



# Electronic Arts Inc. Q2 FY 2022 Results

November 3, 2021

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 2022 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: the impact of the COVID-19 pandemic; 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; general economic 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, including our Annual Report on Form 10-K for the fiscal year ended March 31, 2021.

These forward-looking statements are current as of November 3, 2021. 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, 2021. 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, 2021.

# Executing On Our FY22 Key Growth Drivers

- Expanding our blockbuster franchises
  - Apex Legends Season 9 and Season 10 each respectively set new marks for the highest active players since Season 1.
  - Apex Legends was one of the most-watched titles on Twitch during the quarter with more than 130 million hours of Season 10 content watched to date, up nearly 40% from the previous season.
  - 7.7 million players joined the Battlefield 2042 Open Beta, including 3.1 million during the early access period, which is the largest early access event we've ever had.
- Building on our leadership in sports
  - Our global football franchise continues to be one of the leading sports game properties in the world, with approximately 100 million players across all platforms in the first six months of the fiscal year.
  - EA SPORTS FIFA 22 total players are up 16% and new to franchise players are up nearly 50% year-over-year from launch.
  - FUT engagement is up 15% year-over-year.
- Growing live services across our portfolio, particularly in mobile
  - Continued growth in our portfolio of more than 15 top mobile live services.
  - Closed the acquisition of Playdemic, creators of the massively successful Golf Clash mobile game.
  - **Star Wars:** Galaxy of Heroes surpassed 100 million players life to date.

## Q2 FY22 Financial Highlights

- Strongest second quarter in the history of Electronic Arts
- Beat expectations for net revenue
- Beat expectations for net bookings
- Beat expectations for EPS
- Raised outlook for the full year

# Financial Summary

**Q2 FY22** (\$ in millions, except EPS)

**Actuals**

**Guidance**

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Net revenue

1,826

1,775

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Operating expenses

992

1,030

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GAAP EPS

1.02

0.36

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GAAP net revenue overperformance was primarily driven by FIFA, both full game and live services, and Apex Legends.

GAAP operating expenses, which include recent acquisitions costs, came in below our expectations for the quarter but were up year-over-year primarily due to the incorporation of completed acquisitions as well as increased marketing spend to support our upcoming launches.

See following slides for further commentary on business drivers.

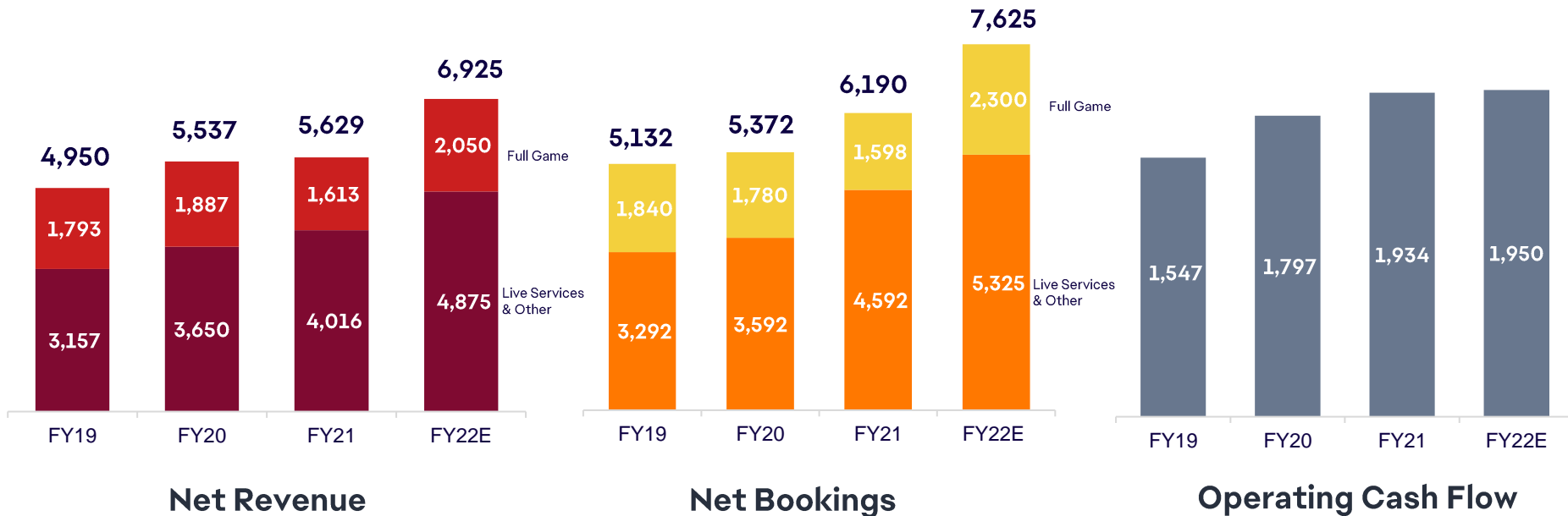
# Key Business Drivers – Net bookings

(in \$ millions)

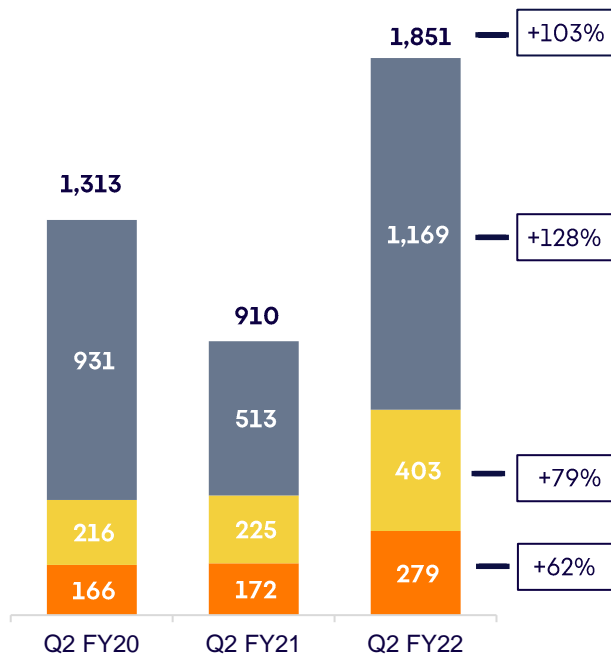
|                                   |  |              |   |
|-----------------------------------|--|--------------|---|
| <b>Q2 FY22 Total net bookings</b> |  | <b>1,851</b> | Year-over-year growth driven by FIFA, both full game and live services, and Apex Legends.<br><br>Note: FIFA 22 launched in Q2 FY22 compared to FIFA 21, which launched in Q3 FY21.  |
| <b>Live services &amp; other</b>  |  | <b>1,155</b> | Growth driven by FUT and Apex Legends.  |
| <b>Full game</b>                  |  | <b>696</b>   | Growth driven by FIFA, with FIFA 22 units sold through up 14% versus FIFA 21, based on the first three weeks of sales.<br><br>62% of units sold through are now digital rather than physical compared to 56% in the prior year period, measured on Xbox One/X/S, PlayStation 4/5 over the last twelve months. |

# Growth: Topline to Cash

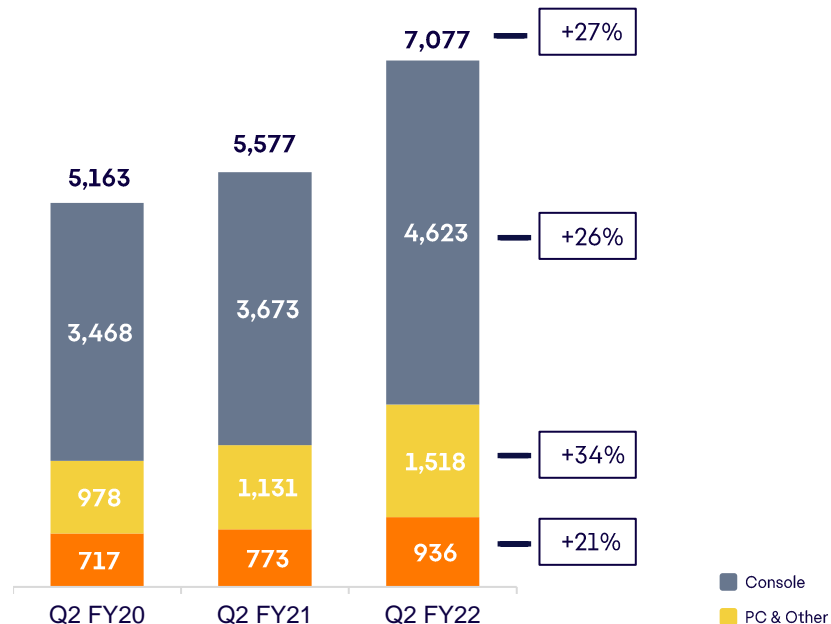
(in \$ millions)



# Net Bookings by Platform



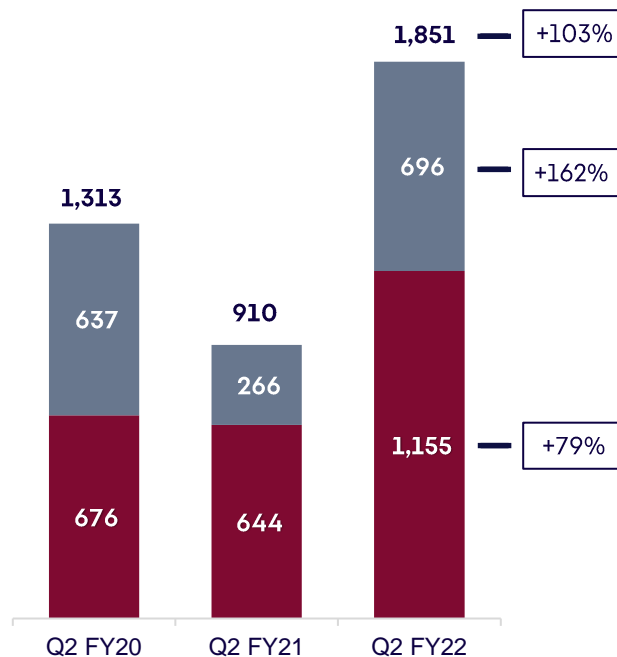
**Quarterly** (in \$ millions) YoY Growth



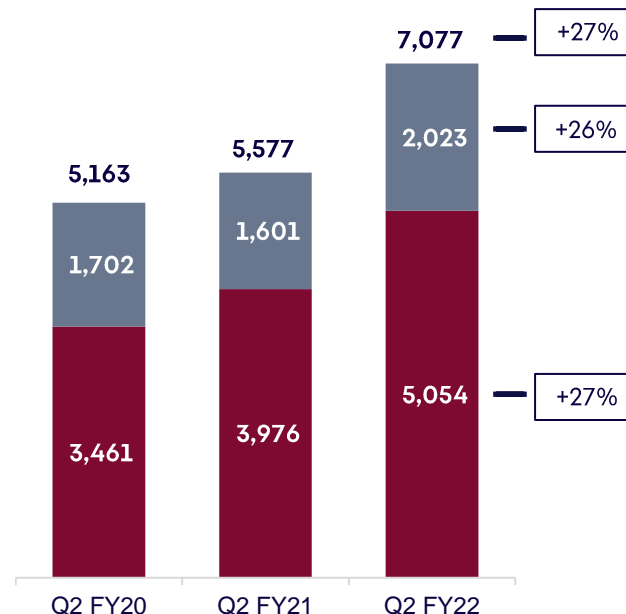
**Trailing 12 Months** (in \$ millions) YoY Growth



# Net Bookings by Composition



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

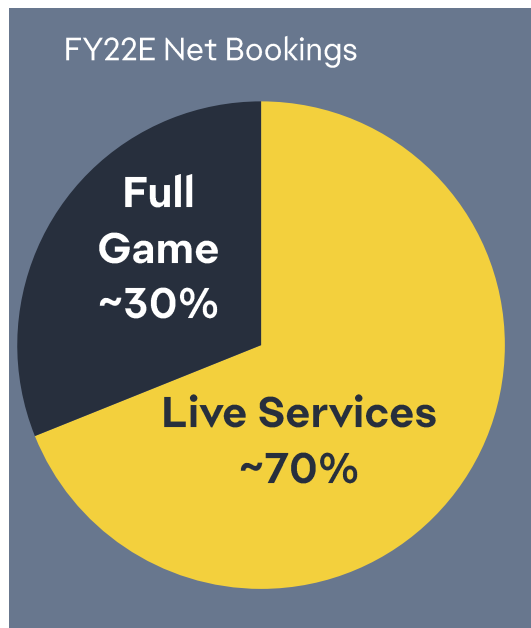


**Trailing 12 Months** (in \$ millions) YoY Growth

Full Game  
Live Services & Other

# Breadth of Our Portfolio

Live services, across over 25 games, are forecasted to deliver approx. 70% of net bookings in FY22.



Electronic Arts

## 25+ Live Services & Other

- Apex Legends
- Battlefield
- EA Play
- F1
- FIFA Online 4
- Mobile (+15 major titles)
- Pogo
- Star Wars the Old Republic
- The Sims 4
- Ultimate Team
  - FIFA
  - Madden NFL
  - NHL

## 18+ Full Games

- Battlefield 2042
- F1 2021
- FIFA 22
- Knockout City
- Lost in Random
- Madden NFL 22
- Mass Effect Legendary Edition
- NHL 22
- Significant catalog titles:
  - Battlefield V
  - FIFA 21
  - It Takes Two
  - Madden NFL 21
  - Need for Speed Hot Pursuit
  - NHL 21
  - Rocket Arena
  - Star Wars Jedi: Fallen Order
  - The Sims 4
  - UFC 4

Titles are reflected in alphabetical order and are only a representation of our portfolio, not an exhaustive list. Refer to appendix for additional disclosures.

# Expanding, Diversified Portfolio of Live Services

Active Q2 FY22 Console/PC

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# FY22 Announced Title Slate

## Q1

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Knockout City  
Mass Effect Legendary Edition

## Q3

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Battlefield 2042  
NHL 22

## Q2

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F1 2021  
FIFA 22  
Lost in Random  
Madden NFL 22

## Q4

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- The FY22 title slate has been updated to reflect the shift of EA SPORTS PGA Tour out of the fiscal year.
- For simplicity of disclosure, all fiscal periods are referred to as ending on a calendar month end. The actual quarter close dates are as follows: July 3, 2021, Oct 2, 2021, January 1, 2022, and April 2, 2022, respectively.
- Only announced titles with public launch dates are represented.
- Titles are reflected in alphabetical order.

# Mobile: Profitably Leveraging Our IP, Growing Our Portfolio with M&A

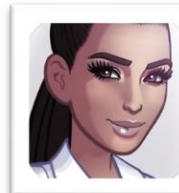
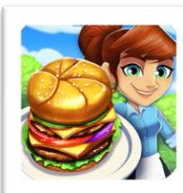
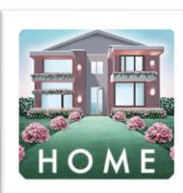
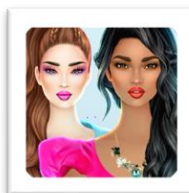
## Sports



M&A



## Casual | Lifestyle | Racing



# Fiscal Year Guidance Notes

(\$ in millions, except EPS)

FY22E

|                            |              |   |
|----------------------------|--------------|---|
| <b>Net revenue</b>         | <b>6,925</b> | Our updated FY22 guidance now includes six months of Playdemic operations.  |
| <b>Cost of revenue</b>     | <b>1,848</b> |   |
| <b>GAAP EPS</b>            | <b>2.03</b>  | Our EPS guidance calculation does not factor in future share repurchases.   |
| <b>Operating cash flow</b> | <b>1,950</b> | Raised our guidance for operating cash flow by \$100 million.   |
| <b>Net bookings</b>        | <b>7,625</b> | We are raising our net bookings guidance for the year, again, from \$7.4 billion to \$7.625 billion, based on confidence in our franchises and live services. |

# Fiscal Year Guidance

The following table provides guidance for EA's Fiscal 2022 financial performance. These preliminary estimates and expectations are based on current information as of November 3, 2021 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. In addition, while EA does not provide expectations on non-GAAP financial performance measures, the following outlook for GAAP-based financial data and a long-term tax rate of 18% 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, 2021.

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

|  | Twelve Months Ending March 31, 2022 |                                     |   |                             |
|--|-------------------------------------|-------------------------------------|---|-----------------------------|
|  | GAAP-Based Financial Data           |                                     |   |                             |
|  | GAAP<br>Guidance                    | Acquisition-<br>related<br>expenses | Change in<br>deferred net<br>revenue (online-<br>enabled games) | Stock-based<br>compensation |
| (in \$ millions)                         |                                     |                                     |   |                             |
| Total net revenue                        | 6,925                               | -                                   | 700   | -                           |
| Cost of revenue                          | 1,848                               | (130)                               | -   | (5)                         |
| Operating expense                        | 4,110                               | (145)                               | -   | (545)                       |
| Income before provision for income taxes | 908                                 | 275                                 | 700   | 550                         |
| Net income                               | 583                                 |                                     |   |                             |
| Number of shares used in computation:    |                                     |                                     |   |                             |
| Diluted shares                           | 287                                 |                                     |   |                             |

# Quarterly Guidance Notes

(\$ in millions, except EPS)

|                        | Q3E          | Commentary  |
|------------------------|--------------|---|
| <b>Net revenue</b>     | <b>1,750</b> |   |
| <b>Cost of revenue</b> | <b>625</b>   |   |
| <b>GAAP EPS</b>        | <b>0.02</b>  | Our EPS guidance calculation does not factor in future share repurchases.   |
| <b>Net bookings</b>    | <b>2,625</b> | We expect Q3 fiscal 2022 net bookings to be \$2.625 billion, up over 9% on last year's Q3, which, it should be noted, included the launch of FIFA 21 and was at the time our largest ever Q3. |



# Quarterly Guidance

The following table provides guidance for EA's Q3 FY22 financial performance. These preliminary estimates and expectations are based on current information as of November 3, 2021 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. In addition, while EA does not provide expectations on non-GAAP financial performance measures, the following outlook for GAAP-based financial data and a long-term tax rate of 18% 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, 2021.

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

| Three Months Ending December 31, 2021    |                  |                                     |  |                             |
|--|------------------|-------------------------------------|--|-----------------------------|
| GAAP-Based Financial Data                |                  |                                     |  |                             |
|  | GAAP<br>Guidance | Acquisition-<br>related<br>expenses | Change in deferred<br>net revenue (online-<br>enabled games) | Stock-based<br>compensation |
| (in \$ millions)                         |                  |                                     |  |                             |
| Total net revenue                        | 1,750            | -                                   | 875  | -                           |
| Cost of revenue                          | 625              | (50)                                | -  | -                           |
| Operating expense                        | 1,100            | (35)                                | -  | (135)                       |
| Income before provision for income taxes | 8                | 85                                  | 875  | 135                         |
| Net income                               | 5                |                                     |  |                             |
| Number of shares used in computation:    |                  |                                     |  |                             |
| Diluted shares                           | 287              |                                     |  |                             |

# Currency Assumptions

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

|                           | USD/ | FY21 Q2A    | FY22 Q2A    | FY22 Q3-Q4E |
|---------------------------|------|-------------|-------------|-------------|
| <b>Net Bookings</b>       | EUR  | <b>1.16</b> | <b>1.18</b> | <b>1.16</b> |
|                           | GBP  | <b>1.29</b> | <b>1.38</b> | <b>1.34</b> |
| <b>Operating Expenses</b> | CAD  | <b>1.34</b> | <b>1.25</b> | <b>1.27</b> |
|                           | SEK  | <b>8.93</b> | <b>8.63</b> | <b>8.77</b> |

## Rule of thumb

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

- With hedging, total net bookings decrease ~3.5%
- 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 FY21 Q2A and FY22 Q2A, FX rates are a simple average of EA's actual monthly P&L rates. For FY22 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.

# Cash Flow Selected Data

| Cash Flow Data (in \$ millions) |       | Actuals |         |             |             |
|---------------------------------|-------|---------|---------|-------------|-------------|
|                                 |       | Q2 2022 | Q2 2021 | Q2 TTM 2022 | Q2 TTM 2021 |
| Investing Cash Flow             |       | (911)   | (53)    | (3,166)     | (155)       |
| Financing Cash Flow             |       | (348)   | 32      | (730)       | (773)       |
| Operating Cash Flow             | A     | 64      | 61      | 1,416       | 2,041       |
| Capital Expenditures            | B     | 43      | 25      | 148         | 131         |
| Free Cash Flow                  | A – B | 21      | 36      | 1,268       | 1,910       |

# 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.
- Our financial expectations for the quarter ending December 31, 2021 and the fiscal year ending March 31, 2022 include estimates of the impact of our completed acquisitions on consolidated results and could be materially impacted as we integrate these acquisitions.
- Forward-looking statements are valid as of November 3, 2021 only. Electronic Arts assumes no obligation to update these forward-looking statements, except required by law.