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EA.OQ - Q2 2022 Electronic Arts Inc Earnings Call

EVENT DATE/TIME: NOVEMBER 03, 2021 / 9:00PM GMT

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PRESENTATION**Operator**

Good afternoon. My name is Ashley, and I will be your conference operator today. At this time, I would like to welcome everyone to the Electronic Arts Q2 Fiscal 2022 Earnings Conference Call. Mr. Chris Evenden, VP of Investor Relations, you may begin your conference.

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

Thanks, Ashley. Welcome to EA's Second Quarter Fiscal 2022 Earnings Call. With me on the call today are Andrew Wilson, our CEO; and Blake Jorgensen, our CFO. Please note that our SEC filings and our earnings release are available at ir.ea.com. In addition, we have posted detailed earnings slides to accompany our prepared remarks. Lastly, after the call, we will post our prepared remarks, an audio replay of this call, our financial model and a transcript.

With regards to our calendar, our fiscal Q3 2022 earnings call is scheduled for Tuesday, February 1. And as a reminder, we post the schedule of our entire fiscal year of upcoming earnings calls on our IR website. 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-Q for a discussion of risks that could cause actual results to differ materially from those discussed today.

Electronic Arts makes these statements as of today, November 3, 2021, and disclaims any duty to update them. During this call, the financial metrics, with the exception of free cash flow, will be presented on a GAAP basis. All comparisons made in the course of this call are against the same period in the prior year, unless otherwise stated. And now I'll turn the call over to Andrew.

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

Thanks, Chris. I hope all of you are well and staying healthy. Let me begin with a big thank you to our teams who continue to work from home and do amazing things for our players. I also want to extend a warm welcome to everyone at Playdemic who are now officially part of our Electronic Arts team. We're thrilled to have them on board, adding to our continued strength in sports and mobile. Q2 FY '22 was the strongest second quarter in the history of Electronic Arts. We are growing with our leading franchises, new launches and live services all performing well during the quarter, and our acquisitions are driving additional growth beyond our core business.

With more than 500 million unique active accounts, we are connecting players all over the world through each other through more of our favorite content. As a result, net revenue, net bookings and EPS were above our Q2 guidance. And we are now raising our full year net revenue, net bookings and EPS guidance for the second time this fiscal year. Our core strategy is built on 4 key opportunities; the creation of amazing games and content, tools for the community to engage more deeply with our experiences, the aggregation and distribution of content and experiences to an aggregated audience across platforms, business models and geographies, and harnessing the power of the social ecosystems in and around our games.

As part of this, we are executing against 3 growth drivers in FY '22; expanding our blockbuster franchises, building on our leadership in sports and growing live services across our portfolio. I'll focus my comments on these today. With our talented creative teams, powerful IP and platform reach, we continue to grow leading blockbuster franchises. Experiences like EA SPORTS FIFA, Apex Legends, Madden NFL, Battlefield and the Sims are some of the most prominent and powerful properties in all of entertainment. Apex Legends continues to grow as one of the top franchises in the industry, a brand-new IP that has scaled to more than 100 million players and is closing in on \$1 billion in net bookings annually. Season 9 and Season 10 each respectively set new marks for the highest active players in season 1, and Q2 was the biggest quarter of in-game spending in APAC that we've had to date.

Apex has grown beyond the game as well. It 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. As the success of Apex Legends continues, it demonstrates how we are building long-term ecosystems in and around our biggest franchises. At its core is outstanding gameplay, embedded in an immersive world of lore and characters that continues to expand. Seasons of new content and in-game events like the recent collection events keep the experience fresh for new and returning players. We've introduced new experiences like the squad-based arenas and recently added a ranked mode. The Apex Legends esports ecosystem is growing as well, with the second year of Apex Legends Global Series now underway. Apex is moving from strength to strength, and we will add to that when we bring Apex Legends to mobile platforms later this year.

Battlefield, a number of our blockbuster properties, is beloved by tens of millions of fans ahead of our upcoming Battlefield 2042 launch this month, 7.7 million players participated in the Battlefield 2042 open beta in October, including 3.1 million during the early access period, which is the largest early access event we've ever had. Given an opportunity to take an early version of the game still in development, bring in a large audience into the experience and test and learn ahead of launch. With a small slice of the game in our open data, we brought players into the full-scale 128 player combat and many of the only in Battlefield moments that make this franchise so special. The engagement and feedback from players also helped our teams with areas of the game play to polish and refine as we move towards launch. We've now revealed all 3 of the games pillars, all-out warfare with 128 player multiplayer in conquest and breakthrough modes, Battlefield portal, a new way to play that has the community very excited to create their own battlefield experiences and Hazard Zone with completely new focused combat and tactical gameplay that fans are going to love. We're looking forward to players getting to all of these experiences when the full Battlefield 2042 game launches from November '19.

Through FY '22, we continue to grow our leadership in sports through new games, acquisitions and new areas of expansion. Our global football or soccer, for us in the North America, franchise continues to be one of the leading game properties in the world with approximately 100 million players across all platforms in the first 6 months of the fiscal year. EA SPORTS FIFA 22, which launched at the very end of Q2 is after the strongest start in franchise history. The innovation in our new high promotion technology revolutionized gameplay and is inspired, engaged and grown the community. Total players were up 16% and newer franchise players are up nearly 50% year-over-year from launch with net bookings also up significantly year-over-year from launch. We're seeing growth across the game with ultimate team engagement up 15% year-over-year and more players coming into volta and career modes. There is strength in all areas of our global football franchise, including mobile, where later this fiscal year, we will bring new modes, new features and improve gameplay at FIFA Mobile, creating our most rewarding mobile football experience to date. For nearly 30 years, EA SPORTS has been driven to create the best global football franchise in the world.

Moving forward, we're in a position to drive greater growth in line with the continued expansion and popularity of the sport. With the talent of our development teams, our robust portfolio of more than 300 license partners, including the Premier League, UEFA, the Bundesliga, LaLiga, the MLS, FietPro and many more and our expertise in growth areas, including esports and mobile, EA SPORTS is ready to activate across the full spectrum of the football world. We have opportunities in new modalities of play and new social experiences that will bring more fans together. As the sport grows, we have opportunities to expand cultural and lifestyle experiences through brand partnerships and content that our fans want more of in and around their game. And we will continue to lead with the most innovative games on more platforms, bringing the full breadth of the sport to the forefront from grassroots football to more of women's leagues, teams and players.

We are more confident than ever about our bright future football, and we will grow our franchisees' leadership with our partners around the world. We are continually investing in innovation, creativity and authenticity to bring EA SPORTS games closer to the heart of real world sports and fans. Engagement in NFL 22 has grown each week of this NFL season as players jump into the refresh franchise mode and Ultimate Team to connect and compete with their friends. We've grown the F1 business year-over-year as F1 2021 from Codemasters continues to bring in more plans and keep fans engaged in one of the most intense F1 title fight in years.

NHL 22 launched in October, just as the NHL season began, with a new next-generation console experience delivering a dramatic new visual and gameplay leap for hockey fans. With a portfolio that now spans global football, American football, basketball, hockey, baseball, Gulf, UFC fighting and racing, no other entertainment provider in the world has the reach across top-level leagues, teams and partners as EA SPORTS. We have the unique opportunity to bring together these properties and passionate fan communities enabling social connections through more innovative experiences and content.

Expanding live service across our portfolio, particularly in mobile is our third growth driver for FY '22. In Q2, we closed the acquisition of Playdemic, creators of the massively successful Golf Clash mobile game. We're looking forward to combining our strength to continue the success of Golf Clash as a live service and bringing the cloud mechanic to more of our sports franchises, where our licenses and expertise will enable us to create some great new experiences. Our EA Mobile teams also continue to drive success in live services, including Star Wars: Galaxy of Heroes, which surpassed 100 million players live to date in Q2.

Through the collective talent of the Glu Mobile, Playdemic and EA Mobile teams, we have built a powerful mobile native organization within EA. This group is sharply focused on accelerating growth in our portfolio of more than 15 top mobile live services as well as introducing new experiences that take our powerful IP, including Battlefield into the expanding mobile audience. The opportunities in front of us are exciting. We feel great about the position we are in with strong leaders, including our new Chief Operating Officer, managing company-wide operations creative leaders joining our management team and our new Chief Experience Officer, leading our efforts to grow social ecosystem, all supporting our amazing teams as we drive growth in the next era of interactive entertainment. Now I'll turn the call over to Blake.

Blake J. Jorgensen - *Electronic Arts Inc. - COO & CFO*

Thanks, Andrew. We had a strong beat this quarter, primarily driven by our live services, led by Apex Legends and FIFA Ultimate Team. We closed our acquisition of Playdemic at the end of the quarter, adding both a highly profitable mobile title and a blueprint for new sports titles in our broad portfolio. We delivered net revenue of \$1.83 billion and net bookings of \$1.85 billion. Net bookings were \$126 million above our guidance, making it our largest Q2 ever and more than double the level of last year's.

We're raising our guidance again for the second time this year based on our confidence of our franchises and live services through the remainder of the year. EA SPORTS FIFA 21 performed exceptionally well through its product cycle with engagement in its last couple of months up very significantly on FIFA 20 Keeping fans engaged drove strong retention from FIFA 21 into FIFA 22. We're off to the strongest start ever with the new title. Full game sales and FIFA Ultimate Team are both up double digits year-on-year based on the first 3 weeks of sales.

Apex Legends net bookings were up over 150% year-on-year. There was some benefit from having 2 collection events this quarter, but even so, the underlying growth rate is clearly extremely strong. Apex has delivered over \$1.6 billion in net bookings life to date and we're well ahead of our expectations for the year. To launch an original IP and steadily build it into a franchise of this magnitude is exceptional, and I'd like to recognize

the Respawn team for their creativity, deep understanding of the player base and for their excellent execution, which can be seen again this week with the successful launch of Season 11.

Although we continue to watch closely, we have not seen a slowdown in engagement for spend on our games as countries such as the U.K. emerge from lockdown. Digital represents 62% of full game units sold through on a trailing 12-month basis, up 6 percentage points from last year. The strong digital mix for full game sales, aided by growth in live services pushed underlying gross margins significantly above last year's. Operating expenses, which include recent acquisition costs, came in slightly below our expectations.

So now turning to guidance. We now expect fiscal 2022 GAAP revenue to be \$6.925 billion, cost of revenue to be \$1.48 billion and earnings per share of \$2.03, up from our original expectations of \$1.34. Remember that this EPS calculation does not factor in future buybacks under our 2-year \$2.6 billion share repurchase program. We're raising our net booking guidance for the year by \$225 million to \$7.65 billion. This is driven by outperformance so far this year, plus ongoing strength from Apex and FIFA and just under \$100 million from 6 months of Playdemic. This is partially offset by pressure on some of our mobile titles, including product changes and IDFA impacts and some moves elsewhere in our portfolio.

Our expectations for Battlefield are roughly unchanged from the time of our last call. We started the year already forecasting strong organic growth and now we're \$325 million ahead of that, having raised guidance twice. More specifics are in the downloadable model we post on our website. We've also raised our guidance for operating cash flow by \$100 million to \$1.95 billion with capital expenditures reduced to around \$200 million this year, which would deliver free cash flow of about \$1.75 billion. See our earnings slides and press release for further cash flow information.

As noted last quarter, CapEx is at an elevated level for a couple of years as we invest in our employee work environment and new offices around the globe. For the third quarter, we expect GAAP net revenue of \$1.75 billion, cost of revenue will be \$625 million and operating expenses of \$1.1 billion. This results in an earnings per share of \$0.02 for the third quarter. Remember, GAAP EPS is driven by GAAP revenue deferrals, which is a very large number in Q3. We expect Q3 financial 2022 net bookings to be \$2.625 billion, up over 9% on last year's Q3, which it should be noted included last year the launch of FIFA 21 and was the largest quarter ever for Q3 in the company's history. The games in live service teams are driving continued growth in our franchises. And we have Battlefield launching in just over a week. Our broad portfolio of games and live services position us well for a strong holiday season with growth drivers in place for this year, next year and beyond. Now I'll hand the call back to Andrew.

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

Thanks, Blake. The holiday quarter is always an exciting time. We're looking forward to delivering amazing entertainment and connecting hundreds of millions of players around the world to each other through our games and live services in the months ahead. I want to take the opportunity here to say thank you again to our incredible teams and Electronic Arts. Their commitment to creativity and innovation and service of our players is second to none. And every day, it is inspiring to work alongside such talented and dedicated people. It's been a strong year to date, and we're confident in our plans to drive continued growth in the years ahead. Now Blake and I are here for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from Mike Ng with Goldman Sachs. .

Michael Ng - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

I just have 2. First, I was just wondering if you could provide us an update on your outlook for some of your new mobile titles like Apex Legends and Battlefield. And then second, I was just wondering if you could offer some thoughts on the FIFA license, how aggressively will you negotiate for that? And what are some of the contingencies that you have planned for that one?

Blake J. Jorgensen - *Electronic Arts Inc. - COO & CFO*

Yes. Let me start with the mobile, and then I'll let Andrew answer the FIFA question. We have not put into our guidance, virtually any revenue for either Apex Mobile or Battlefield Mobile this year. Apex Mobile is currently in test in multiple countries around the world. And we never quite know exactly when we're going to get out of test markets, but we're very pleased with the progress so far, which means we could bring it out earlier, but I would say that most of it is really focused on next year, which we think is a positive since this year is so strong. It will continue to help next year. And I would put Battlefield in that same category.

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

Yes. And I would just cover off it. The metrics that we're getting out of those games continues to be very strong. And so we continue to be confident about the opportunity around both of them. And with respect to license negotiation, I would start by saying we have great relationships with all of our partners, all 300 of them, including FIFA. As we think about the future of football, we think the future is very bright. We think we are part of the very fabric of the culture of football globally, an important part of kind of fandom for football. And when we kind of interact with our hundreds of millions of football fans, they tell us they want more cultural brand involvement from across the globe. They want more modalities at play inside the game, which go beyond just straight 11 on 11 football. They want more digital experiences outside the game, esports, NFTs broader sports consumption and they want us to move really, really quickly. And so I would tell you, as we think about the future of football, we think it's very bright. We're going to work with our global collection of partners that we feel best enable us to do that. And we'll continue our conversations with each and every one of them to the extent that they're aligned with that objective.

Operator

Your next question is from Andrew Uerkwitz with Jefferies.

Andrew Paul Uerkwitz - *Jefferies LLC, Research Division - Equity Analyst*

I just have 2 questions for you. The first one is, how should we think about Apex Legends live services and maybe even a comment or 2 on Battlefield's live services as we kind of head through the holiday and to next year. Is it just a matter of more content, better efficiency on monetization? Or how should we think about the live services there?

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

Yes, I think what I talked about in the prepared remarks is that the Apex Legends team has really been very thoughtful and deliberate about the development and the building of this live service and the community support in the very beginning. And it starts with core gameplay. And what we've seen them be able to do is bring in more players each and every season and kind of our weekly active and our monthly active players has grown throughout the cycle so far. They add new models of play, so things like rent modes and arenas. They add new events that are important and kind of more deeply engage the community. And so I think that as we think about live service on a go-forward basis, you should expect that thing to continue to be thoughtful and deliberate, they'll continue to build out modalities of play, they'll continue to create more content, but also really work with the community on community level advance which really drive the most engagement over time. And we continue to be very confident this is going to be a really, really strong global franchise for us for at least a decade.

Andrew Paul Uerkwitz - *Jefferies LLC, Research Division - Equity Analyst*

Got it. And then just as a second question, Andrew, I'm just kind of high level, you're pretty forward-thinking CEO when it comes to technology. How do you see things like play to earn opportunities within the video game space? There seems to be a bit of an argument on whether that's good or bad for gaming.

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

Anything that brings more people in and engages those people for more time in the context of the entertainment it would create I think it's a good thing over time. I think that is the very foundation of our live services. I think the play to earn or the NFT conversation is still really, really early, and there's a lot of conversation. And there's at some level, a lot of hype about it. I do think it will be an important part of our -- of the future of our industry on a go-forward basis. But it's still early to kind of figure out how that's going to work. I feel good about our position with respect to that. I mean, as a company, we have been leaders in the creation of digital content that has real collectible value in the embedding of that content as part of live services. What we know about collection over time is the collectibility is far more valuable to the collector where the collected item has utility. And I think that in the context of the games that we create and the live services that we offer, collectible digital content is going to play a meaningful part in our future. So still early to tell, but I think we're in a really good position, and you should expect us to kind of think more innovatively and creatively about that on a go-forward basis.

Operator

Your next question is from Doug Creutz with Cowen.

Douglas Lippl Creutz - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

In your commentary, you alluded to some softness in the mobile market. I was wondering if you could just talk a little bit more about what you've seeing. Some of what your peers have sort of reported numbers that would suggest there was some sequential softening in the market. Do you think it's due to IDFA? Do you think there's different dynamics in play with kind of pandemic restrictions easing in mobile versus console? Any color you can give would be helpful.

Blake J. Jorgensen - *Electronic Arts Inc. - COO & CFO*

Sorry, go ahead, Andrew.

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

Blake, go ahead.

Blake J. Jorgensen - *Electronic Arts Inc. - COO & CFO*

You can go ahead.

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

Yes, I was going to say, I think that when we look across our mobile portfolio, we feel like we're in a really good position on a go-forward basis. We've got strong teams. We've got strong IP. We've got a huge network of players and we've got global reach. And we're already seeing the value of that when you think about our ability to kind of offer EA IP for Glu Mobile folks or our Playdemic folks to start thinking about new and interesting experiences. I do think we've seen some softness in some of our games particularly those that rely a little bit more on user acquisition. I think that we'll work through that over time. Again, creative talent, great IP, huge network of players and global reach allow us kind of work through that and find a path through that. But net-net, I think that there is a little IDFA, but nothing that has us concerned about our ability to continue to grow our mobile business over time.

Blake J. Jorgensen - *Electronic Arts Inc. - COO & CFO*

Yes. And Doug, I would say, don't underestimate that in any -- I mean, we did 4 acquisitions in 1 year. There are always challenges to integration of acquisitions, and sometimes those challenges are we change plans inside the businesses. There are things that we may not have anticipated or fully understood. And so some of that is impacting. None of it is troublesome. None of it is long term in our mind, and we're doing a great job in the integration. It just happened also quickly. You can't plan exactly when acquisitions are going to happen.

We're very excited about the Glu team and the Playdemic team, as Andrew mentioned in his comments. And I think going forward, we're in a really good position. And I think the for us, the biggest opportunity is -- and this is an obvious one, and that is how do we take our existing sports licenses and the talent that the Glus and the Playdemics have in the sports side and drive new sports products through that talent base and -- or have them help our talent drive better products across those licenses. And it's a huge opportunity for us. Obviously, FIFA but also in Madden and PGA in other areas where we can either augment their games add to their games or add new games. And so that's why we're so excited about the acquisitions and not all that worried about any any short-term softness in the business.

Operator

Your next question is from Alexia Quadrani with JPMorgan.

David Karnovsky - *JPMorgan Chase & Co, Research Division - Analyst*

This is David on for Alexia. Just with Battlefield, maybe you could discuss the key learnings from the beta. How much should we read into participation for the early access period as an indicator of demand. And I wonder if you just had any comment on the risk of, if any, of releasing the game a week prior to Black Friday, I think this was somewhat of a challenge for the game in 2018.

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

Yes. So I think -- On balance, the feedback from the beta was overwhelmingly positive. I think there was some conversation around some elements of the beta, which is not unnatural in beta. And we've been able to take that feedback around those constructive elements and really implement that in the game. And I think what we had talked about with the community is, it was an earlier build of the game that we used for the beta as the team continued to work and tune and polish the final build for the game. So we feel really good about that. I think when you think about the early access numbers and the engagement numbers overall, you should read that as tremendous demand. The game is very appealing. The setting is very appealing the modalities have play the innovation and creativity that and the other people that work on that game have put into the game is something that the community is receiving very, very well and is really, really excited about.

I wouldn't read too much into the week before Black Friday. I get that on a calendar basis, it looks the same as Battlefield 5, I would tell you though, leading in the Battlefield 5, we did not see the level of demand we are seeing now. We did not have the level of innovation in the game that we have now. We didn't have new platform technology driving a high fidelity game experience that we have now. And so net-net, coming out of the data, we feel very good about play demand. The team has been working very hard on tuning and polish and filing the game where we feel really good about the game at the that the community is going to get to play on day 1. And the team also has wonderful plans for the future live service that staff with this notion of portal and really engaging our players deeply in the ability to kind of create their own Battlefield experiences. And so we feel very good and confident about the future of Battlefield at this stage.

Blake J. Jorgensen - *Electronic Arts Inc. - COO & CFO*

Yes. The other thing I'd remember about Black Friday is that in the years past, there may have been 5x more games in the marketplaces there will be this year. We already know that many games have been postponed. And so the calendar is nowhere near as crowded, which means the need for discounting is nowhere near as high. Second is -- and more importantly is that, as we talked about, we're now running over 60-plus percent digital downloads and a game like Battlefield skews even more to PCs, which means the download numbers is going to be even higher. And what

that allows us to do is make short-term price changes if we need to, but we don't have to cut big deals with retailers like we used to do historically. And I think that will bode well for us from an ability to sell through a lot of games as well as not have to discount those games dramatically.

Operator

Your next question is from Colin Sebastian with Baird.

Colin Alan Sebastian - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

A couple from me as well. Apex performance looks really strong. The season updates are driving a lot of usage and monetization growth. But I'm curious beyond those updates and the mobile extensions, is it fair to say that you don't really see a need still for a bigger refresh or sequel to be the Apex or the Legacy franchise? And then secondly, I might have missed it, but I didn't see commentary on fiscal '23 growth in the release, which I think you had included last quarter.

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

Let me take the first and I'll let Blake take the second part.

Blake J. Jorgensen - *Electronic Arts Inc. - COO & CFO*

That's what I was going to say.

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

Yes. I'll just say we continue to believe -- again, I go back to Respawn as a team, have been very deliberate and thoughtful about developing and building this franchise and nurturing and growing the community and their engagement over time. And actually, I think we're just at the beginning. I think there's such tremendous upside in all that we're doing both in the existing experience on existing platforms and as we expand the mobile. But again, I have nothing to announce to you today. But when you think about the broader ecosystem of the experiences we plan to offer, I wouldn't discount the notion of adding more model as a play or even more traditional models that play to that experience over time.

Blake J. Jorgensen - *Electronic Arts Inc. - COO & CFO*

Yes. And I would just note, Colin, the number of characters that are now in the game versus on day 1 are dramatically different. It just gives you a sense of how that game is continuing to evolve, not to mention the ways to play, the modalities and the maps and so forth. On the '23 question, I think you know this because we've been talking about this business for a long time. We typically don't even start talking about '23 until our third quarter, and we don't really give guidance until the end of our fourth quarter. What I will tell you is we are very optimistic about '23, and that's possibly what we're trying to signal today is that optimism and excitement.

And I think the thing to remember is over 70% of our business is now live services. And that comprises of things like Ultimate Team, Apex mobile, the Sims, it is the special sauce of what we do. It is bring people together make sure that they're part of a social network and then continue to serve them content that keeps them engaged and what they love. And that is different than many other companies in the industry. We've always tried to help people understand about the breadth of our franchises. And when you think about live services in combination with our sports franchises, which have come out every year at the same time basically for mainly the life of this company. And we've built incredible live services around those sports franchises, which makes it a much safer business model than having to go build something from scratch and hope you get it out on time.

And when you then broaden that across the Sims and mobile titles and then add live services to new titles like Battlefield that don't have real live services today, you have a much more stable and growing business for the future. So we're very confident in growth for next year. Independent of any 1 pile because of that live service component of our business, and we're very excited about what that means going forward and the ability for us to continue to add and evolve those live services to be even bigger over time.

Operator

Your next question is from Martin Yang with Openheimer.

Zhijia Yang - *Oppenheimer & Co. Inc., Research Division - Associate*

I have 2. Number one is on FIFA or sports games with collection elements in general. How do you think about maybe maintaining the value of player investments and making their annual investments into the micro transactions more enduring over perhaps a longer time? And I have a second question.

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

Do you want to give us the second question, then we will answer them.

Blake J. Jorgensen - *Electronic Arts Inc. - COO & CFO*

We'll answer them both.

Zhijia Yang - *Oppenheimer & Co. Inc., Research Division - Associate*

So the second question is on your -- maybe a detailed rationale of elevating the studio GMs on to executive leadership team. I think that's quite unique for a AAA publisher. Maybe help us understand what are the benefits and what exactly they will do to aim their decision-making and how they are getting involved with the executive leadership team.

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

Both are really good questions. I think about -- as we think about digital collectibles, particularly in our sports games, again, it's different across different franchise. And so collectibility has different value over time. and collectability in games like FIFA and Madden and NHL is really built on driving value through the traditional sports season. I think your question is, is there an opportunity, particularly as we think about NFTs and other digital ecosystem to expand that value over time. I think the short answer to that is yes. I mean the slightly longer answer to that is we need to work and make sure we continue to appropriately tune and balance the experience for our players, and we're always looking to give our players more value in the experiences they enjoy, and you are seeing that based on the growing engagement in the game and a growing spending, they're getting that value. But we will continue as we have evolve the ultimate team experience over the last decade, we will continue to look for ways to add value for our players.

To your second question around elevating studio GMs, for me, it's a very pragmatic choice. When I think about the growth vectors for us as a company inside of our industry, there is extraordinary games and content. There are tools to more deeply engage the community. There's the aggregation and distribution of that content to audience. And there is the ecosystem born out of the engagement that content that exists beyond the bounds of the traditional game experience. At the end of the day, every one of those value drivers starts with the games and the content that we create. And so for me, it was really saying to our creative leaders, I want to make sure that you are in the strategic conversation that's going to help us drive growth as a company. I think it is a very central strand of DNA of who we are. They have demonstrated unbelievable leadership in

our company in support of our employees and in support of our fans and in the creation of amazing games and content. And this is a recognition that the next phase of growth of this company is going to be born out of innovation and creativity across those 4 vectors, but it will all start with that content. And as leaders of the teams that create that content, I felt it was important to have them in the conversation.

Operator

Your next question is from Clay Griffin with Moffitt.

Unidentified Analyst

I wanted to come back to Battlefield. You've talked about there being a strong free-to-play component within Battlefield ultimately. So I guess, putting aside the mobile extension, do you have a better sense of what that might look like now? Or do you need to see the engagement with the various game modes, I guess, post launch? And I've got a follow-up.

Andrew Wilson - Electronic Arts Inc. - CEO & Director

Yes. When we think about all of our games and our big blockbuster franchises like Apex, like FIFA, like Madan, like Battlefield, like the Sims, we're always thinking about innovation and creativity at its core, how do we build that out in the modalities of play? How do we think about that across platform? How do we think about the extension of those experiences? And business model is 1 piece of that puzzle. I think when we look at our Battleford franchise today, we've acknowledged that it probably makes sense to have a free-to-play component to that overall ecosystem in the future. Job number one was truly a reinvention of the action shooter category. And I think that's what they have sought to do. And that's what they've achieved through this 128 player multiplayer giant expansion, more deep engagement in creativity through portal mode and innovative new modes in and around the game. I think the next phase of that is going to be the launch of the Battlefield mobile title. And then as we continue to expand that -- and that in and of itself will serve tens of millions of players. I think as we then think about further expanding the play those over time, free-to-play will make sense for the franchise, but it's not the focus right now.

Unidentified Analyst

Great. And then, I guess, if you look at Battlefield historically, I guess, my sense is that the community has as a general rule, not always maybe embrace cosmetic customization to the extent that we've seen in other games. I guess the question is, is that a fair assessment? And if so, I guess, how do you think about kind of monetization without kind of reverting back to kind of a DLC type monetization account that might factor the player base?

Andrew Wilson - Electronic Arts Inc. - CEO & Director

Yes. I'm not sure the notion of not being engaged in cosmetic content. It's a fair assessment. I think that Battlefield Premium, some number of years ago was kind of an innovation in the category that really extended the game experience out 12, 18, 24 months. I think we saw deep engagement from the community in that I think what we also saw though was we didn't get all of the community to engage deeply in that and some parts of the community want to engage in kind of a different profile. And so we did away with premium and we've been kind of working with the community since then on different ways to extend and enhance the experience through live service.

I feel good about what the team has planned now. I feel like it gives everybody in the community, which is probably bigger than 40 million players right now, an opportunity we extend and enhance their experience and engage in a way that makes sense for them but doesn't kind of bifurcate or triplicate the community anyway. So I think that this is a great community. I think they're a core community. I think the franchise is beloved amongst them. I think what we're seeing, even having been out of the market for 3 years, is demand and appeal continues to be incredibly high. And I'm excited about what we're going to launch with the game, but I'm even more excited by the plans the team has to continue to grow and expand that experience for global player base.

Operator

Your next question is from Mario Lu with Barclays.

X. Lu - Barclays Bank PLC, Research Division - Research Analyst

My question is on the FIFA preview pack. So in the past, I believe roughly 1/3 of Ultimate Team players were payers. So any color you can share on how the payer conversion has improved via this new mechanism? And secondly, do you think this method of monetization is specific to player pack? Or can it be transferred to other titles like into Apex pass, for example?

Andrew Wilson - Electronic Arts Inc. - CEO & Director

Yes. I don't have specific metrics on payer conversion that I can share today other than to say what we have seen in the combination of all of the new advancements with Ultimate Team, including 1 element, which is the preview packs, we've seen higher engagement and higher monetization overall. And as we've kind of rolled that out, what we've seen is that we've converted a different level of spend or a different type of spend on the Codemasters preview packs. And so what's clear to us was this is a really fun and new and innovative and creative way through our growing player community to engage with the most popular mode in the game. And we'll continue to kind of evolve and offer new things. And as I said earlier, we're always trying to figure out a way to offer new points of value for our players and new reasons for them to engage and connect with their friends through the experience.

The notion of could it evolve into other areas, I think the short answer that is absolutely. I think what we're seeing is that the supplies in the light of the traditional supplies mechanic continues to be something that is really fun and rewarding for a big part of the player base. And then there's another group of players that want to think differently about how they extend and enhance their experience. And you should expect that we'll take the learnings from FIFA across the portfolio and learning from elsewhere in the portfolio, things like our mobile business and things like Apex Legends and kind of bring that back into our sports franchises. And so part of the benefit of having the breadth and depth of the portfolio that we have across sports and action and lifestyle and having 0.5 billion players in our network, engaging deepening experiences that we offer is that we get tremendous learning across the portfolio. And we're going to look to continue to do great things for our players as we learn from franchise to franchise.

Operator

Your next question is from Eric Handler with MKM Partners.

Eric Owen Handler - MKM Partners LLC, Research Division - MD

Two questions for you. First, on Apex Legends, I'm curious, I think it was a year or so ago, you were starting to talk a little bit more about localization for the game. I wonder if you could give us a little update there and how that's impacted engagement or bookings or whatever. And then secondly, I think it's been a couple of quarters since you've heard much about the Sims franchise. I wonder if you could talk a little bit about what's happening with that franchise? Is it still on a growth trajectory? And where are you seeing innovation there.

Blake J. Jorgensen - Electronic Arts Inc. - COO & CFO

Andrew?

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

I thought you might grab that one, Blake, sorry.

Blake J. Jorgensen - *Electronic Arts Inc. - COO & CFO*

Normally, I just pointed him across the table or he points at me. On the Apex Legends, I'll start there and then Andrew can talk a little bit about the Sims. We continue to work on how and why Apex works in certain markets. And there are certain markets that it is unbelievable, the strength of the franchise, where we haven't really done much of it to localize the language. Japan is a great example of that. And so the team has been working hard, particularly on the mobile build of the game to be able to localize it more to how people want to play the game in those markets.

Now you want to be careful that you don't bifurcate the game in too many ways, but there may be some ways cosmetically or beyond language adjustments to make the game more powerful in those markets. And you should have seen that assume that's an ongoing process. It is hard to see and hard for us to carve that out as part of the financials. But trust that part of the reason that the business continues to grow is that we are doing that, and you'll see much more of that as the mobile build starts to go broad in the world where we're entering markets where people have not played the game on consumer PC because those aren't available to them. And so part of the markets that we're testing right now are those types of markets. where this is a new game for them. And so we're watching very closely as to how people play that and react to that. Do they have positive or negative reactions to certain characters, for example of certain types of gameplay. And that's part of why we want to take our time to make sure we test the mobile build around the world because that's where it's the most powerful and where the most upside exists.

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

Yes. And on the Sims, again, the Sims is one of the great franchise of our industry and exists in a category where we have very little competition in lifestyle category. The Sims continue to do well with all engagement metrics up year-over-year. I think Q2 bookings were up 32% year-over-year. In July, we released College Living, our 11th expansion pack which quickly became one of the most popular packs we've ever done and drove performance well above our internal forecast for the franchisees. So I just I think this is a growing player base in the Sims. I think the franchise continue to grow. And I would tell you, again, we had a lot to talk about other than the Sims today. We'll come back and share more in the future. But that team continues to think about how to grow that franchise even more than this day in a category and with a player base that is very different from the rest of our portfolio.

Operator

Your next question is from Stephen Ju with Credit Suisse.

Stephen D. Ju - *Crédit Suisse AG, Research Division - Director*

Just kind of building on the Apex Mobile commentary just now, just wondering if you can give us an update on a more granular level on the cross-pollination pollenization, I guess, between your newly acquired mobile development studios with the EA brands, I think we're all raring to go to watch EA expand a FIFA audience to 2 billion plus given the footprint of football/soccer. So just I understand the do no harm for the newly acquired studios, but you have to be thinking about the multiple iterations of FIFA or I guess, EAFC as it might be now in the future. So just an update if you can on what you might be doing in terms of the integration there.

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

Yes. Great question. Again, it's still relatively early for these integrations. And Playdemic is really, really early. But what I would tell you is, as we've thought about this, we really think about it across 3 vectors, right, which is the core creating teams and how to address get value there, and we

have built a single mobile organization out of our ER Mobile team, Playdemic and Glu under Jeff Karp, who's an industry veteran that has more than a decade in mobile leadership and is really rethinking and building a strong forward-looking strategy around mobile for us.

The second element is IP. And when we did these acquisitions, we talked about both sport and lifestyle, tap sports, Baseball, Golf clash, Design Home, Covet Fashion, FIFA, Madden, UFC hockey, the Sims. And so part of what Blake was saying about before is as we start to think about the integration. We have gone through and we're working with those teams and say, okay, we're working on this thing. It probably doesn't make that much sense to build that game when you could take that engine and apply to the FIFA business. The Tap Sports engine or the golf clash engine to football -- European football or American portfolio. And we're in that planning phase right now. And I would say the teams themselves are really excited to take that core underlying technology and really apply to franchises have global reach and global strength.

The third is just kind of our network of players and how we start to work across that. Glu has a tremendous advertising engine. And we're starting to think about how to take that advertising engine across our player network into our other products. We're already starting to see that benefit? And then things like Reach, we've already been able to launch TAP Sports Baseball into Japan. And so some early wins in what is still an early phase of integration. But I'm really encouraged by what Jeff is doing as a leader of this business, what I think we're going to get out of mobile first talent, unbelievable portfolio of IP, a network of 0.5 billion players and global reach. And I think you should watch this space because there's lots of great things coming over the next 12, 24, 36 months in the space of mobile.

Operator

Your next question is from Jamie Bass with Berenberg.

Jamie Bass - *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

I was actually going to ask a couple of things about mobile, but those have kind of been covered now. So 1 question remaining, which is to do with a commentary from results among your peers about the potential for wage inflation among developers over the coming year. Could you just give a bit of color on how you're thinking on the cost side? Are you worried about increasing head count and the potential costs associated with that?

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

Go head, Blake, sorry.

Blake J. Jorgensen - *Electronic Arts Inc. - COO & CFO*

I was just going to say, we always spend time thinking about that and trying to manage it as best as possible. I think there's no doubt that there's going to be some wage inflation. The bulk of what -- if you're looking at our P&L, the bulk of what you see in terms of increases in OpEx are due to the fact that we brought new people into the company, acquisitions as well as through new hires. I don't see a substantial wage inflation pressure, but we are always conscious of it and trying to manage that.

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

And I would just say, I think we are committed as an organization to be very thoughtful about compensation for all of our people to ensure that we keep pace with the market and that they are fairly rewarded for the amazing work they do. And so far, we have been able to do that really well, and I think we'll continue to do that in the future.

Operator

Your last question is from Andrew Marok with Raymond James.

Andrew Jordan Marok - *Raymond James & Associates, Inc., Research Division - Analyst*

One on the content cadence for Apex. So response has been clear about their intention to limit crunch and is settled into kind of the quarterly season releases. Is 1 season every 3 months kind of the magic time frame for players and for Respawn? Or is it the case where staffing up could potentially increase the velocity of season launches? .

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

Yes. It's an ongoing question. I think there's no straight answer to that. I think there's -- we've had a lot of questions of the Respawn since the very inception of Apex Legends launch. As I continue to say, that team has been very deliberate and very thoughtful and works very closely with the community. They have, in fact, staffed up dramatically. They've got more people in L.A. They've got another team in Vancouver that can use to work on the game and grow and develop more content. I would say I think this team more than just about any other team in our company and perhaps the industry, they have a very deep understanding of the player base and the community, and they are building for the long term. And so the short answer is, could we deliver more content? Possibly. Does that make sense? Maybe. But what I do is I trust that team to be very close to their community and very thoughtful about how they build and develop that content over time. And that will mean sometimes it's every 3 months, sometimes it will be longer and sometimes will be shorter. But what we have seen them do and demonstrate now since the very inception is their ability to maintain player sentiment to continue to hire the best talent into their organization and continue to grow the business over time. And I think that they will continue to do that for many, many years in the future.

So with that, we'll wrap up the call there. Thank you, everyone, for joining us and for the great questions. Be well, and we'll speak with you again next quarter. Have a great day. Bye-bye.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.

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