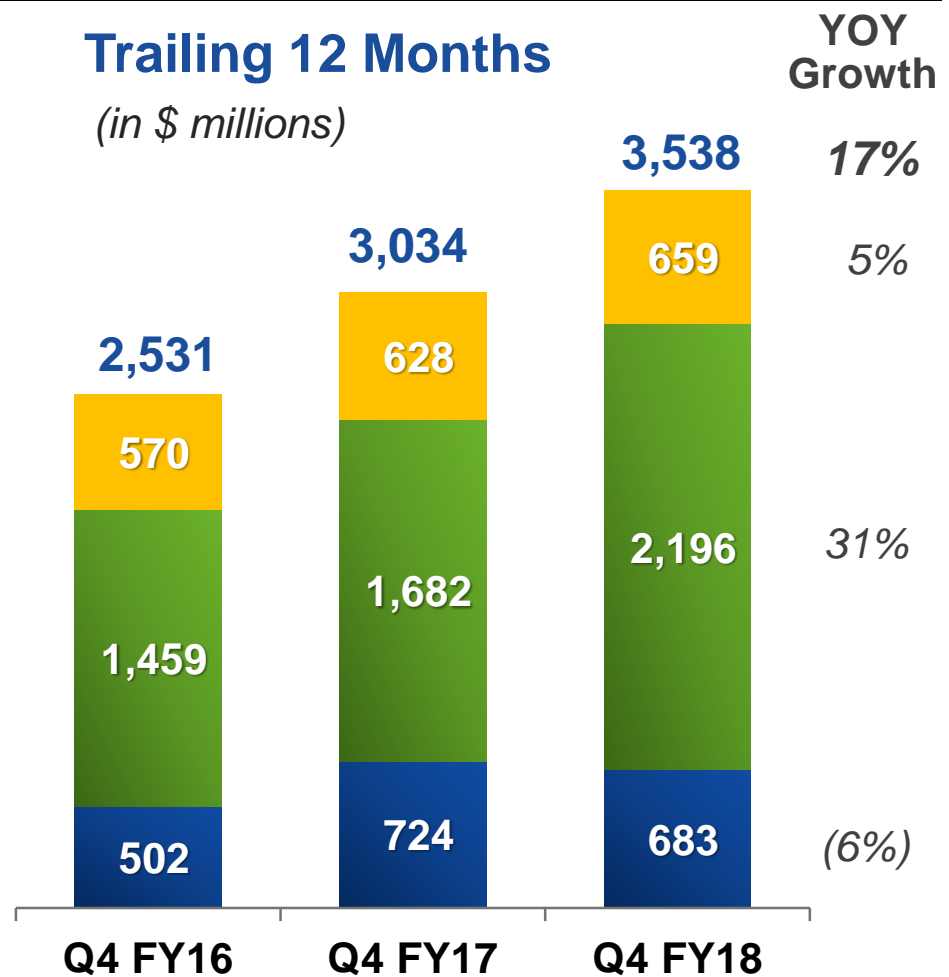


■ Full Game Downloads
 ■ Live Services
 ■ Mobile

## Quarterly (in \$ millions)



## Trailing 12 Months (in \$ millions)



# FY19 Announced Console/PC Titles



Launch	Title	Platform(s)
Q1		
Q2	FIFA	Console PC
	Madden	Console
	NHL	Console
	NBA Live	Console
Q3	Battlefield	Console PC
Q4	Anthem	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 Mobile



## Console/PC

## Mobile

Active Q4 FY18



# FY19 Guidance



The following table provides guidance for EA's FY19 financial performance. These preliminary estimates and expectations are based on current information as of May 8, 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 18% 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 December 31, 2017. For more information about mobile platform fees, please refer to the FAQ document, dated May 8, 2018, posted on our IR website.

	<b>Twelve Months Ending March 31, 2019</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>Mobile platform fees</b>	<b>Stock-based compensation</b>
(in \$ millions)					
Digital net revenue	4,150	-	200	(300)	-
Packaged goods & other net revenue	1,450	-	50	-	-
<b>Total net revenue</b>	<b>5,600</b>	<b>-</b>	<b>250</b>	<b>(300)</b>	<b>-</b>
Cost of revenue	1,581	(5)	-	(300)	(1)
Operating expense	2,774	(15)	-	-	(329)
Income before provision for income taxes	1,245	20	250	-	330
Net income	1,108				
Number of shares used in computation:					
Diluted shares	312				

FY19 guidance has been prepared in accordance with FASB ASU 2014-09 (Topic 606) which EA adopted at the beginning of FY19. For more information on Topic 606, please refer to the FAQ document, dated May 8, 2018, posted on our IR website. These forward-looking statements are valid as of May 8, 2018 only. Electronic Arts assumes no obligation to update these forward-looking statements.



# Q1 FY19 Guidance



The following table provides guidance for EA's Q1 FY19 financial performance. These preliminary estimates and expectations are based on current information as of May 8, 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 18% 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 December 31, 2017. For more information about mobile platform fees, please refer to the FAQ document, dated May 8, 2018, posted on our IR website.

	<b>Three Months Ending June 30, 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>Mobile platform fees</b>	<b>Stock-based compensation</b>
<i>(in \$ millions)</i>					
Total net revenue	1,080	-	(300)	(60)	-
Cost of revenue	226	(1)	-	(60)	-
Operating expense	634	(4)	-	-	(75)
Income before provision for income taxes	220	5	(300)	-	75
Net income	200				
Number of shares used in computation:					
Diluted shares	311				

FY19 guidance has been prepared in accordance with FASB ASU 2014-09 (Topic 606) which EA adopted at the beginning of FY19. For more information on Topic 606, please refer to the FAQ document, dated May 8, 2018, posted on our IR website. These forward-looking statements are valid as of May 8, 2018 only. Electronic Arts assumes no obligation to update these forward-looking statements.

# Guidance – Phasing



## FY19 Quarterly Net Revenue and Net Bookings

	Q1E	Q2E	Q3E	Q4E	FY19E
GAAP Net Revenue %	19%	23%	32%	26%	100%
GAAP Net Revenue \$M	\$1,080	\$1,270	\$1,785	\$1,465	\$5,600
Change in deferred net revenue \$M	(\$300)	\$0	\$535	\$15	\$250
Mobile Platform Fee \$M	(\$60)	(\$60)	(\$90)	(\$90)	(\$300)
Net Bookings %	13%	22%	40%	25%	100%

FY19 guidance has been prepared in accordance with FASB ASU 2014-09 (Topic 606) which EA adopted at the beginning of FY19. For more information on Topic 606 please refer to the FAQ document, dated May 8, 2018, posted on our IR website. These forward-looking statements are valid as of May 8, 2018 only. Electronic Arts assumes no obligation to update these forward-looking statements.



# Currency Assumptions

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

	USD/	FY17 Q4A	FY18 Q4A	FY19
Net Bookings	EUR	1.06	1.22	1.23
	GBP	1.24	1.39	1.40
Operating Expenses	CAD	1.33	1.26	1.27
	SEK	9.03	8.10	8.10

- **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 Q4A and FY18 Q4A, FX rates are a simple average of EA's actual monthly P&L rates. For FY19, the same FX rates are used for all forecast periods.

These forward-looking statements are valid as of May 8, 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 March 31, 2017 and twelve months ended March 31, 2017 have been recast to reflect the impact of ASU 2016-09.

(in \$ millions)		Actuals			
		Q4 2018	Q4 2017	TTM 2018	TTM 2017
<b>Cash Flow Data</b>					
Investing Cash Flow		1,215	(261)	622	(759)
Financing Cash Flow		(135)	(104)	(643)	(729)
Operating Cash Flow	A	615	437	1,692	1,578
Capital Expenditures	B	20	29	107	123
Free Cash Flow	A - B	595	408	1,585	1,455

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

(in \$ millions)	Q4 2018	Q4 2017
Operating cash flow under historical GAAP	604	407
Operating cash flow under ASU 2016-09	615	437
Impact of ASU 2016-09 on operating cash flow	11	30