



Electronic Arts Inc. Q1 FY 2014 Results

July 23, 2013

Safe Harbor Statement

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



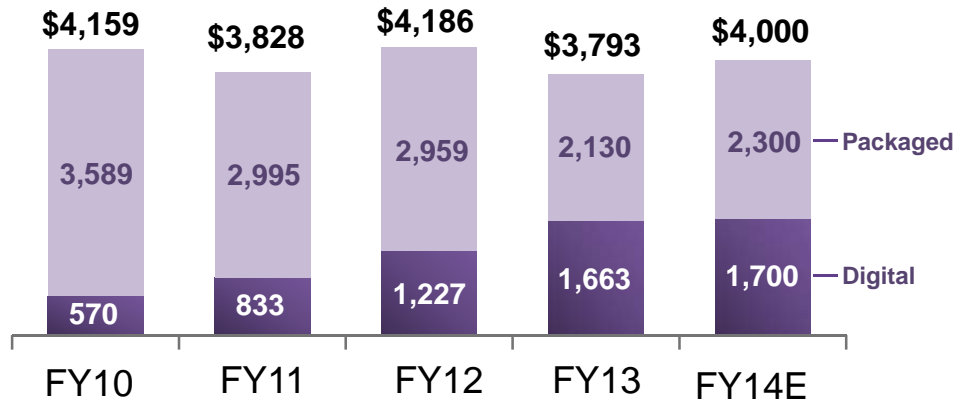
- Some statements set forth in this document, including the information relating to EA's fiscal year 2014 guidance and title slate contain forward-looking statements that are subject to change. Statements including words such as "anticipate", "believe", "estimate" or "expect" and statements in the future 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 Annual Report on Form 10-K for the fiscal year ended March 31, 2013.
- These forward-looking statements are valid as of July 23, 2013 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 June 30, 2013. Electronic Arts assumes no obligation and does not intend to update these estimates prior to filing its Form 10-Q for the fiscal quarter ended June 30, 2013.

EA Growth Trends

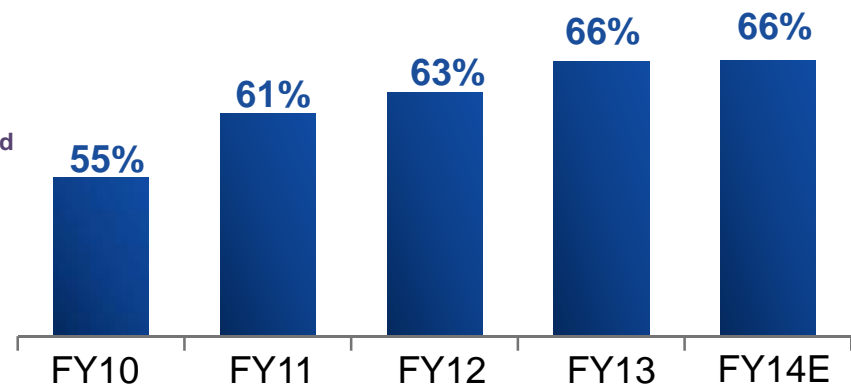


Net Revenue ¹

(\$ in Millions)

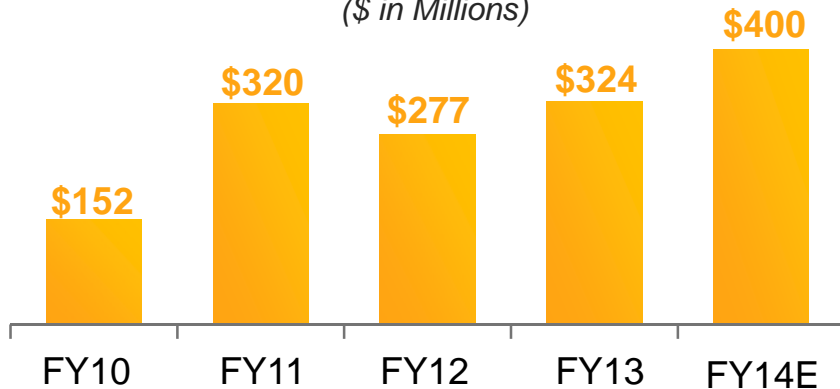


Gross Profit ¹

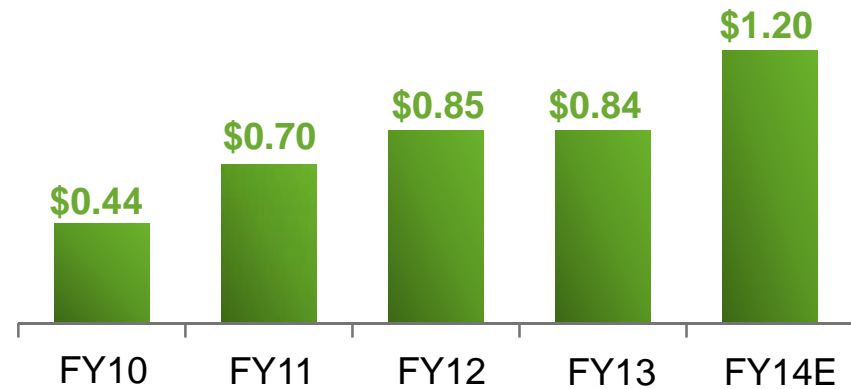


Operating Cash Flow

(\$ in Millions)



Diluted EPS ¹



¹ On a non-GAAP basis. FY14 non-GAAP tax rate is 25%. Through FY13, the non-GAAP tax rate was 28%.

Q1 FY14 Update¹



Digital Revenue: Increased by 17% year-over-year to \$378 million, and accounted for 76% of Q1 revenue

Catalog: *Battlefield 3* and *FIFA 13* led the way, both continue to chart among the Western World top 20 performing games

Gross Margin: 64% for the quarter, up 2% over the prior year, driven by digital and reduced costs

Op Expense: \$477 million, \$53 million below guidance, due to cost control and phasing of key expenses

Loss Per Share: (\$0.40) per share for the quarter, exceeding guidance due to stronger revenue, higher gross margin, and lower operating expenses

Buyback: No shares repurchased during Q1; To date 22 million shares have been repurchased at a total cost of \$278 million

¹ On a non-GAAP basis.

Q1 FY14 Guidance vs. Actuals

Ending June 30, 2013



	GAAP		Non-GAAP	
	Guidance	Actuals	Guidance	Actuals
Net Revenue	\$875	\$949	\$450	\$495
Gross Profit Margin	79%	79.6%	62%	63.8%
Operating Expense	\$572	\$522	\$530	\$477
Tax Expense/(Benefit)	\$10	\$6	(\$63)	(\$40)
Net Income/(Loss)	\$102	\$222	(\$188)	(\$121)
Diluted Earnings/(Loss) Per Share	\$0.33	\$0.71	(\$0.62)	(\$0.40)
Diluted Shares	310	312	304	304

In millions, except per share data.

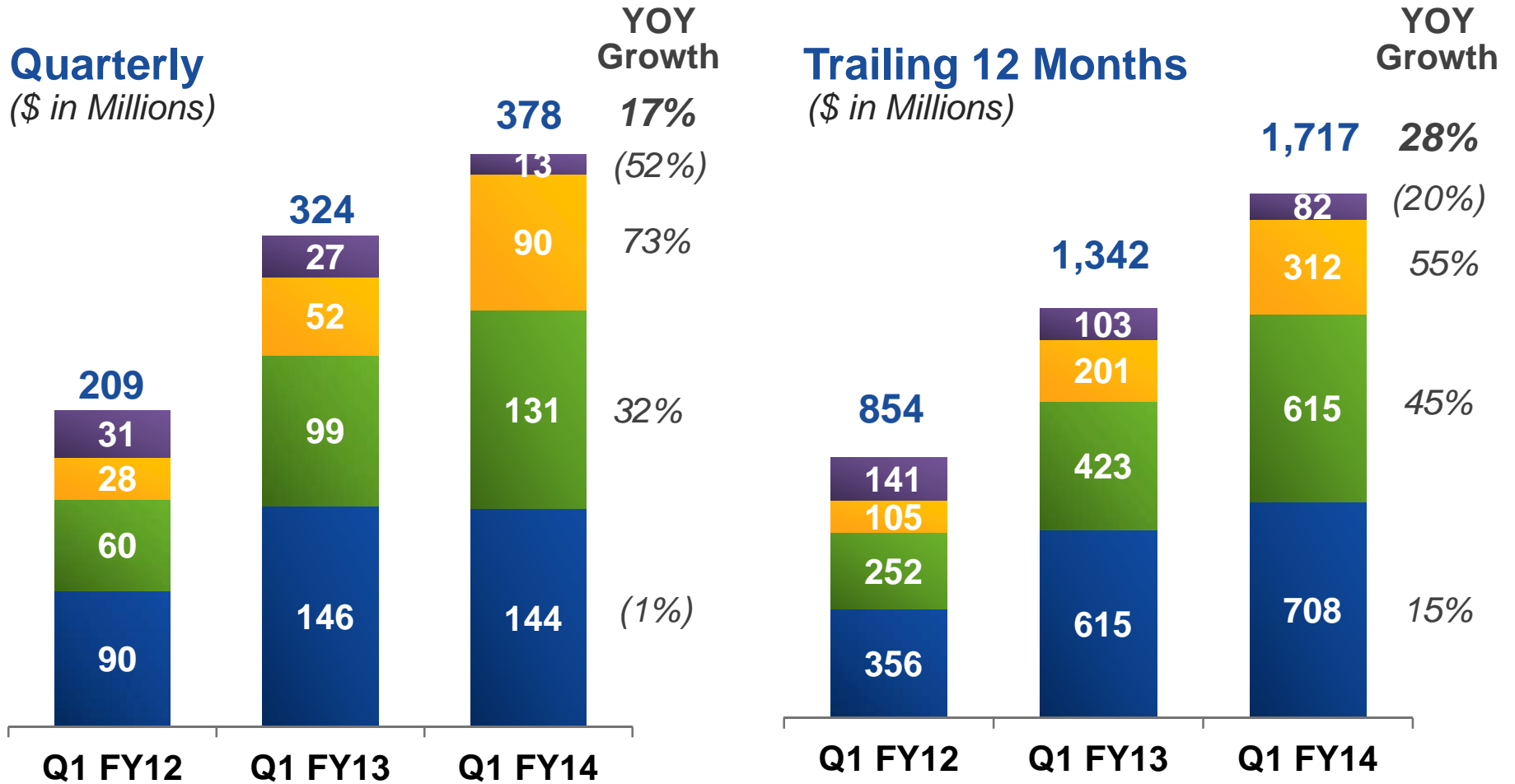
Q1 FY14 Financial Summary



	GAAP		Non-GAAP	
	Q1FY13	Q1 FY14	Q1 FY13	Q1 FY14
Net Revenue	\$955	\$949	\$491	\$495
Gross Profit Margin	78.5%	79.6%	61.5%	63.8%
Operating Expense	\$535	\$522	\$483	\$477
Operating Income/(Loss)	\$215	\$233	(\$181)	(\$161)
Operating Margin	22.5%	24.6%	(36.9%)	(32.5%)
Diluted Earnings/(Loss) Per Share	\$0.63	\$0.71	(\$0.41)	(\$0.40)
Operating Cash Flow	(\$244)	(\$248)		
EBITDA	\$304	\$315	(\$153)	(\$131)

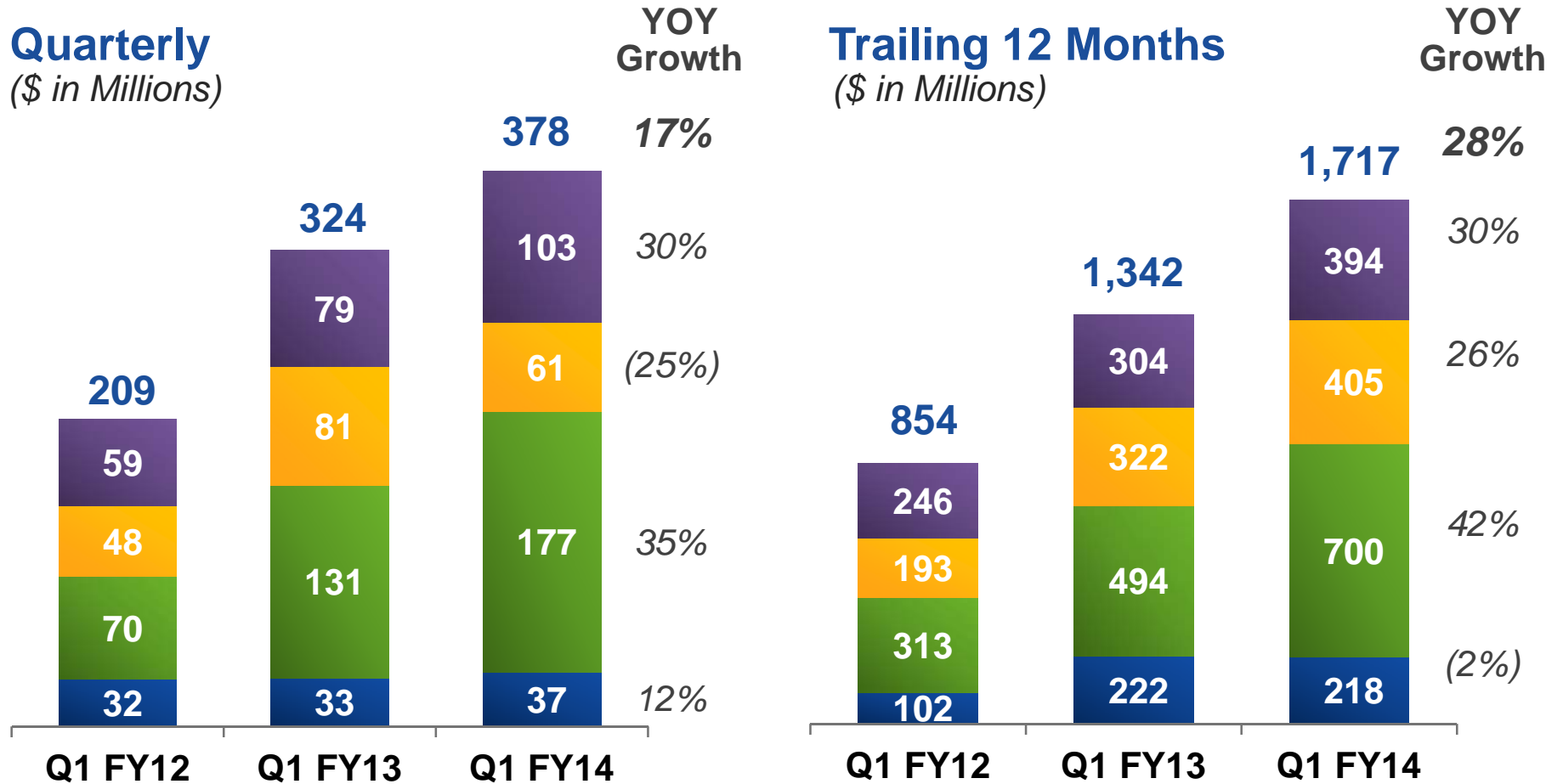
In millions, except per share data.

EA Digital Revenue¹ by Platform



¹ In millions, on a non-GAAP basis. PC includes browser.

EA Digital Revenue¹ by Type



¹ In millions, on a non-GAAP basis.

FY 14 Titles and Services



HD	Subscription	PC Client/Browser	Mobile/Tablet	Social
FY14 Releases				
	<i>To be announced</i>			
Existing Live Services				

Guidance – Q2 FY14

Ending September 30, 2013



	GAAP	Non-GAAP
Net Revenue	\$625	\$975
Gross Profit Margin	38%	61%
Operating Expense	\$596	\$550
Tax Expense	\$10	\$13
Net Income (Loss)	(\$375)	\$38
Earnings (Loss) Per Share	(\$1.22)	\$0.12
Diluted Shares	308	316

In millions, except per share data.

Non-GAAP Tax Rate: 25%.

These forward-looking statements are valid as of July 23, 2013 only.

Electronic Arts assumes no obligation to update these forward-looking statements.

Guidance – Full Year FY14

Ending March 31, 2014



	GAAP	Non-GAAP
Revenue		
Publishing and Other Revenue	\$1,900	\$2,200
Digital Revenue	\$1,500	\$1,700
Distribution Revenue	\$100	\$100
Total Revenue	\$3,500	\$4,000
Gross Profit Margin	60%	66%
Operating Expense	\$2,326	\$2,150
Tax Expense	\$50	\$126
Net Income (Loss)	(\$302)	\$378
Earnings (Loss) Per Share	(\$0.98)	\$1.20
Diluted Shares	308	315
Operating Cash Flow	\$400	

In millions, except per share data.

Non-GAAP Tax Rate: 25%.

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Guidance - Phasing

FY14 Quarterly Revenue¹



Non-GAAP Net Revenue	Q1	Q2E	Q3E	Q4E
Non-GAAP	12%	24%	45%	19%
GAAP	27%	18%	22%	33%

¹ These forward-looking statements are valid as of July 23, 2013 only. Electronic Arts assumes no obligation to update these forward-looking statements. The difference in GAAP and non-GAAP quarterly phasing is due to the change in deferred net revenue (online enabled games).

FY14 Announced Titles



Q1	Games	Fuse ⁽¹⁾	Console		
Q2	Sports	FIFA 14	Console	Handheld/Mobile	PC
		Madden NFL 25	Console		
		NCAA Football 14	Console		
		NHL 14	Console		
	Games	Command & Conquer: Generals			PC/F2P
Q3	Sports	FIFA Manager 14			PC
		NBA Live 14	Console		
	Games	Battlefield 4	Console		PC
		Need for Speed	Console		PC
Q4	Maxis	Sims 4			PC

⁽¹⁾ Co-Published Title



Supplemental Financial Information



Guidance¹

Currency Assumptions

- Exchange rates remain volatile
- Current guidance FX assumptions:
 - \$1.30 USD/Euro
 - Revenue and EPS decreases if the Euro weakens v. USD
 - \$0.95 USD/Canadian Dollar
 - R&D costs increase if the Canadian Dollar strengthens v. USD
 - \$1.54 USD/British Pound Sterling
 - Revenue and EPS decreases if the British Pound Sterling weakens v. USD
- Using spot exchange rates as of July 22, 2013:
 - Negligible impact to FY14 non-GAAP EPS
 - Neutral impact for remainder of FY14 non-GAAP Net Operating Income

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Non-GAAP Financial Measures



- To supplement the Company's unaudited condensed consolidated financial statements presented in accordance with GAAP, Electronic Arts uses certain non-GAAP measures of financial performance. The presentation of these non-GAAP financial measures is not intended to be considered in isolation from, as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP, and may be different from non-GAAP financial measures used by other companies. In addition, these non-GAAP measures have limitations in that they do not reflect all of the amounts associated with the Company's results of operations as determined in accordance with GAAP. The non-GAAP financial measures used by Electronic Arts include: non-GAAP net revenue, non-GAAP gross profit, non-GAAP operating income (loss), non-GAAP net income (loss) and historical and estimated non-GAAP diluted earnings (loss) per share. These non-GAAP financial measures exclude the following items, as applicable in a given reporting period, from the Company's unaudited condensed consolidated statements of operations:
 - Acquisition-related expenses
 - Amortization of debt discount
 - Certain non-recurring litigation expenses
 - Change in deferred net revenue (online-enabled games)
 - Loss (gain) on strategic investments
 - Restructuring charges
 - Stock-based compensation
 - Income tax adjustments

Through fiscal year 2013, the Company used a fixed, long-term projected tax rate of 28 percent internally to evaluate its operating performance, to forecast, plan and analyze future periods, and to assess the performance of its management team. Accordingly, the Company applied the same 28 percent tax rate to its non-GAAP financial results. Beginning in fiscal year 2014, the Company has applied a 25 percent tax rate to its non-GAAP financial results.

Electronic Arts may consider whether other significant non-recurring items that arise in the future should also be excluded in calculating the non-GAAP financial measures it uses. Electronic Arts believes that these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provide meaningful supplemental information regarding the Company's performance by excluding certain items that may not be indicative of the Company's core business, operating results or future outlook. Electronic Arts' management uses, and believes that investors benefit from referring to, these non-GAAP financial measures in assessing the Company's operating results both as a consolidated entity and at the business unit level, as well as when planning, forecasting and analyzing future periods. These non-GAAP financial measures also facilitate comparisons of the Company's performance to prior periods. In its earnings press release dated July 23, 2013, Electronic Arts has provided a reconciliation of the most comparable GAAP financial measures to the non-GAAP financial measures.

Q1 FY14 Reconciliation



GAAP to Non-GAAP Unaudited Condensed Consolidated Statement of Operations

	Three Months Ended June 30, 2013									
	GAAP	% of	Acquisition-	Amortization of	Change in	Restructuring	Stock-based	Income tax	Non-GAAP	% of
	Results	Revenue	related expenses	debt discount	deferred net revenue (online-enabled games)	and other	compensation	adjustments	Results	Revenue
Net revenue	\$ 949		\$ -	\$ -	\$ (454)	\$ -	\$ -	\$ -	\$ 495	
Cost of revenue	194	20.4%	(15)	-	-	-	-	-	179	36.2%
Gross profit	755	79.6%	15	-	(454)	-	-	-	316	63.8%
Operating expenses:										
Marketing and sales	147	15.5%	-	-	-	-	(7)	-	140	28.3%
General and administrative	85	9.0%	-	-	-	-	(6)	-	79	16.0%
Research and development	278	29.3%	-	-	-	-	(20)	-	258	52.0%
Acquisition-related contingent consideration	7	0.7%	(7)	-	-	-	-	-	-	-
Amortization of intangibles	4	0.4%	(4)	-	-	-	-	-	-	-
Restructuring and other	1	0.1%	-	-	-	(1)	-	-	-	-
Total operating expenses	522	55.0%	(11)	-	-	(1)	(33)	-	477	96.3%
Operating income (loss)	233	24.6%	26	-	(454)	1	33	-	(161)	-32.5%
Interest and other income (expense), net	(5)	-0.6%	-	5	-	-	-	-	-	-
Income (loss) before provision for (benefit from) income taxes	228	24.0%	26	5	(454)	1	33	-	(161)	-32.5%
Provision for (benefit from) income taxes	6	0.6%	-	-	-	-	-	(46)	(40)	-8.1%
Net income (loss)	\$ 222	23.4%	\$ 26	\$ 5	\$ (454)	\$ 1	\$ 33	\$ 46	\$ (121)	-24.4%
Earnings per share							Loss per share			
Basic	\$ 0.73						Basic and diluted		\$ (0.40)	
Diluted	\$ 0.71									
Number of shares used in computation							Number of shares used in computation			
Basic	304						Basic and diluted		304	
Diluted	312									

In millions, except per share data.

Q1 FY13 Reconciliation



GAAP to Non-GAAP Unaudited Condensed Consolidated Statement of Operations

Three Months Ended June 30, 2012

	GAAP Results	% of Revenue	Acquisition- related expenses	Amortization of debt discount	Change in deferred net revenue (online- enabled games)	Restructuring and other	Stock-based compensation	Income tax adjustments	Non-GAAP Results	% of Revenue
Net revenue	\$ 955		\$ -	\$ -	\$ (464)	\$ -	\$ -	\$ -	\$ 491	
Cost of revenue	205	21.5%	(15)	-	-	-	(1)	-	189	38.5%
Gross profit	750	78.5%	15	-	(464)	-	1	-	302	61.5%
Operating expenses:										
Marketing and sales	151	15.8%	-	-	-	-	(7)	-	144	29.3%
General and administrative	88	9.2%	-	-	-	-	(10)	-	78	15.9%
Research and development	282	29.6%	-	-	-	-	(21)	-	261	53.2%
Acquisition-related contingent consideration	(20)	-2.1%	20	-	-	-	-	-	-	-
Amortization of intangibles	7	0.7%	(7)	-	-	-	-	-	-	-
Restructuring and other	27	2.8%	-	-	-	(27)	-	-	-	-
Total operating expenses	535	56.0%	13	-	-	(27)	(38)	-	483	98.4%
Operating income (loss)	215	22.5%	2	-	(464)	27	39	-	(181)	-36.9%
Interest and other expense, net	(5)	-0.5%	-	5	-	-	-	-	-	-
Income (loss) before provision for (benefit from) income taxes	210	22.0%	2	5	(464)	27	39	-	(181)	-36.9%
Provision for (benefit from) income taxes	9	1.0%	-	-	-	-	-	(60)	(51)	-10.4%
Net income (loss)	\$ 201	21.0%	\$ 2	\$ 5	\$ (464)	\$ 27	\$ 39	\$ 60	\$ (130)	-26.5%
Earnings per share							Loss per share			
Basic	\$ 0.63						Basic and diluted		\$ (0.41)	
Diluted	\$ 0.63									
Number of shares used in computation							Number of shares used in computation			
Basic	317						Basic and diluted		317	
Diluted	320									

In millions, except per share data.

TTM Q1 FY14 Reconciliation



GAAP to Non-GAAP Unaudited Condensed Consolidated Statement of Operations

Trailing Twelve Months Ended June 30, 2013

	GAAP Results	% of Revenue	Acquisition- related expenses	Amortization of debt discount	Change in Deferred Net Revenue (Online- Enabled Games)	Gain on strategic investments	Restructuring and other	Stock-based compensation	Income tax adjustments	Non-GAAP Results	% of Revenue
Net revenue	\$ 3,791		\$ -	\$ -	\$ 6	\$ -	\$ -	\$ -	\$ -	\$ 3,797	
Cost of revenue	1,377	36.3%	(93)	-	-	-	(1)	-	-	1,283	33.8%
Gross profit	2,414	63.7%	93	-	6	-	1	-	-	2,514	66.2%
Operating expenses:											
Marketing and sales	784	20.7%	-	-	-	-	(30)	-	-	754	19.9%
General and administrative	351	9.3%	-	-	-	-	(34)	-	-	317	8.3%
Research and development	1,149	30.3%	-	-	-	-	(93)	-	-	1,056	27.8%
Acquisition-related contingent consideration	(37)	-1.0%	37	-	-	-	-	-	-	-	-
Amortization of intangibles	27	0.7%	(27)	-	-	-	-	-	-	-	-
Restructuring and other	1	-	-	-	-	-	(1)	-	-	-	-
Total operating expenses	2,275	60.0%	10	-	-	-	(157)	-	-	2,127	56.0%
Operating income	139	3.7%	83	-	6	-	1	158	-	387	10.2%
Gain on strategic investments	39	1.0%	-	-	-	(39)	-	-	-	-	-
Interest and other income (expense), net	(21)	-0.6%	-	20	-	-	-	-	-	(1)	-
Income before provision for income taxes	157	4.1%	83	20	6	(39)	1	158	-	386	10.2%
Provision for income taxes	38	1.0%	-	-	-	-	-	-	75	113	3.0%
Net income	\$ 119	3.1%	\$ 83	\$ 20	\$ 6	\$ (39)	\$ 1	\$ 158	\$ (75)	\$ 273	7.2%

In millions

TTM Q1 FY13 Reconciliation



GAAP to Non-GAAP Unaudited Condensed Consolidated Statement of Operations

Trailing Twelve Months Ended June 30, 2012

	GAAP Results	% of Revenue	Acquisition-related expenses	Amortization of debt discount	Certain non-recurring litigation expenses	Change in Deferred Net Revenue (Online-Enabled Games)	Restructuring and other	Stock-based compensation	Income tax adjustments	Non-GAAP Results	% of Revenue
Net revenue	\$ 4,099		\$ -	\$ -	\$ -	\$ 54	\$ -	\$ -	\$ -	\$ 4,153	
Cost of revenue	1,563	38.1%	(64)	-	-	-	-	(2)	-	1,497	36.0%
Gross profit	2,536	61.9%	64	-	-	54	-	2	-	2,656	64.0%
Operating expenses:											
Marketing and sales	886	21.6%	-	-	-	-	-	(29)	-	857	20.6%
General and administrative	392	9.6%	-	-	(27)	-	-	(38)	-	327	7.9%
Research and development	1,184	28.9%	-	-	-	-	-	(102)	-	1,082	26.1%
Acquisition-related contingent consideration	(11)	-0.3%	11	-	-	-	-	-	-	-	-
Amortization of intangibles	37	0.9%	(37)	-	-	-	-	-	-	-	-
Restructuring and other	25	0.6%	-	-	-	-	(25)	-	-	-	-
Total operating expenses	2,513	61.3%	(26)	-	(27)	-	(25)	(169)	-	2,266	54.6%
Operating income	23	0.6%	90	-	27	54	25	171	-	390	9.4%
Interest and other income (expense), net	(25)	-0.6%	-	19	-	-	-	-	-	(6)	-0.1%
Income (loss) before provision for (benefit from) income taxes	(2)	-	90	19	27	54	25	171	-	384	9.3%
Provision for (benefit from) income taxes	(58)	-1.4%	-	-	-	-	-	-	165	107	2.6%
Net income	\$ 56	1.4%	\$ 90	\$ 19	\$ 27	\$ 54	\$ 25	\$ 171	\$ (165)	\$ 277	6.7%

In millions

20

Q1 FY14 EBITDA Reconciliation



The following table provides a reconciliation of the non-GAAP financial measures regarding Electronic Arts' Earnings Before Interest, Taxes, Depreciation, Amortization and Stock-based Compensation ("EBITDA") to the nearest comparable GAAP financial measures.

	Three Months Ended June 30, 2013					
	GAAP Results	Acquisition-related expenses	Change in deferred net revenue (online-enabled games)	Restructuring and other	Stock-Based compensation	Non-GAAP Results
Operating income (loss)	\$ 233	\$ 26	\$ (454)	\$ 1	\$ 33	\$ (161)
Adjustments:						
Stock-based compensation	33	-	-	-	(33)	-
Depreciation	30	-	-	-	-	30
Amortization of acquisition-related intangibles	19	(19)	-	-	-	-
Total adjustments	82	(19)	-	-	(33)	30
EBITDA	\$ 315	\$ 7	\$ (454)	\$ 1	\$ -	\$ (131)

Q1 FY13 EBITDA Reconciliation



The following table provides a reconciliation of the non-GAAP financial measures regarding Electronic Arts' EBITDA to the nearest comparable GAAP financial measures.

	Three Months Ended June 30, 2012					
	GAAP Results	Acquisition- related expenses	Change in deferred net revenue (online- enabled games)	Restructuring and other	Stock-Based compensation	Non-GAAP Results
Operating income (loss)	\$ 215	\$ 2	\$ (464)	\$ 27	\$ 39	\$ (181)
Adjustments:						
Stock-based compensation	39	-	-	-	(39)	-
Depreciation	28	-	-	-	-	28
Amortization of acquisition-related intangibles ¹	22	(22)	-	-	-	-
Total adjustments	89	(22)	-	-	(39)	28
EBITDA	\$ 304	\$ (20)	\$ (464)	\$ 27	\$ -	\$ (153)

¹ Includes \$2 million impairment of acquisition-related intangible assets.

Q2 FY14 Guidance Reconciliation



The following table provides a reconciliation of the non-GAAP financial measures regarding Electronic Arts' Q2 FY14 guidance to the nearest comparable GAAP financial measures. These are preliminary estimates and expectations based on current information as of July 23, 2013 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 herein. The reconciliation provided below reflects rounding and other approximations.

	<u>GAAP Guidance</u>	<u>Acquisition- related expenses and Amortization</u>	<u>Amortization of Debt Discount</u>	<u>Change in Deferred Net Revenue (Packaged Goods and Digital Content)</u>	<u>Restructuring</u>	<u>Stock-Based Compensation</u>	<u>Tax Adjustments</u>	<u>Non-GAAP Guidance</u>
Approximate Net Revenue	\$ 625			350				\$ 975
Approximate Gross Margin %	38%	2%		21%				61%
Approximate Operating Expense	\$ 596	(5)			(1)	(40)		\$ 550
<i>Approximate Tax Expense (Benefit)</i>	\$ 10						3	\$ 13
Net Income (Loss)	\$ (375)	20	5	350	1	40	(3)	\$ 38
Earnings (Loss) Per Share	\$ (1.22)							\$ 0.12
Diluted shares (Basic for Loss)	308							316

In millions, except per share data.

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FY14 Guidance Reconciliation



The following table provides a reconciliation of the non-GAAP financial measures regarding Electronic Arts' FY14 guidance to the nearest comparable GAAP financial measures. These are preliminary estimates and expectations based on current information as of July 23, 2013 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 herein. The reconciliation provided below reflects rounding and other approximations.

	<u>GAAP Guidance</u>	<u>Acquisition- related expenses and Amortization</u>	<u>Amortization of Debt Discount</u>	<u>Change in Deferred Net Revenue (Packaged Goods and Digital Content)</u>	<u>Restructuring</u>	<u>Stock-Based Compensation</u>	<u>Tax Adjustments</u>	<u>Non-GAAP Guidance</u>
<i>Approximate Net Revenue</i>	\$ 3,500			500				\$ 4,000
<i>Approximate Gross Margin %</i>	60%	1%		5%				66%
<i>Approximate Operating Expense</i>	\$ 2,326	(22)			(4)	(150)		\$ 2,150
<i>Approximate Tax Expense (Benefit)</i>	\$ 50						76	\$ 126
Net Income (Loss)	\$ (302)	82	20	500	4	150	(76)	\$ 378
Earnings (Loss) Per Share	\$ (0.98)							\$ 1.20
Diluted shares (Basic for Loss)	308							315

In millions, except per share data.

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