

— PARTICIPANTS

Corporate Participants

Rob Sison – Vice President-Investor Relations, Electronic Arts, Inc.
Lawrence F. Probst – Executive Chairman, Electronic Arts, Inc.
Blake J. Jorgensen – Chief Financial Officer & Executive Vice President, Electronic Arts, Inc.
Peter Robert Moore – Chief Operating Officer, Electronic Arts, Inc.
Frank D. Gibeau – President-EA Labels, Electronic Arts, Inc.

Other Participants

Edward S. Williams – Analyst, BMO Capital Markets (United States)
Colin A. Sebastian – Analyst, Robert W. Baird & Co. Equity Capital Markets
Justin Post – Analyst, Bank of America Merrill Lynch
Arvind Bhatia – Analyst, Sterne, Agee & Leach, Inc.
Doug L. Creutz – Analyst, Cowen & Co. LLC
Stephen Ju – Analyst, Credit Suisse Securities (USA) LLC (Broker)
Brian P. Fitzgerald – Analyst, Jefferies LLC
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— MANAGEMENT DISCUSSION SECTION

Operator: [Operator Instructions] Now I'd like to turn the meeting over to Mr. Rob Sison, Vice President of Investor Relations. Thank you. You may begin.

Rob Sison, Vice President-Investor Relations

Thank you. Welcome to EA's Fiscal 2014 First Quarter Earnings Call. With me on the call today are Larry Probst, our Executive Chairman; Blake Jorgensen, our CFO; and Peter Moore, our COO. Frank Gibeau, our President of Labels will be joining us for the Q&A portion of the call. Please note that our SEC filings and our earnings release are available at ir.ea.com. In addition, we have posted earnings slides to accompany our prepared remarks. Lastly, after the call, we will post our prepared remarks, an audio replay of this call and a transcript.

This presentation and our comments include forward-looking statements regarding future events and the future financial performance of the company. Actual events and results may differ materially from our expectations. We refer you to our most recent Form 10-K for a discussion of risks that could cause actual results to differ materially from those discussed today. Electronic Arts makes these statements as of July 23, 2013, and disclaims any duty to update them.

During this call unless otherwise stated the financial metrics will be presented on a non-GAAP basis. Our earnings release and the earnings slides provide a reconciliation of our GAAP to non-GAAP measures. These non-GAAP measures are not intended to be considered in isolation from, as a substitute for or superior to our GAAP results. We encourage investors to consider all

measures before making an investment decision. All comparisons made during the course of this call are against the same period in the prior year unless otherwise stated.

Now, I'll turn the call over to Larry.

Lawrence F. Probst, Executive Chairman

Thank you, Rob. Our performance in the first quarter reflects an important trend we have identified in the past year. Digital revenue from strong brands projected across multiple platforms has become a major component of our business. In Q1, 76% of our non-GAAP revenue was digital driven by the online services of blockbuster franchises like Battlefield and FIFA, as well as our strong mobile portfolio.

Blake will provide more detail on our financials but EA has delivered revenue and EPS above our guidance. We did this through a combination of stronger than expected digital revenue and cost controls. Our results also reflect the phasing of expenses out of Q1 into future quarters. We realize this is just one quarter and there is a lot of work in front of us, but we think this is a solid step toward our ambitious goal of holding expenses flat in a console transition year.

As you know, I am serving an interim role as Executive Chairman while the Board of Directors searches for a new CEO. In this capacity, I have identified three priorities on which I can update you today: first, we are managing the business with continued focus on our upcoming product launches and disciplined cost controls to generate growth on both the top and bottom line.

Second, I am assisting the Board of Directors in searching for a new CEO. While we have nothing specific to share today, the Board is fully engaged in this process and evaluating both internal and external candidates.

Third, and most important, we are working to ensure that EA delivers the very best games and services on the new consoles, current-generation systems, PC and mobile. Again, the early returns demonstrate we are making significant progress and consumers are excited about our products.

Last month at E3, our teams took home 116 awards from more than 220 nominations, more than any other publisher.

Later in the call, Peter Moore will tell you about our publishing strategy and Frank Gibeau is here to answer your questions about product development. We are incredibly excited about the momentum our teams have generated but we aren't taking anything for granted. We have a lot of work ahead of us. EA is committed to creating and marketing the industry's best games and services and equally committed to doing it without increasing our costs.

With that, I'll turn the call over to Blake Jorgensen.

Blake J. Jorgensen, Chief Financial Officer & Executive Vice President

Thanks, Larry. Starting with our Q1 results, EA's non-GAAP net revenue was \$495 million, which was above our guidance and Q1 last year. This quarter was marked by continued strong sales of Battlefield 3 and FIFA 2013, as well as solid performance from the rest of our catalog titles.

EA's Q1 non-GAAP digital net revenue also contributed significantly to the higher than expected results. Digital net revenue increased by 17% year-over-year to \$378 million, and accounted for 76% of this quarter's revenue. Our digital business continues to be a diversified mix of high growth, profitable segments. The trailing twelve-month digital net revenue was up 28% to a record \$1.72

billion. Breaking down our digital revenue into its key components highlights the performances of each business.

First, extra content and free-to-play contributed \$177 million, up 35% over the prior year, led by sustained growth in FIFA Ultimate Team, as well as Star Wars: The Old Republic, and FIFA Online 3. This revenue relates to businesses on – or business on PC or consoles, where consumers can enhance or extend their gaming experience by buying additional digital content.

Second, our mobile business generated \$103 million for the quarter, up 30% over the prior year. Smartphones and tablets continue to represent a majority portion of the revenue, accounting for \$90 million of the \$103 million total, and growing 73% year-over-year. The Simpsons: Tapped Out and Real Racing 3 continue to be key contributors. Given the significant global growth in the smartphone and tablet markets, we are very focused on this business.

Third, full game downloads represented \$37 million, up 12% over the prior year. This revenue is driven by PC-centric products. Solid performances by Battlefield 3 and The Sims 3 both popular PC titles, contributed to the increase in full game downloads.

And fourth, subscriptions, advertising, and other digital revenue contributed \$61 million, down 25% over the same period last year. In the previous year, Star Wars: The Old Republic was a subscription-only based MMO. This year, some of the revenue was recognized in the free-to-play category as we expanded this title to be both a subscription and free-to-play game. If you were to combine all of our extra content free-to-play with subscription, ads, and other, we still saw more than 10% growth over the same period last year.

Moving on to gross margin: our non-GAAP gross margin for the quarter was 63.8%, better than our guidance and an increase from 61.5% in Q1 last year. The increase was due to our focused efforts to reduce online support costs and solid results from our digital revenue offerings.

Operating Expenses for the quarter were \$477 million, \$53 million lower than our guidance. Some of the lower operating expenses are due to our cost control program taking hold, but a majority of the positive variance is due to phasing of key expenses in both marketing and head count.

As a reminder, on the last call, we prioritized a fiscal operating plan with a disciplined approach to cost control. Consequently, we anticipated incurring severance payments with the majority of costs to be recognized in the first quarter. We executed on the majority of our planned actions this quarter and believe we are well positioned to hold our operating costs essentially flat to last year.

The resulting non-GAAP loss was \$0.40 per share, exceeding our guidance due to strong revenues, higher gross margin, and lower operating expenses primarily attributed to delayed spending.

Our cash and short-term investments at the end of the quarter were \$1.41 billion, or \$4.60 per share. Roughly 60% of this cash and short-term investment balance is held outside of the U.S.

Net cash used in operating activities for the quarter was \$248 million. On a trailing twelve month basis, operating cash flow was \$320 million, which is relatively flat compared to Q4 fiscal 2013.

During the quarter, we did not repurchase any shares. However, we are still committed to our program, which as a reminder, is a \$500 million share repurchase program initiated a year ago. At this point, the total shares repurchased under this program remains at 22 million at a total cost of \$278 million.

Before providing guidance, we want to remind you of one specific GAAP related item we discussed last quarter. We have developed a deeper relationship with our gamers, resulting from our growing

games-as-a-service model. Our consumers are playing our games online over longer periods of time, and this longer period affects the length of time over which we are required to recognize GAAP revenue. This fiscal year, we are lengthening the recognition period, resulting in an estimated \$500 million of net revenue being deferred into fiscal 2015. This longer service period has no impact on our non-GAAP revenue or cash flows.

Turning to guidance and focusing on Q2, GAAP revenue is expected to be \$625 million, as compared to \$711 million in the prior year. GAAP loss per share is expected to be \$1.22, as compared to \$1.21 per share in the prior year. Our non-GAAP revenue for the quarter is expected to be \$975 million, a 10% decrease over last year's \$1.08 billion.

As we mentioned in our last earnings call, we tempered our expectations on current generation titles as we are in the late stages of the console cycle, and all of this quarter's packaged goods revenue will be driven by current generation offerings. This quarter we expect to launch five major titles, including one free-to-play game. We also expect to release five mobile titles. Peter will provide more insights regarding these launches.

Our non-GAAP gross margin is forecasted to be approximately 61%, slightly better than prior year, due to the positive impact we have seen from our digital product mix. Operating expenses will be impacted by the phasing of some of our operating expenses from Q1. We expect our non-GAAP operating expenses to be \$550 million.

This results in a non-GAAP diluted EPS of \$0.12 per share, as compared to \$0.15 per share last year.

For fiscal year 2014 we are reiterating our non-GAAP guidance announced at the beginning of the year – net revenue of \$4 billion and \$1.20 of fully diluted EPS. The GAAP guidance is estimated to be \$3.5 billion in revenue and a loss per share of \$0.98.

We recognize that our Q1 results were ahead of our guidance, but let me point out Q1's revenue represents only 12% of our forecasted non-GAAP annual revenue and was primarily driven by catalog titles. As I said earlier, some of our favorable operating expense results were due to phasing, and we expect that spending to occur in future quarters.

Our most significant quarters, which still present sizeable risks and opportunities, are ahead of us. Using a sports analogy, we just got through the pre-season, and while we may have won all of our games, the regular season is just getting started with Q2.

Now with that I'll turn the call over to Peter.

Peter Robert Moore, Chief Operating Officer

Thanks Blake. Today I'm going to provide some perspective on three topics: first, an update on our performance on consoles and mobile in the first half of the year; second, a report on our progress in Asia; and third, an outline of our strategy for marketing games for both Gen 4 and current generation systems when the new hardware launches this holiday.

I'll start with our performance to date. As both Larry and Blake mentioned, our first quarter was defined by the powerful ongoing performance of two flagship franchises: Battlefield and FIFA. FIFA 13 has been in the market for 10 months now and Battlefield 3 for 20 months. Yet during this calendar year, both continue to chart among the western world's top 20 performing games, with FIFA still in the top 5. These blockbusters keep delivering with a service model that provides more content for the consumer and a revenue stream that extends months, even years after launch.

On mobile EA continues to chart breakout hits based on big brands. I'll start with The Simpsons: Tapped Out, which debuted on iOS in 2012. In June we released the Waterfront update, which drove daily active users to 5.9 million in the quarter and established the game as the number five top-grossing app on both iPhone and iPad in the U.S. The Krustyland update is scheduled for release at the end of this month and we're developing more updates to keep Simpsons fans engaged.

Next is The Sims FreePlay for iOS and Android. This is a great example of how a big brand can be extended across multiple platforms. In Q1, The Sims was among the top 10 grossing games on iPad in both the US and UK.

Real Racing 3 has earned a huge fan base for bringing console-quality graphics to iOS and Android. This month, Real Racing 3 released an update, which adds new courses and features such as time trials and cars from Mercedes-Benz and Bentley.

This is a big year for EA's PopCap Studio and we're seeing a lot of consumer excitement over Plants vs. Zombies 2, which will debut on iOS at the end of this quarter. The game is now in soft launch on iOS in New Zealand and Australia and has reached the number one ranking for free-to-play games in both markets. All over the world there is anticipation building for this one – I think PopCap is about to deliver another big winner.

One final note on mobile: as both Larry and Blake mentioned, our quarter was notable for the high percentage of revenue attributable to digital games and services. To that end, Apple was EA's biggest retail partner measured by sales. That, is a first.

Next, I want to highlight some of the progress we're making in Asia. In December, we partnered with Nexon to launch the beta version of FIFA Online 3 in Korea. Since then the game has become the number one online sports game based on traffic and revenue in Korea and the number two game in Korean PC cafes.

Later today in Shanghai, EA and Chinese publisher TenCent will announce a similar agreement to bring FIFA Online 3 to that country as well. It's hard to frame this one without superlatives: the world's biggest online publisher is bringing the world's biggest sports game, to the world's biggest market.

Together, these two partnerships represent a growth opportunity for EA in Asia. Teaming up with publishers of the caliber of Nexon and TenCent provides local expertise and deep insight into the largest market for games as a service.

In the months ahead we expect to forge additional agreements to bring EA's biggest brands to new consumers in Asia and other new markets.

Next, I want to share some insight into our strategy for supporting the launch of the next generation consoles while servicing the millions of consumers playing on current generation systems. This is particularly important this year when the new hardware launches shortly after the release of our biggest sports games.

Consumers are acutely aware that new hardware is coming. Neither company has shared their specific volume targets but there are outward signs of strong consumer demand. Microsoft reports that Xbox One presales are trending ahead of the 360 during the same time period and major US retailers have sold out of their pre-sell allotments. And PlayStation believes this will be their biggest hardware launch ever. So we believe that the key indicators are pointing to a strong launch for both consoles in the holiday window.

The new systems are spectacular and we expect millions of players will quickly make the transition to better graphics, online features and motion control. Our job as a publisher is to provide an easy migration for the millions of players who choose to transition onto the new hardware.

EA SPORTS offers a snapshot of how we plan to do this. Madden NFL will launch on the current generation consoles on August 27 and FIFA will follow worldwide by September 27. Next generation versions will debut with Xbox One and PlayStation 4 in the holiday quarter.

Today, we announced that FIFA 14 will allow players to transfer their full roster of Ultimate Team players and in-game items from Xbox 360 to Xbox One, and from PS3 to PS4.

Our Madden franchise will provide a similar service and EA SPORTS will have more news on easing the transition when we present at gamescom in August. Our goal is to make moving day painless – to welcome players onto the new consoles with a minimum distraction and inconvenience.

Finally, an update on product quality. We couldn't be happier with the quality of the games our teams are producing or the early reception those games are getting from critics and consumers. As many of you who attended can attest, EA had a spectacular showing at E3. We received 220 nominations and brought home a record 116 awards, including Best of Show and a slew of top honors for Titanfall from Respawn.

Need for Speed Rivals won Best Racing Game, and our NHL franchise, a perennial favorite with critics, won Best Sports Game. Two other games drew spectacular praise, Battlefield 4 coming this year from our DICE Studio and from PopCap, Plants vs. Zombies: Garden Warfare.

As everyone knows, this is a hit driven industry, and this year, EA has engineered an incredible lineup of proven blockbusters and new IP. The quality, quantity and sheer magnitude of titles coming from our studios in the next 12 months will define our leadership on the next generation of hardware. We're making incredible games and we're planning to give them all the marketing and sales support they deserve.

With that, I'll hand it back to Larry.

Lawrence F. Probst, Executive Chairman

Thank you Peter. I want to reiterate what Peter said about the line-up of proven franchises and new intellectual property we showed at E3. We couldn't be more proud of those games, and of the people who are building them.

In summary, EA is in very good shape. We are executing on a clear set of goals for leadership on mobile, PC, current generation systems and next generation consoles. The big bets we've made with blockbusters like FIFA, Madden, NBA Live, NHL, Battlefield 4, Sims 4, Need For Speed Rivals, and Plants vs. Zombies are tracking well with critics and consumers.

We believe both Sony and Microsoft are offering a compelling value proposition for consumers – a big step up in technology at an attractive price.

Our mobile titles are extremely popular around the world and show great staying power with frequent content updates.

All of this is happening in parallel with a renewed commitment of cost discipline and margin improvement. Our plan is to hold year over year operating expenses flat – a formidable goal in a hardware transition year and a first in the history of this company.

I'll finish by thanking our employees and our investors for their ongoing commitment to Electronic Arts. And with that, Blake, Frank, Peter and I will take your questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from Edward Williams. Please state your company name and you may ask your question.

<Q – Edward Williams – BMO Capital Markets (United States)>: BMO Capital Markets. Just looking at the September quarter and your expectations for current gen sales, what are you – what are you looking for as far as year-over-year comparisons versus some of the key sports titles?

<A – Blake Jorgensen – Electronic Arts, Inc.>: Yes, so we – this as Blake. Thanks for the question. As we talked about in the last quarter's guidance, component of the call when we were giving full year guidance, we help people understand that Gen 3 sports titles would be down year-over-year slightly, with the exception of FIFA, which we believe will continue to see growth because of the strength of that franchise around the globe and that sport around the globe.

We are conscious of the fact that some of those titles will also sell on Gen 4, Madden for example, FIFA, NHL, and we want to make sure that we're marketing those titles into Gen 4 and making that transition as smooth as possible, as Peter mentioned. But for the year, we're assuming, because some of those titles ship before the Gen 4 boxes are out, but the total franchise, both Gen 3 and Gen 4, will be down slightly and that's built into our guidance.

<Q – Edward Williams – BMO Capital Markets (United States)>: And then just as a follow-up to that, as you look to the fiscal year to your \$4 billion top line, how much of Gen 4 are you looking for out of that?

<A – Blake Jorgensen – Electronic Arts, Inc.>: It's a relatively small portion. We haven't carved it out publicly. But since the installed base of Gen 4 will still be relatively small even through the Christmas cycle or holiday cycle, and the bulk of our titles fall in the first three quarters of the year, our assumptions are that relatively small portion of our total revenue actually be Gen 4 this year.

<Q – Edward Williams – BMO Capital Markets (United States)>: Okay great. Thank you.

<A – Blake Jorgensen – Electronic Arts, Inc.>: Next question?

Operator: Colin Sebastian, please state your company name and you may ask your question.

<Q – Colin Sebastian – Robert W. Baird & Co. Equity Capital Markets>: Thanks, Robert Baird. Good quarter guys and start to the year. I guess first off, Frank or Peter, at E3 you talked about lean back games and the opportunity for new business models on top of premium pricing. If maybe you can update us on how quickly we should expect some of those alternative models on franchises like Battlefield and Need for Speed and others?

And in terms of the revenue upside it looks like most of that came from the digital side of the business. Blake, maybe if you could break that out for us versus packaged goods. And as a follow up to Ed's question, given some of the positive data points on pre-orders for next gen, which is good obviously, are you seeing consumers pulling back on current gen purchases more or less than you anticipated at the start of the year? Thanks.

<A – Frank Gibeau – Electronic Arts, Inc.>: Yes this is Frank. I'll start with the first question. The good news is we're seeing that those alternative business models are already in action with games like FIFA and Battlefield. So if you look at Ultimate Team and how it performed in fiscal 2013 for FIFA, that was a \$200 million digital opportunity for us.

And going forward those alternative business models as it relates to Battlefield Premium and FIFA Ultimate Team will continue to expand and continue to grow as the online capabilities of the Gen 4

machines really manifest themselves and become real. We'll seek to expand those opportunities across additional franchises, and we are experimenting with some additional business models that you'll see come out as we release new IPs and new titles over the first 24 months of the Gen 4 platforms.

<A – Blake Jorgensen – Electronic Arts, Inc.>: So on the digital piece, Sebastian, so \$495 million total net revenue for the quarter. Of that \$378 million was digital. And that's a year-over-year growth of about 17%. I think important as well is the trailing 12 months now has total digital at \$1.7 billion or 28% year-over-year trailing 12 month growth.

Inside the digital business, we tried to break out for people here in the formal part of the script the key components. The mobile side of the business up 30%, that's pretty consistent with the guidance we provided during our call last quarter for the full year. And that really is being driven by continued growth of The Simpsons franchise, Real Racing and FIFA Online 3 in Asia. And the part of the business that is also up big is the extra content business. We actually guided for the full year for that to be flat because many of the social titles that we took out of the year last year was part of our restructuring process, but the FIFA Online or FIFA Ultimate Team business continues to perform extremely well and drove that business up 35%.

In addition, as you know, we started a free-to-play Star Wars business and part of that is showing up in the extra content. So you're seeing the subscription business down 25%. That's a reduction, some of the people moving away from Star Wars subscriptions and playing the free-to-play, which is helping drive the extra content side of the equation. And then last but not least, full game downloads was up about 12%. A lot of that is based on the franchises that Peter mentioned earlier, Battlefield and FIFA where people are continuing to buy full game download versions of that even well into the second year of that franchise.

<A – Peter Moore – Electronic Arts, Inc.>: Hi, Colin, this is Peter. And your – your final question on pre-orders. Yeah. This is something that of course you and I have seen over the years of transitions is that as consumers are anticipating the next gen hardware. We're seeing softness, in particular, on our key sports titles on current gen pre-orders. I think consumers anticipate getting the new hardware. We certainly came out of E3 with renewed enthusiasm for new hardware, and I think that's being reflected in current gen pre-orders. The only difference being that we are actually seeing strong pre-orders for Battlefield 4 versus where we were on Battlefield 3 at this time prior to launch.

So softness as anticipated and as planned in pre-orders for sports titles right now. Probably the exception on that is FIFA, which we continue to see great anticipation around the world. I think pre-orders will start to come in late as consumers start to realize that there maybe not enough hardware to go around for every consumer in the world to buy a next gen piece of hardware. But this is as planned, as anticipated. I do see and expect to see some pickup as we get closer to launch.

<Q – Colin Sebastian – Robert W. Baird & Co. Equity Capital Markets>: Great. Thanks very much.

<A – Blake Jorgensen – Electronic Arts, Inc.>: Next question.

Operator: Justin Post. Please state your company name and you may ask your question.

<Q – Justin Post – Bank of America Merrill Lynch>: Thank you. Justin Post, Merrill Lynch. Could we move into a little – couple of extra questions on digital? What really is driving the upside to your plan so far? And do you think that does carry forward and give you optimism on future quarters? And then secondly, can you give us any update on the plan for the Battlefield digital? Will

it be a subscription or will it be map pack downloads? Any help on how you're going to kind of monetize the digital on that title? Thank you.

<A – Blake Jorgensen – Electronic Arts, Inc.>: Sure. So I'll start and then I'll let Frank follow up on the Battlefield part of the question. We're not going to, Justin, give any new guidance relative to our digital growth. I think if there was a surprise in the quarter, it was the continued strength of FIFA Ultimate Team, as well as continued growth in full game downloads for some of the franchises that, frankly, are at the tail end of their life. Battlefield 3, for example, this is still going strong even though we're getting close to shipping Battlefield 4. So that helped drive some of the full game download.

Star Wars continues to do well, and obviously, the mobile business is growing with the growth of the mobile platforms around the globe and we're benefiting from that. I think we're pretty consistent in where we think our guidance originally was on the growth there. And if that changes a lot, we'll let you know about it in future quarters. But right now, I think the general focus should be that the guidance is about the same on digital and on packaged goods going forward.

<A – Frank Gibeau – Electronic Arts, Inc.>: This is Frank. On Battlefield 4 digital, we have nothing to announce on that particular approach today. We'll have some announcements coming in the next several weeks. So we'll give you more clarity and understanding of what we're going to do there.

<Q – Justin Post – Bank of America Merrill Lynch>: Thank you. Appreciate it.

<A – Blake Jorgensen – Electronic Arts, Inc.>: Next question.

Operator: Arvind Bhatia, please state your company name and you may ask your question.

<Q – Arvind Bhatia – Sterne, Agee & Leach, Inc.>: Thank you. Sterne Agee. Good quarter, guys. I wanted to ask you about the earnings beat that you mentioned, some of that's coming from the phasing of operating expenses. Blake, wondering if you might be able to provide some more granularity there. Just how much of that beat was expense related? Obviously, you've beaten the top line as well. And my second question is on Facebook games, where we see a general slowdown. You've pulled back a little bit. Just help us think about expectations going forward on that business. Thank you.

<A – Blake Jorgensen – Electronic Arts, Inc.>: Sure. Let me hit the over delivery in Q1, and then I'll have Frank talk a little bit about Facebook games. So we are being cautious because obviously, 12% of our revenue plan has been achieved in Q1. We've got 24% phasing in Q2 and 45% in Q3. That's a lot of revenue ahead of us. And many of our costs are variable: marketing, outside contractors that help a lot of the last-minute game testing that goes on, as well as purely the margin associated with the games volumes. And so since we've got so much ahead, we feel like some of the cost will get phased into those quarters, and we could use that or need that, and thus we're not changing our guidance. I think the other way to look at it is we've got 130%-plus percent of our EPS to now go – to go bring in, still a lot of work ahead. And I think all of us are focused on trying, as Larry said, maintain the flat cost year-over-year. We're confident that we can do that. But as part of our plan, we won't want to get ahead of ourselves by moving up guidance too quickly.

<A – Frank Gibeau – Electronic Arts, Inc.>: This is Frank. As we look at our content plans out over the next several years, some of the things that we looked at was frankly the opportunity cost of these different platforms versus each other. And for Electronic Arts, we saw a much bigger opportunity and much bigger audience on mobile and on the consoles for the types of products and brands that we have. So we've de-prioritized the social segment for our portfolio and moved those resources and teams to focus in on the opportunity in mobile, as well as to help us continue to grow and maintain the console side of the business. There's still a very active gaming business on

Facebook and in the social channels, and we do participate there with several franchises and services. But our emphasis and focus over the next several years is going to be on mobile and HD consoles.

<Q – Arvind Bhatia – Sterne, Agee & Leach, Inc.>: That's great. Thank you, guys.

<A – Blake Jorgensen – Electronic Arts, Inc.>: Thanks. Next question.

Operator: Doug Creutz. Please state your company name. You may ask your question.

<Q – Doug Creutz – Cowen & Co. LLC>: Yeah Cowen & Co. Talking about sports a little bit. Obviously you guys shipped NCAA Football a couple weeks ago, and I wondered if you could share how that's trending versus last year and sell-through so far?

<A – Peter Moore – Electronic Arts, Inc.>: Hey, Doug. It's Peter. Yeah. As we said a couple of times now on the call we anticipated a little bit of a slowdown in current gen. It's a current gen only title. It's tracking below where we were with last year's title and nothing that we didn't anticipate. A long way to go yet obviously in selling this title through, but we're down versus where we were last year.

<Q – Doug Creutz – Cowen & Co. LLC>: Okay. Thanks.

<A – Peter Moore – Electronic Arts, Inc.>: Thanks, Doug.

Operator: Thank you. Stephen Ju, your line is open.

<Q – Stephen Ju – Credit Suisse Securities (USA) LLC (Broker)>: Credit Suisse. So Peter, curious as to the terms of the licensing agreement with TenCent for FIFA Online 3. Shall we assume that the rev share here is a fairly standard split for most games being released in China? And any sense in terms of when you start localization and closed beta testing as well as the government approval process? And Blake, will the new FIFA Online distribution deals be booked on a gross or net basis on the P&L? Thank you.

<A – Peter Moore – Electronic Arts, Inc.>: So Stephen, yeah on the FIFA Online TenCent deal, we're actually going to be in Shanghai tonight. The team is on the ground there making the announcement. I'm going to leave some of the details for them. I don't want to steal the thunder of what's going on there, and we obviously are not going to disclose the actual terms. But to reiterate what I said on the call, world's biggest publisher – digital online publisher, world's biggest market, world's biggest sport. It's all good.

<A – Blake Jorgensen – Electronic Arts, Inc.>: Yeah and I'll add – assume that we've baked into our forecast this year the business there. These types of arrangements take some time, as you know, to get up and running. We're very excited about the longer-term potential, but we know it'll take some time. You should assume that we had booked this as a net accounting, and also that the terms would be pretty standard with other type of terms you would see in a deal like this in China.

<Q – Stephen Ju – Credit Suisse Securities (USA) LLC (Broker)>: Okay. Thank you. And any other regions – you mentioned other regions. What other countries make sense for you to enter after China?

<A – Peter Moore – Electronic Arts, Inc.>: Yes. We'll be announcing – as I said, we'll be announcing further deals as we get further down the line but nothing to announce right now.

<Q – Stephen Ju – Credit Suisse Securities (USA) LLC (Broker)>: Thanks. Congratulations on a great quarter.

<A – Peter Moore – Electronic Arts, Inc.>: Thank you.

<A – Blake Jorgensen – Electronic Arts, Inc.>: Next question.

Operator: Brian Fitzgerald. Please state your company name and you may ask your question.

<Q – Brian Fitzgerald – Jefferies LLC>: Thanks. Jefferies. Maybe a quick follow-up to Doug's question. As you guys were assuming that the college football game is in next year's guidance, as you guys shift from NCAA to the Collegiate Licensing Company, what impact should we think about there? And then on the TenCent deal, should we expect FIFA to ramp as quickly in China as it did with Nexon in Korea? Thanks.

<A – Frank Gibeau – Electronic Arts, Inc.>: Yes, this is Frank. I'll take the NCAA license question. Basically, we are committed to the college football business. EA SPORTS is going to be publishing a college football game next year across multiple platforms with our partners at the Collegiate Licensing Company. And our fan base is going to see all the teams, conferences and innovative features that we're known for and what makes that franchise so great. So we don't think we're going to miss a beat here. The NCAA name and marks will leave the game, but the great game play content and capturing that college football spirit will be there for next year.

<A – Peter Moore – Electronic Arts, Inc.>: And Brian, on your question on the TenCent deal, actually, no. The thing that's different here is that we were rolling off a game with a different publisher, taking a user base and then migrating it very well as Nexon did on to the next version of the game in Korea. This is a little bit of a startup, if you will, with what TenCent is doing. So we see a slower ramp. We're not going to see much impact in this fiscal year. These are the types of things that build year 1, year 2, year 3 out. So in answer to your question, no. But the optimism for, again, world's biggest publisher, world's biggest game, world's biggest market is huge for us.

<Q – Brian Fitzgerald – Jefferies LLC>: Thanks, guys.

<A – Blake Jorgensen – Electronic Arts, Inc.>: Thanks, Brian.

Operator: Michael Olson, please state your company name and you may ask your question.

<Q – Mike Olson – Piper Jaffray, Inc.>: It's Piper [Piper Jaffray]. The OpEx discipline continues to be impressive. Just curious if you could update us on where you think there might still be room to make changes there? And would it potentially come from additional removal of titles from the library? Is it ongoing digital mix growth or changes in marketing strategies? And also if you could give us any indication on how you're thinking about multiyear target op margin potential, that would be great to hear. Thanks.

<A – Blake Jorgensen – Electronic Arts, Inc.>: Yeah so thanks for the question. This is Blake. Our focus is continuing to try to drive OpEx, flat OpEx, which means really savings across the whole organization. We've talked about reorganizing marketing under Peter and really driving the marketing organization towards more active use of the online components of marketing, where we're connected with our customer base as much as possible and really leveraging that.

Clearly, Frank's very focused on managing through the Gen 4 transition and making sure that we're very focused on keeping our costs down while moving through that transition and trading out lower – cost of the Gen 3 titles that we'll start to transition over to Gen 4. And then obviously, across all of the platform that our Chief Technology Officer, Rajat, has been deriving really been to try to maintain and build a back office that allows us to deliver, digitally, all of the titles that we are planning on doing on our digital business ourselves and bring our overall gross margins up with that.

We've talked publicly about a multiyear plan. We're not giving multiyear guidance but we do see a path to operating margins that are clearly into the 20%*s*. And we're all very focused on doing that and doing that without impacting more importantly or most importantly without impacting the quality of our games and the ability for us to deliver a great consumer experience.

<Q – Mike Olson – Piper Jaffray, Inc.>: Thank you.

<A – Blake Jorgensen – Electronic Arts, Inc.>: Next question?

Operator: James Hardiman, please state your company name and you may ask your question.

<Q – James Hardiman – Longbow Research LLC>: Longbow Research. Thanks for taking my call. A couple of questions on Battlefield. Blake, you talked at E3 about Battlefield basically being the X factor in terms of getting to your guidance for the year. So I guess a couple of questions. Is Battlefield being roughly flat with 2011 still what you'd need to get to your \$1.20 number or is it maybe a little bit easier than that given the first quarter beat? And then is there anything that you saw at E3 or within the quarter that makes you feel any better or any worse about the likelihood of Battlefield 4 meeting or exceeding Battlefield 3? And I guess just finally, if you care to give us any update in terms of the total sales to date of Battlefield 3, just as an idea of installed base, so to speak, as we get closer to Battlefield 4.

<A – Blake Jorgensen – Electronic Arts, Inc.>: Yes. I'll – let me start and then Frank can get you – or probably give you a little bit more color on what's going on with Battlefield or Peter as well. We're very optimistic based on what we saw coming out of E3. The excitement that was on the floor, the excitement around our press conference, the fact that we had 64 players playing virtually nonstop every hour the booth was open, was a very big positive, not to mention all of the nominations we got for awards. All of that continues to help us signal that we should be able to do what we did in Battlefield – for Battlefield 3 in the year which it's shipped, our fiscal 2012. I don't want to speculate today if we're going to ship more or less than that. I think we're still sticking with the guidance that we provided. And a big Battlefield is obviously important to us but we're very focused on that and the marketing floor is very much in gear. And I don't know if Peter or Frank want to add to that.

<A – Frank Gibeau – Electronic Arts, Inc.>: I would just add that we were – that the DICE team was very encouraged and excited by the reception at E3. We will be publishing the game across 5 platforms this Christmas, and we're excited about how we're matching up against the competition and what the Generation 4 technology on Xbox One and PlayStation 4 is going to enable us to do. We have a lot of innovation happening in the multiplayer game and new online features. But in addition to that, the single player experience has got even more epic than in Battlefield 3. So we feel like it's a generation ahead of Battlefield 3. We believe that we will exceed expectations, and it's very exciting around here right now in terms of the teamwork that we're putting against Battlefield 4.

<A – Peter Moore – Electronic Arts, Inc.>: Yes, and James, one more point from me. As I mentioned earlier, our pre-orders are stacking up well versus Battlefield 3. We came off a very strong E3. As I travel the world and speak to retailers, there is incredible optimism and anticipation for this title. And Frank and his team and, in particular, the DICE team has done brilliantly coming out of E3. I think we're well positioned versus our competition in this segment. And our 15 million target, which is what we ended up and what we currently have at Battlefield 3 feels very achievable. So we're feeling good there.

<Q – James Hardiman – Longbow Research LLC>: Very helpful, thanks guys.

<A – Blake Jorgensen – Electronic Arts, Inc.>: To a part of your question as well, there's been an amazing length of the Battlefield franchise or lengthening of the Battlefield franchise, particularly with the premium offering, that we put in place. Everyone knows the deferred revenue that we had last year from Premium, it really speaks to the amount of players that are still actively involved with our franchise and continuing to buy both the original Battlefield 3, the Battlefield Premium offering and teeing up, as Peter said, with pre-orders for Battlefield 4.

Next question?

Operator: Ben Schachter, please state your company name and you may ask your question.

<Q – Ben Schachter – Macquarie Capital (USA), Inc.>: Macquarie. A couple of mobile questions and then just a quick follow-up on the guidance. There's so much focus on the next gen consoles that as you mentioned, Apple was your leading retail partner in mobile just becoming more important. Can you talk about the platform battle between iOS and Android? Are you seeing Google and Apple getting more competitive in the same way that you see the platform guys with co-op payments or development help, those kind of things and any potential change to the general 70-30 rev split?

And then specifically just on Plants vs. Zombies 2 and the expectations, what does the revenue graph look like there? Is it a quick spike or is it slow growth? Is it – does it last a long time? Any discussion around Plants vs. Zombies 2?

And then finally, Frank mentioned some softness in the non-FIFA sports pre-orders. Is that the reason that the revenue beat in 1Q didn't flow through or was that already expected in guidance? Thanks.

<A – Blake Jorgensen – Electronic Arts, Inc.>: [indiscernible] (44:14) last one real quickly. That was expected in guidance, and we're pretty – it was exactly as we saw it. We would see some softness in Gen 3, and that's built into what we saw at the tail end of the quarter as well as our guidance for Q2.

<A – Frank Gibeau – Electronic Arts, Inc.>: Ben, this is Frank, I'll start and maybe Peter can dial in with some of the – some answers here. Let me start with just the general shape of the mobile business. Right now, it's growing like gangbusters. And a lot of that is due to its global nature. It's a platform that appeals across multiple regions and multiple territories. It's a very unified platform for us to publish into, so it's very efficient for us.

Google – the Android system versus iOS, it is a bit of a rivalry right now and there's a lot of competition and there's a lot of attention and capital being deployed there to try and grow their respective businesses. We publish on both. Over the last year we've been really expanding our Android offerings across our titles, and that has proven to be a key growth driver for us. And we see a lot of growth in front of us, especially driven by the blockbuster titles that we have in front of us.

Plants vs. Zombies 2, which comes out at the end of this quarter, is a freemium design and it'll be releasing across iOS. It will have a curve that is typical of a free-to-play game, but what you notice in mobile is what takes several years to unfold in a console business happens in a few months in mobile. So you could anticipate that these titles are starting to feel bigger and bigger and bigger. And the curves which used to be a lot lower or lower and slow are actually starting to spike a little bit earlier. But the great thing is they're really sustaining.

The Simpsons is now in its second year and is doing great revenue numbers. The Sims FreePlay, as Peter mentioned earlier in the call, is in its 18th month and is seeing record revenue days and weekends.

So these live services that are constantly updated with features and content, we can keep alive for multiple years. So the ecosystem on Android, the ecosystem on iOS is very positive for Electronic Arts, and we're just moving from success to success in mobile.

<A – Peter Moore – Electronic Arts, Inc.>: Yes. And on the question on the publishers, we are absolutely as a platform-agnostic publisher, enjoying the same situation we have in consoles right now, which is Sony and Microsoft, we now have with Apple and Google. The growth in particular of the Android operating system, as Frank pointed out, now puts us in a very enviable position because of two things. We have world-class brands that consumers find very easily on both the App Store within Google Play, and you have brands now, The Simpsons, Sims, Real Racing that are really starting to pull away from the competition there. So having both Google and Apple vie for our attentions and having our brands on their platforms is a very enviable position for EA. And we continue to be able to leverage that going forward.

<A – Blake Jorgensen – Electronic Arts, Inc.>: Next question?

Operator: Eric Sheridan, please state your company name and you may ask your question.

<Q – Eric Sheridan – UBS Securities LLC>: Sure, Eric Sheridan from UBS. A couple of quick ones. One, on the buyback, I just – I know we've got a portion of the buyback remaining, but I also noticed that the guidance for the share count continues to tick up both next quarter and through the fiscal year. So just wanted to sort of marry the view on the commitment to the buyback with the guidance around share count. On the Origin, I don't think we got an update on sort of subs or how you're thinking about Origin as a platform, would love to get that.

And then on the last issue, maybe Blake, take another swing at the margin question. Is there any way you guys can quantify the development costs that are going in for next gen this year as a headwind in operating expenses, so we could sort of think about, organically what you're taking out of the cost base as we move through the year? Thanks.

<A – Blake Jorgensen – Electronic Arts, Inc.>: Yes. Let me start and then I'll let Frank talk about Origin a little bit. So on the buyback, we don't assume in our guidance any buyback just because it's difficult to do. And you can see this year, our buybacks has not been – we had – did not operate it in the first quarter because just simply where we are in our buyback grid.

We are assuming in the share count that just a – basic attrition assumptions inside of our company as well as issuance assumptions as part of that. So that's all you're seeing there. And we'll keep people informed as we turn the buyback back on. Our intention is to continue to buy back stock, and we're simply in between stages of that program right now.

Just quickly on the development cost, and then Frank can probably add to this, is that we've told the Street both last year and this year, that roughly \$80 million to \$100 million a year was built in last year, and then an incremental \$80 million to \$100 million on top of that this year. So you got a couple hundred million dollars of Gen 4 costs. Now there's offsets to that, both in terms of Gen 3 costs as well as some of the other costs that we went in to try to bring down to make sure we can hold our operating costs flat. And, obviously, that will bleed off over time as we get better at developing Gen 4 titles.

<A – Frank Gibeau – Electronic Arts, Inc.>: This is Frank. If you think about high-definition console development from fiscal 2013 to fiscal 2014, it's flat year-over-year. What we've adjusted is the mix underneath. We're doing less current gen development, more next gen. So anything that starts to go up on next gen, Gen 4 specific development is being offset by a reduction in either the SKU count or the investment in Gen 3. So the mix is really what we're managing but keeping the total flat. So HD console spending is flat year-over-year.

As it relates to Origin, a quick update there is we're still seeing very strong growth. Digital titles like SimCity, Battlefield continue to push the full game download components of Origin. And we're committed to making that a world-class service for consumers that makes the games better. Total installs are now north of 50 million. Mobile installs are north of 22 million. We have over 500 third-party games available across the service. And we expect a very favorable year for Origin coming up, with Battlefield being a big launch for us at holiday and seeing continued sustained sales in The Sims business, as well as SimCity heading into the holiday. So we're committed to Origin, we like where we're at. We know we can do better and are committed to doing so and that's the update on Origin.

<A – Blake Jorgensen – Electronic Arts, Inc.>: Next question.

Operator: Drew Crum. Please state your company name and you may ask your question.

<Q – Drew Crum – Stifel, Nicolaus & Co., Inc.>: It's Stifel [Stifel Nicolaus]. Thanks. Good afternoon, everyone. So I just wanted to get an update on the company's plans for pricing on next gen software? Also could you update us on your first-person shooter strategy once you move beyond Battlefield 4? And then finally, could you share with us your experience around monetization for Real Racing 3? I think you mentioned you have 45 million installs, which seems like a pretty successful game.

<A – Peter Moore – Electronic Arts, Inc.>: Yes. This is Peter. On the next gen pricing strategy, we have not announced obviously any pricing that is set by the retailer. We're working on our pricing strategy right now for the holiday. We need more information obviously from our first-party partners. But no announcements to make. Those will come from retailers when they set their prices.

<A – Frank Gibeau – Electronic Arts, Inc.>: Yes, this is Frank. On the shooter category at E3, we announced Battlefield 4, Titanfall, as well as Star Wars Battlefront, which has a third person component to it, so we think of it in the same category. But generally, when you look at those three franchise opportunities, that's how we're going to build our shooter business going forward. We're very excited at the reception for all three. Titanfall was the Game of the Show, Battlefield 4 did extremely well in terms of demand and reviews and an anticipated buzz, and then Star Wars Battlefront, we showed, I think, 22 seconds of kind of where we're going with it and the fan responses very positive.

The DICE team is well in the development on that product already. So we feel very bullish about our shooter rotation over the next several years. Real Racing 3 is a terrific experience for us, very high quality game, released and reached a very wide audience. We've been committed and we'll continue to be committed to releasing content, as Peter mentioned earlier. And we've added Mercedes Benz and Bentley to the experience. Because it's a live service, we will constantly be adjusting it and responding to user feedback and looking at the KPIs inside the economy and constantly tweaking and making that a better game and service over the long term. So we fully expect that we'll be in the Real Racing 3 business for years, much like we're seeing with The Simpsons as well as Sims FreePlay.

<A – Blake Jorgensen – Electronic Arts, Inc.>: We'll take one more question.

Operator: Thank you. Sean McGowan, please state your company name and you may ask your question.

<Q – Sean McGowan – Needham & Co. LLC>: From Needham. Thank you. First question for Blake, on the expense phasing, can you talk a little bit about the head count portion of that. Is that because people have not been hired who are going to be hired or because the recognition of expenses gets put off? And then second question, margin impact, as Origin grows, if that continues

to grow as a percentage of the total business, what – is there a gross margin impact of that growth or an operating margin impact of that growth? Thank you.

<A – Blake Jorgensen – Electronic Arts, Inc.>: Yes. So on the head count piece, we – it's not a recognition issue, it's the slowing of hiring. Part of that's coming through the work that we're doing on just trying to maintain a leaner organization, and part of it is coming through the timing for when those people are required in the company. And so you might see continued hiring during the year. Right now, it's been down because of some of the actions we took in Q4 and early Q1. In terms of your second question, I've forgotten it.

<Q – Sean McGowan – Needham & Co. LLC>: Margin impact of Origin growth?

<A – Blake Jorgensen – Electronic Arts, Inc.>: Yes, margin impact of Origin. So we've talked publicly about our goals to be driving gross margin as well as operating margin. And in the gross margin component, we've got a couple of things, which is, one, how do we operate a very strong platform, including Origin, to be able to do all of the servicing of online business from billing, collections, marketing and so forth. We clearly are bringing – we've been bringing that in-house and that comes in-house with a lower cost to us, and we think that will help us continue to drive gross margin. As you see, we've gone from 55% in the mid-2000 timeframe to now 66%, and we think there's an opportunity to be able to drive that closer into the high 60% over the next couple of years and maybe into the 70% longer term. And so that's clearly our goal and Origin is a key component of that.

<Q – Sean McGowan – Needham & Co. LLC>: Okay. Thank you.

Frank D. Gibeau, President-EA Labels

All right, I think, that's it.

Blake J. Jorgensen, Chief Financial Officer & Executive Vice President

All right. Thank you very much everyone.

Operator: Thank you. That does conclude today's conference. Thank you for your participation. You may now disconnect from the audio portion.

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