



# Electronic Arts Inc. Q2 FY 2023 Results

November 1, 2022

Electronic Arts

# Safe Harbor Statement

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

Some statements set forth in this document, including the information relating to EA's fiscal 2023 guidance information and title slate contain forward-looking statements that are subject to change. Statements including words such as "anticipate," "believe," "expect," "intend," "estimate," "plan," "predict," "seek," "goal," "will," "may," "likely," "should," "could" (and the negative of any of these terms), "future" and similar expressions also identify forward-looking statements. These forward-looking statements are not guarantees of future performance and reflect management's current expectations. Our actual results could differ materially from those discussed 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 products and services; the Company's ability to develop and support digital products and services, including managing online security and privacy; outages of our products, services and technological infrastructure; the Company's ability to manage expenses; the competition in the interactive entertainment industry; governmental regulations; the effectiveness of the Company's sales and marketing programs; timely development and release of the Company's products and services; the Company's ability to realize the anticipated benefits of and integrate, acquisitions; the consumer demand for, and the availability of an adequate supply of console hardware units; the Company's ability to predict consumer preferences among competing platforms; the Company's ability to develop and implement new technology; foreign currency exchange rate fluctuations; economic and geopolitical conditions; changes in our tax rates or tax laws; and other factors described in Part II, Item 1A of Electronic Arts' latest Quarterly Report on Form 10-Q under the heading "Risk Factors", as well as in other documents we have filed with the Securities and Exchange Commission.

These forward-looking statements are current as of November 1, 2022. Electronic Arts assumes no obligation to revise or update any forward-looking statement for any reason, except as required by law. In addition, the preliminary financial results set forth herein 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 September 30, 2022. 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 September 30, 2022.

# Select Operating Highlights and Metrics

- Total net bookings for the trailing twelve months was \$7.381 billion, up 4%.
- Live services and other net bookings for the trailing twelve months were up 7% and represent 73% of total net bookings.
- The EA player network grew to more than 600 million active accounts at quarter end.
- Net cash provided by operating activities was \$1.788 billion for the trailing twelve months.
- Based on the first four weeks of data, FIFA23 is our most successful launch yet, with unit sell-through up 10% on the comparable period for FIFA22.

# Key Business Drivers – Net Bookings

(in \$ millions)

**Q2 FY23 Total net bookings**                      **1,754**

In line with our expectations. Compared to the prior year, net bookings were down 2% in constant currency, driven primarily by the timing of the F1 launch (F1 released in Q1 this fiscal year vs. Q2 FY22).

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**Live services & other**                                      **1,119**

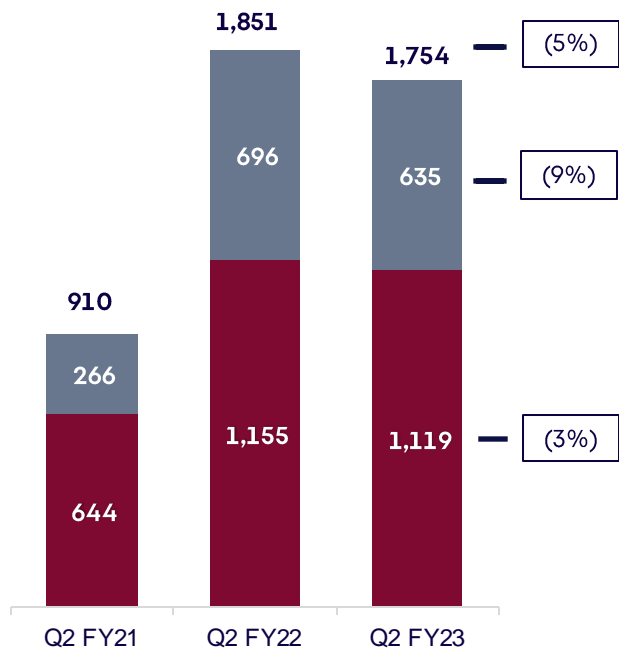
At constant currency, live services are flat year-over-year driven by the timing of the FIFA launch, offset by the addition of Golf Clash and strength of FIFA Online 4.

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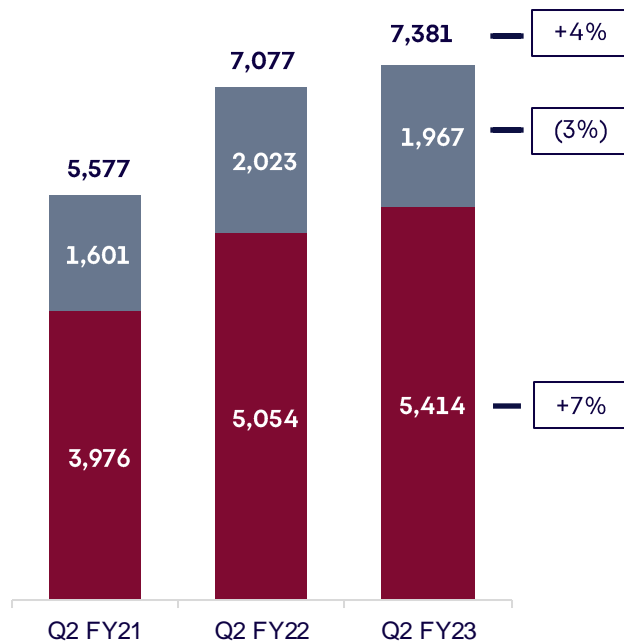
**Full game**    **635**

At constant currency, full game was down 6% driven by portfolio timing (F1 launch).

# Net Bookings by Composition



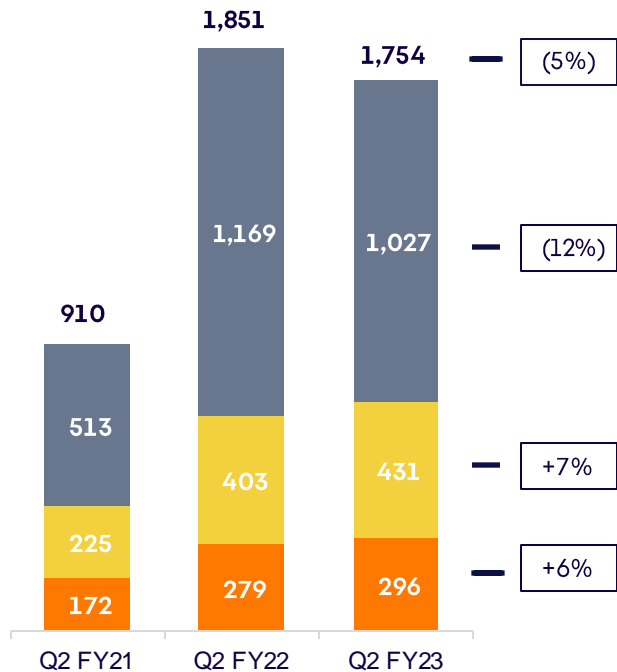
**Quarterly** (in \$ millions) YoY Growth



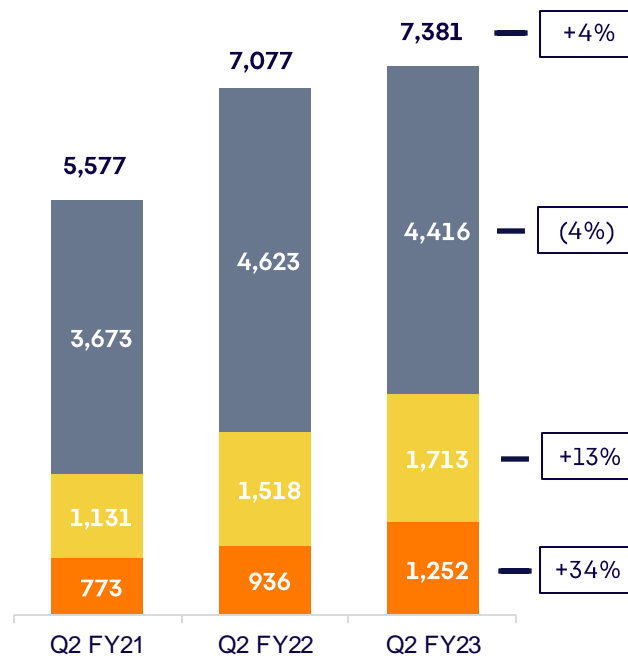
**Trailing 12 Months** (in \$ millions) YoY Growth

■ Full Game  
■ Live Services & Other

# Net Bookings by Platform



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



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

■ Console  
■ PC & Other  
■ Mobile

# Cash Flow Selected Data

Cash Flow Data (in \$ millions)		Actuals			
		Q2 2023	Q2 2022	Q2 TTM 2023	Q2 TTM 2022
Investing Cash Flow		(54)	(911)	(201)	(3,166)
Financing Cash Flow		(348)	(348)	(1,617)	(730)
Operating Cash Flow	A	(112)	64	1,788	1,416
Capital Expenditures	B	53	43	213	148
Free Cash Flow	A – B	(165)	21	1,575	1,268

# Expanding, Diversified Portfolio of Live Services

Active Console/PC

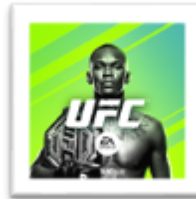
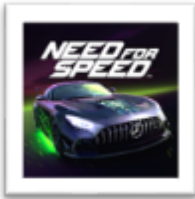
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# Mobile: Profitably Leveraging Our IP, Growing Our Portfolio

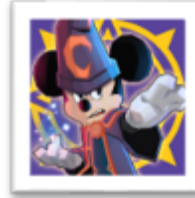
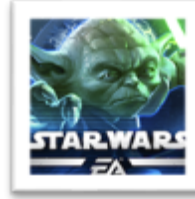
## Sports | Racing



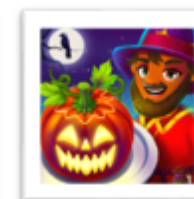
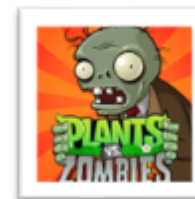
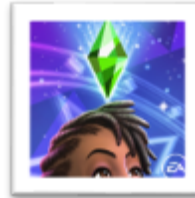
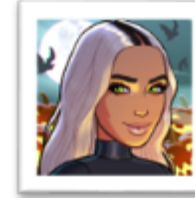
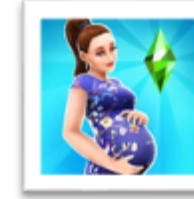
## Shooter



## RPG



## Casual | Lifestyle



# FY23 Title Slate

## Q1

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F1 22

## Q3

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Need for Speed Unbound  
NHL 23

## Q2

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FIFA 23  
Madden NFL 23

## Q4

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Dead Space  
PGA TOUR  
Super Mega Baseball  
Wild Hearts  
Major IP

- Titles are reflected in alphabetical order.
- Given the current mobile market conditions, we have decided to give Lord of the Rings: Heroes of Middle Earth more time in soft launch.

# Environment, Social and Governance Highlights and Commitments

**46%**

Increase in under-represented talent in executive (VP+) roles over the last two years

**Progress in Company-wide representation**

among women and underrepresented talent

**4k**

Non-profits supported

**\$9.5M**

In total giving through Social Impact Efforts

Continued leadership in **Inclusive Design**

**APEX**  
— LEGENDS —

**The SIMS4**

**100%**

Renewable energy sourced in ten of our data centers and four of our offices

**Scope 1 and 2**

Emissions disclosed for the first time

*For the complete report, please see our [2022 Impact Report](#)*

# FY23 Guidance Notes

(\$ in millions, except EPS)

	FY23E	Commentary
<b>Net revenue</b>	<b>7,550 to 7,750</b>	
<b>Cost of revenue</b>	<b>1,845 to 1,890</b>	Below our prior range, reflecting the gross margin benefit from revenue mix shift, driven by the relative strength of our console and PC franchises.
<b>GAAP EPS</b>	<b>\$3.11 to \$3.34</b>	Guidance is now higher, does not factor in future share repurchases.
<b>Operating cash flow</b>	<b>1,600 to 1,650</b>	Reaffirming full year guide for cash flow. Note: down YoY, primarily due to timing of our biggest non-sports launch coming in Q4, with collections in FY24.
<b>Net bookings</b>	<b>7,650 to 7,850</b>	We lowered our guidance range by \$250 million to reflect \$200 million in increased FX impact for the year, as well as adjusted expectations for the mobile market, offset by strength in our FIFA franchise.  Guidance implies net bookings up 2% to 4% YoY, or 6% to 9% in constant currency.

# Fiscal Year Guidance

The following table provides guidance for EA's Fiscal 2023 financial performance. These preliminary estimates and expectations are based on current information as of November 1, 2022 and are subject to business and economic risks and uncertainties that could cause actual events or actual future results to differ materially from expectations set forth herein. The following outlook for GAAP-based financial data and a long-term tax rate of 19% are used internally by EA to adjust our GAAP expectations to assess EA's operating results and plan for future periods.

For more information about the nature of the GAAP-based financial data, please refer to EA's Form 10-K for the fiscal year ended March 31, 2022.

This information is also available in Excel format in our financial model at [ir.ea.com](http://ir.ea.com).

	Twelve Months Ending March 31, 2023			
	GAAP-Based Financial Data*			
	GAAP Guidance Range	Acquisition- related expenses	Change in deferred net revenue (online- enabled games)	Stock-based compensation
(in \$ millions)				
Total net revenue	7,550 to 7,750	-	100	-
Cost of revenue	1,845 to 1,890	(125)	-	(5)
Operating expense	4,245 to 4,295	(155)	-	(565)
Income before provision for income taxes	1,452 to 1,556	280	100	570
Net income	871 to 934			
Number of shares used in computation:				
Diluted shares	280			

\* The mid-point of the range has been used for purposes of presenting the reconciling items.

# Q3 FY23 Guidance Notes

(\$ in millions, except EPS)

Q2E

Commentary

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**Net revenue**

**1,825 to 1,925**

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**Cost of revenue**

**560 to 580**

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**GAAP EPS**

**\$0.43 to \$0.59**

Our EPS guidance calculation does not factor in future share repurchases.

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**Net bookings**

**2,425 to 2,525**

# Quarterly Guidance

The following table provides guidance for EA's Q3 FY23 financial performance. These preliminary estimates and expectations are based on current information as of November 1, 2022 and are subject to business and economic risks and uncertainties that could cause actual events or actual future results to differ materially from expectations set forth herein. The following outlook for GAAP-based financial data and a long-term tax rate of 19% are used internally by EA to adjust our GAAP expectations to assess EA's operating results and plan for future periods.

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	Three Months Ending December 31, 2022			
	GAAP-Based Financial Data*			
	GAAP Guidance Range	Acquisition- related expenses	Change in deferred net revenue (online- enabled games)	Stock-based compensation
(in \$ millions)				
Total net revenue	1,825 to 1,925	-	600	-
Cost of revenue	560 to 580	(30)	-	-
Operating expense	1,080 to 1,090	(35)	-	(150)
Income before provision for income taxes	184 to 253	65	600	150
Net income	120 to 164			
Number of shares used in computation:				
Diluted shares	279			

\*The mid-point of the range has been used for purposes of presenting the reconciling items.

# Currency Assumptions

## Current FX assumptions<sup>1,2</sup>

	USD/ EUR	FY22 Q2A	FY23 Q2A	FY23 Q3-Q4E
<b>Net Bookings</b>		<b>1.18</b>	<b>1.02</b>	<b>0.96</b>
	GBP	<b>1.38</b>	<b>1.20</b>	<b>1.06</b>
<b>Operating Expenses</b>	CAD	<b>1.25</b>	<b>1.29</b>	<b>1.37</b>
	SEK	<b>8.63</b>	<b>10.39</b>	<b>11.38</b>

## Rule of thumb

If the U.S. dollar strengthens 10% against the Euro and British pound sterling:

- With hedging, total net bookings decrease ~2.0%
- Total cost of revenue and operating expenses decrease ~2.0%

If the U.S. dollar strengthens 10% against the Canadian dollar and Swedish krona:

- Total net bookings decrease ~0.5%
- With hedging, total cost of revenue and operating expenses decrease ~0.5%

Note: Our financial guidance includes the forecasted impact of the FX cash flow hedging program.

<sup>1</sup>For FY22 Q2A and FY23 Q2A, FX rates are a simple average of EA's actual monthly P&L rates. For FY23 Q3-Q4E, the same FX rates are used for all forecast periods.

<sup>2</sup>For all periods, FX rates are quoted using market convention.



# Appendix

- Net revenue, gross profit and operating cash flow are presented on a GAAP basis.
- Net bookings is an operating metric that EA defines as the net amount of products and services sold digitally or sold-in physically in the period. Net bookings is calculated by adding total net revenue to the change in deferred net revenue for online-enabled games. A calculation of net bookings can be found in the “Net Bookings” tab of the Financial Model provided on our IR website.
- We define EA’s player network as the number of active accounts used to play EA games and services on any platform over the preceding 12 months. We determine this operating metric by using internal company data. We also use information provided by third parties, including third party network logins provided by platform providers. While we believe that the operating metrics we report are reasonable estimates for the applicable period of measurement, there are inherent challenges in measuring how our games and services are played across large global populations. For example, while we seek to remove duplicate accounts in these metrics, we do not require players to use a common identifier or to link their accounts to play an EA game on console/PC and an EA game on their mobile device, or to play two or more EA games on a single mobile device. Therefore, a player that plays two of our games on a single mobile device or plays two of our games across different devices may be counted as two accounts. In addition, we evaluate our systems for false accounts, which represent user profiles that we believe are intended to be used for purposes that violate our terms of service, and remove them from our player network. From time to time, we may adjust the calculation for user activity or we may change our methodology.
- From time to time, we make comparisons of current periods to prior periods with reference to constant currency. Constant currency comparisons are based on translating local currency amounts in the current period at actual foreign exchange rates from the prior comparable period, net of the impact of hedging activities. We evaluate our performance on a constant currency basis in order to facilitate period-to-period comparisons without regard to the impact of changing foreign currency exchange rates.
- ESG information on Slide 11 reflects data as of the end of our fiscal year ended March 31, 2022.
- Forward-looking statements are valid as of November 1, 2022 only. Electronic Arts assumes no obligation to update these forward-looking statements, except required by law.