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EA - Electronic Arts Inc to Host Conference Call to Discuss Announced Changes to Executive

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OVERVIEW:

EA discussed its executive roles and teams changes.



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CORPORATE PARTICIPANTS

Andrew Wilson *Electronic Arts Inc. - CEO & Director*

Blake J. Jorgensen *Electronic Arts Inc. - Executive VP & CFO*

Chris Evenden *Electronic Arts Inc. - VP of IR*

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Benjamin Ari Schachter *Macquarie Research - Head of TMET Research*

Christopher David Merwin *Goldman Sachs Group Inc., Research Division - Research Analyst*

Hanfei Wang *Crédit Suisse AG, Research Division - Research Analyst*

Justin Post *BofA Merrill Lynch, Research Division - MD*

Michael Joseph Hickey *The Benchmark Company, LLC, Research Division - Research Analyst*

PRESENTATION

Operator

Good afternoon. My name is Sarah, and I would be your conference operator today. At this time, I would like to welcome everyone to the Electronic Arts conference call.

Mr. Chris Evenden, Vice President of Investor Relations, you may begin your conference.

Chris Evenden - *Electronic Arts Inc. - VP of IR*

Thank you, Sarah, and thank you all for joining us for a brief call to discuss the changes announced today to our executive team. With me on the call are Andrew Wilson, our CEO; and Blake Jorgensen, our CFO and COO. After the call, we will post our prepared remarks and an audio replay of this call and a transcript.

We'll not be discussing any financial results or our fiscal year 2019 guidance on this call. We will discuss those on our Q4 fiscal 2018 earnings call scheduled for Tuesday, May 8, 2018. And as a reminder, we remain in our quiet period until then.

This presentation and our comments include forward-looking statements regarding future events and the future performance of the company. Actual events and performance may differ materially from our expectations. We refer you to our most recent Form 10-Q for a discussion of risks that could cause actual events and performance to differ materially from those discussed today.

Electronic Arts makes these statements as of today, April 12, 2018, and disclaims any duty to update them.

Now I'll turn the call over to Andrew.

Andrew Wilson - *Electronic Arts Inc. - CEO & Director*

Thanks, Chris, and thanks everyone for joining us on the call today.

I will talk through some strategic changes we are making to EA's organization, and then we'll have time for a few of your questions.



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We've decided to have this call today because we are excited about starting FY '19 with this new organization. This reorganization is focused on our future growth strategy, and we wanted to be clear that these changes are unrelated to our FY '18 performance. We look forward to discussing our FY '18 results and FY '19 outlook with you on May 8.

It's been a strong 5 years for EA. In our quarterly calls, you've heard us talk about our investments in EA's portfolio of games and services, our technology platform and our creative talent. Change in the gaming industry is accelerating, and we see more disruption coming in the next 5 years than we have seen in the last 45. We have a strong and tight-knit leadership team, and with the organizational updates we're making today, we'll be uniquely positioned to continue pushing the boundaries of entertainment.

At EA, we have a clear vision for the future. With our players at the center of everything we do, we are building a collection of amazing games and content, wrapped in services with new and innovative ways to reach an expanding global audience. We see a world in which our network can grow to connect 1 billion people in play, where games will deliver endless fun, value and choice on any platform anywhere in the world; where playing games becomes increasingly personal, contextual and dynamic. And in this world, creativity will drive everything, from content to competition to communities.

To continue EA's growth and leadership in this changing world, we are evolving our organization in service of our players and our future. Here are the key updates to our executive roles and teams.

We're establishing the new company-wide executive leadership role of Chief Design Officer. Patrick Söderlund will step up into this position where he will expand his reach and drive even greater impact across EA with his proven design and creative expertise. In this role, Patrick will be responsible for delivering next-generation game designs, pushing our marketing teams on creative content and the metagame experiences, and driving innovations with our central technology and labs teams to transform gaming. In our networked future, creativity must be the central strand of everything we do, and Patrick's team will push us and the boundaries of entertainment.

Laura Miele will become our Chief Studios Officer with responsibility to lead EA Worldwide Studios. Laura first joined EA working in studio leadership, and over the past 2 decades, she's held roles in nearly every facet of our company, from studios to marketing to publishing. She has deep management expertise, executional acumen, industry thought leadership and a tireless personal passion for our games and live services.

We believe the combination of Patrick and Laura will elevate our creative process, the experience we bring to our players and drive new innovation.

Blake Jorgensen will be our Chief Operating Officer and Chief Financial Officer. Blake's strong financial and operational leadership as well as his focus on integrating efforts across the company will ensure we are best positioned to drive our strategies and long-term growth plans for EA. Blake is a trusted leader and strategist for me and the entire leadership team, and his ability to connect teams in pursuit of our goals continues to be instrumental to our growth and success.

Chris Bruzzo will lead an integrated marketing, publishing and analytics organization as our CMO. We are bringing together our global publishing function with our marketing, analytics and insights teams into a single organization that enables us to move faster in service of our players. This new structure will enable us to connect with more players around the world and deliver more choice and more personalized experiences to meet their changing needs.

Matt Bilbey joins our executive team as Executive Vice President of Strategic Growth. Matt will lead strategic growth efforts that are driving scale for EA in a rapidly expanding world. This includes developing our Origin platform, our Player Network as well as our growing business in Competitive Gaming. He will also spearhead our continuing Asia expansion. In more than 20 years at EA, Matt has proven ability to drive growth through leadership roles in development, marketing and operations for EA SPORTS and the global expansion of our FIFA franchise. We're excited to welcome him to our leadership team.

Ken Moss will continue in his capacity as Chief Technology Officer. Now more than ever, EA's digital platform, our Frostbite engine strategy and our continued development of advanced technologies will be integral to our growth strategy. Ken will continue to lead our central technology teams, working in partnership with Patrick, Laura, Blake, Chris and Matt to develop for our future.



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Mala Singh will continue as our Chief People Officer, Jake Schatz will continue as General Counsel and Corporate Secretary, and Joel Linzner will continue as our Executive Vice President of Business Affairs.

These changes will strengthen our organization and accelerate our ability to deliver on the future we are building for players around the world. We are sharpening the creative core of EA, driving precision into our operations and positioning the company to grow and lead the disruptions and evolution to come. With exceptional leaders and some of the most talented teams in all of entertainment, we're excited for the next chapter of Electronic Arts.

Now Blake and I are here for any questions on the changes we've announced today.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question comes from the line of Chris Merwin with Goldman Sachs.

Christopher David Merwin - *Goldman Sachs Group Inc., Research Division - Research Analyst*

You mentioned that, I think, Patrick Söderlund has now taken over as Head of Design. Can you maybe talk a bit about what types of change that might inspire? Should we maybe expect more new IP? Or maybe some more creative risks in new genres? And then just a second question on the Head of Strategic Growth, I thought it was interesting that you mentioned the focus will be on growing your Origin platform. And I was just wondering if there's anything you could say about your long-term goals for building an EA storefront for both your library and frontline titles outside of traditional platforms. And then I guess real quick, lastly on the opportunity for Asia. Is that more focused on China with a partner or the rest of Asia?

Andrew Wilson - *Electronic Arts Inc. - CEO & Director*

Well, that was a lot. That's kind of 3 questions.

Christopher David Merwin - *Goldman Sachs Group Inc., Research Division - Research Analyst*

I know. That's my limit.

Andrew Wilson - *Electronic Arts Inc. - CEO & Director*

Okay, but 3 good questions. Thank you, Chris. So on Patrick's role, we think about this on really 3 core vectors. Patrick has been leading our studios and been responsible for creative in our studios for the past 5 years, and he will continue that creative leadership within our studios. And so you should expect he will continue to be deeply involved in all of the creative process for existing games and new games in development. And we've talked about having a number of new IP in development already, and Patrick will continue to be part of those. In addition to that, we have talked about our seed group who were thinking about the future of games on a longer-term time horizon. And Patrick will take that on, and we will grow that over the coming months and years to really think about games on a 5-plus-year time horizon and really how do we disrupt that. And that might be with new IP, that might be with new game experiences or new modalities of play in existing IP, or that might be new technology development that facilitates the use of AI or other innovative evolutionary or revolutionary technology that starts to become valuable to our industry. The second vector is we see the relationship between our games and our marketing coming closer and closer, and our mission as a company is to inspire the world to play. And that in and of itself has to have an emotional and creative component. And Patrick has been informally involved in our marketing campaigns for many years simply by virtue of his own passion for that, and we're formalizing that approach. He'll working

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more closely with Chris as we think about the creative center and the creative positioning and the emotional context of all their marketing campaigns. The third vector, again, in the context of his role that he has had in Worldwide Studios, he has been involved in technology, and he has been involved in Frostbite and our digital platform. In his new role, he will work more closely with Ken as we start to envision the future of our Frostbite engine, the future of our digital platform to deliver the kinds of gameplay experience and network services required at a core technology level to entertain 1 billion players. And so we think about his role all across those 3 vectors. Core creative in our studios, both for now and the future; core creative in our marketing campaigns and how we truly use them to inspire the world to play; and core technology decisions in Frostbite and in EADP to facilitate the kinds of game experiences we believe we're going to be creating 5 or 10 years from now. In terms of your second vector, which is Origin, again, we have seen ongoing growth and continued growth in the PC gaming market on a number of different vectors. We have always been investing in our Origin platform. In recent years, we've launched our subscription on Origin, and we're seeing real traction in that. And so part of this is really about the evolution of Origin in a growing PC gaming world with subscription kind of as a foundational disruptor for that world. And we really wanted to elevate that and provide some focus on that. And to your third point around Asia, we have some really strong partnerships, as we've talked about before, in Korea and China and Southeast Asia. What we're starting to see is our IP resonating more strongly in those markets. And part of what Matt will be doing, in addition to continue to grow and strengthen the relationships with our partners in Asia, is look at whether there are alternative things that we should be doing there, whether on PC or mobile or emerging platforms.

Operator

Your next question comes from the line of Justin Post with Merrill Lynch.

Justin Post - *BofA Merrill Lynch, Research Division - MD*

Mine really reflects product quality. And how do you think about these changes really taking your product quality outside of sports to the next level?

Andrew Wilson - *Electronic Arts Inc. - CEO & Director*

So taking our product quality, or did you say fixing our product quality?

Justin Post - *BofA Merrill Lynch, Research Division - MD*

Improving your product quality.

Andrew Wilson - *Electronic Arts Inc. - CEO & Director*

Again, what -- we have scaled as a business. Over the last 5 years, we have -- we've truly scaled in size and magnitude with the nature and size of the games we make and the amount of people that we entertain with those games, the amount of time they spend with us. And part of what this will do is, in terms of kind of separating that studio leadership to some extent, is we're facilitating an ability for Patrick to dive much deeper into the creative process, with Laura running the operations at the studios, so that we can ensure that we're getting to quality today, but more importantly, that we are innovating for the future. And we're really excited by what we're going to be able to do there.

Operator

Your next question comes from the line of Stephen Ju with Credit Suisse.



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Hanfei Wang - *Crédit Suisse AG, Research Division - Research Analyst*

This is Phil for Stephen. Can you please elaborate a little bit more on Matt Bilbey's role? It seems there's still a large opportunity to expose your content to an audience in Asia. Does this move mean that you are looking to go more direct to the consumer there, or just continue to work with your current partners there?

Andrew Wilson - *Electronic Arts Inc. - CEO & Director*

It's a really good question, Stephen (sic) [Phil.] And if I take 2 steps back, one of the things that we, as a management team, really looked at as we thought about this restructuring or this organizational change is I am proud to be part of what I believe is the best team in the industry, and I love coming to work with them every day. And I think that we have been driving a number of things really well as a team. What had become apparent to us is that there were some things within our organization that were being done as part of the existing roles that we thought needed more focus and that we needed to elevate in the conversation around how we're planning for our strategic future. Those things are our Player Network, which again, the team had been working diligently on, and we've been investing in to a great extent. And you have seen the results of that in terms of how we go to market and how we launch our products and the results that we've got from that. We believe that we're going to a phase where that requires even more investment and even more focus and an even bigger part of the conversation that we're having. And so we started with that and said, "We really need someone to be thinking about that as their day job." We then started thinking about are there other growth initiatives inside this company that are part of roles that were existing that we really should elevate? And the next one that we got to was competitive gaming. We've made tremendous progress in the last 2 years. And our FIFA leagues and our Madden leagues have shown unbelievable growth, and our Ultimate Team business has responded to that as well. And we think that there is so much more opportunity there, and we wanted Matt to really be thinking about that in a focused way. And then there's no real way to have a conversation about building a Player Network that is connecting players, growing competitive gaming which is attracting viewers without also starting to think about how might that be represented in Asia. And as I said just previously, we're very happy with the relationships we have in Asia. Matt's role, first and foremost, is to continue to build those and grow those. But as we look at the continued growing residents of our IP in that market, as we think about the investments we're making in our Player Network and the services that are embodied with that, as we think about competitive gaming and the value that has in Asia, it made sense for us to also have Matt looking at Asia and really thinking about are there added things or additional things that we can do to drive increased growth there. And nothing really to report on that yet today other than it's going to be a big part of Matt's focus. He spent time in his previous roles working and leading our Asia studios, and I'm excited to have him spending more time in the region looking at can these other growth initiatives we have also drive strong growth in Asia.

Operator

Your next question comes from the line of Mike Hickey with Benchmark Company.

Michael Joseph Hickey - *The Benchmark Company, LLC, Research Division - Research Analyst*

Congratulations, everyone, with the new roles. I guess just to focus on the disruption part, Andrew, that you mentioned over the next 5 years. It looks like, at least initially, we're seeing a lot of disruption with the rise of the Battle Royale genre games, namely Fortnite and PUBG. Just curious if you're seeing any impact on player engagement on the shooter games? And then secondly, on the technology side, curious if you've made any games on the Frostbite engine to enable 100 players, which would be typical for a BRG environment? And then third, I guess if you look over 5 years, do you expect that console games will migrate to the free-to-play model?

Blake J. Jorgensen - *Electronic Arts Inc. - Executive VP & CFO*

So Mike, this is Blake. Why don't I just jump in and try to do a quick answer there, which is we can't really talk about any impact. We will do that at our upcoming Q4 earnings where we'll give guidance as well, and we'll be very happy to have some discussion with it at that time. I think also, the Frostbite question's probably a much bigger question for a longer discussion. Obviously, we're very happy with where Frostbite's been going and how it's made dramatic improvements in some of our greatest franchises, but we still -- we'll still hold off on giving you too much more detail. And

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then last but not least, the more than 64 multiplayer games, more to come on that in the future. But we're very excited and happy with where we are today and the results we're seeing today, and we'll be excited to talk to you guys about May 8 -- or on May 8 for earnings.

Operator

Your next question comes from the line of Ben Schachter from Macquarie.

Benjamin Ari Schachter - *Macquarie Research - Head of TMET Research*

A lot of the conversation seems to reflect more investment needed in particular areas and more excitement about the potential opportunities. So should we think that this realignment means that there's probably a lot more investment or more investment than was previously discussed coming in the relatively near term? And then quickly, when we think growth, is there any way to read through this in terms of any updates to your M&A strategy? Any changes here that would impact how this larger group would think about M&A opportunities? And then just quickly, in terms of announcing all this now as opposed waiting until the earnings call, is there anything we can read into that?

Blake J. Jorgensen - *Electronic Arts Inc. - Executive VP & CFO*

Yes. So Ben, it's Blake. A couple of things. We've been investing, as I think you guys know, for the last 4 or 5 years in future games, future technology, Frostbite. We couldn't have done things like Move, FIFA or Madden to Frostbite if we weren't seriously investing in the underlying technology as well as the games. So I don't think you're going to see a change in the investment strategy. It should be pretty consistent with what we've had historically. And I think that we feel very good about where we are. And we're continuing to try to stay focused on where we think the biggest opportunities are, and this allows the organization to have more focus there. M&A, I also would say no change in our strategy. We're continuing to look at every opportunity that we can. And -- but at the same time, be very prudent and be conscious that our job is to create value for shareholders, and we'll continue to have that focus. The part of my new organization will align business development, corporate development and strategy. And there may be new things that come out of that alignment that we haven't seen historically, and we're looking for interesting opportunities to leverage not just potential M&A, but also our partners in the marketplace that -- all are managed by our business development teams. And then last, but not least, the timing, we simply wanted to get this kicked off at the start of our fiscal year. We're already 12 days into that, and so we wanted to do it soon versus wait until May. And we know that obviously it's going to create questions, but I would take -- our view is that this is as a huge positive move forward, and so don't read into that anything negative whatsoever on the financial side.

Operator

There are no further questions at this time. Are there any closing remarks?

Blake J. Jorgensen - *Electronic Arts Inc. - Executive VP & CFO*

No, I think that's great. Thank you, everybody, and we look forward to talking to you on May 8.

Andrew Wilson - *Electronic Arts Inc. - CEO & Director*

Thank you so much.

Operator

This does conclude today's conference call. We thank you for joining. You may now disconnect.



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