



# ASC 606 - Investor FAQs

FISCAL 2018 Q3

**What is ASC 606?**

ASC 606 is an accounting standard for GAAP revenue recognition that was issued by the Financial Accounting Standards Board. Electronic Arts will adopt ASC 606 at the beginning of its 2019 fiscal year.

**How does this impact Electronic Arts?**

It will affect our GAAP results, but it will not materially impact net bookings, our operational metric. Our management team will continue to focus on net bookings to run the business.

Under ASC 606, we anticipate GAAP revenue will align closer to net bookings. This is because we will recognize more revenue upfront under the new revenue standard, as opposed to current GAAP rules (ASC 605). Under ASC 605, we were required to recognize as revenue almost all of our bookings ratably over six to nine months. Upon adoption of ASC 606, for bookings that can be played offline, we expect to recognize as revenue a majority of the value of immediately, with the remaining recognized ratably over six to nine months. As a result, we will defer less revenue than we do today.

We will continue to provide the GAAP-based financial measures that allow investors to derive our management reporting financials to allow for historical and competitive comparisons.

**When will Electronic Arts incorporate ASC 606 into its financial statements?**

We will provide FY19 guidance under the new revenue standard on the Q4 FY18 call (tentatively scheduled for May 8, 2018) and will begin reporting revenue under the new revenue standard in Q1 FY19 (quarter ending June 30, 2018).

**How will Electronic Arts incorporate ASC 606 into its financial statements?**

We have chosen to adopt ASC 606 using the modified retrospective approach, which means that we will not restate our historical financial statements. For comparability, we will also report pro-forma financial results during FY19 under ASC 605, which will provide the ability to compare FY19 financial results to FY18 financial results.

**Will this change the way you classify revenue?**

We will not change our current revenue categories but will make some minor adjustments to the classifications of certain discrete items.

**Will ASC 606 impact gross margin?**

We anticipate an immaterial impact on GAAP gross margin for fiscal 2019 as adoption of ASC 606 will change the timing of revenue recognition but not the timing of related expenses.

**Will there be a material effect on your cash flow?**

Upon adoption of ASC 606, we anticipate a one-time cash tax impact primarily due to the acceleration of revenue recognition on prior period game sales.

**Where can I find additional information about Electronic Arts' adoption of ASC 606?**

Our Form 10-Q for Q3 FY18, which we expect to file in early February, will contain additional information regarding the adoption of ASC 606 under the heading "Impact of Recently Issued Accounting Standards". We expect to update this information in our FY18 Form 10-K, which we anticipate filing in May 2018.

## **Forward-Looking Statements**

Some statements set forth in this document 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.

These forward-looking statements are current as of January 30, 2018. Electronic Arts assumes no obligation to update these forward-looking statements. In addition, the preliminary conclusions set forth in this document are estimates based on information currently available to Electronic Arts.