

ELECTRONIC ARTS INC.
Form 10-Q
August 08, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934
For the Quarterly Period Ended June 30, 2018
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the Transition Period from _____ to _____

Commission File No. 000-17948

ELECTRONIC ARTS INC.

(Exact name of registrant as specified in its charter)

Delaware 94-2838567

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

209 Redwood Shores Parkway 94065

Redwood City, California

(Address of principal executive offices) (Zip Code)

(650) 628-1500

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company (Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

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As of August 3, 2018, there were 304,818,260 shares of the Registrant's Common Stock, par value \$0.01 per share, outstanding.

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PART I – FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

ELECTRONIC ARTS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited) (In millions, except par value data)	June 30, 2018	March 31, 2018 ^(a)
ASSETS		
Current assets:		
Cash and cash equivalents	\$3,876	\$4,258
Short-term investments	1,095	1,073
Receivables, net of allowances of \$4 and \$165, respectively	371	385
Other current assets	282	288
Total current assets	5,624	6,004
Property and equipment, net	440	453
Goodwill	1,886	1,883
Acquisition-related intangibles, net	107	71
Deferred income taxes, net	92	84
Other assets	98	89
TOTAL ASSETS	\$8,247	\$8,584
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$47	\$48
Accrued and other current liabilities	815	821
Deferred net revenue (online-enabled games)	602	1,622
Total current liabilities	1,464	2,491
Senior notes, net	993	992
Income tax obligations	276	250
Deferred income taxes, net	1	1
Other liabilities	253	255
Total liabilities	2,987	3,989
Commitments and contingencies (See Note 13)		
Stockholders' equity:		
Common stock, \$0.01 par value. 1,000 shares authorized; 305 and 306 shares issued and outstanding, respectively	3	3
Additional paid-in capital	339	657
Retained earnings	4,944	4,062
Accumulated other comprehensive loss	(26)	(127)
Total stockholders' equity	5,260	4,595
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$8,247	\$8,584

See accompanying Notes to Condensed Consolidated Financial Statements (unaudited).

(a) Derived from audited Consolidated Financial Statements.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)	Three Months Ended June 30,	
(In millions, except per share data)	2018	2017
Net revenue:		
Product	\$202	\$828
Service and other	935	621
Total net revenue	1,137	1,449
Cost of revenue:		
Product	68	64
Service and other	147	90
Total cost of revenue	215	154
Gross profit	922	1,295
Operating expenses:		
Research and development	362	325
Marketing and sales	140	121
General and administrative	114	105
Amortization of intangibles	6	1
Total operating expenses	622	552
Operating income	300	743
Interest and other income (expense), net	19	6
Income before provision for income taxes	319	749
Provision for income taxes	26	105
Net income	\$293	\$644
Earnings per share:		
Basic	\$0.96	\$2.08
Diluted	\$0.95	\$2.06
Number of shares used in computation:		
Basic	306	309
Diluted	310	313

See accompanying Notes to Condensed Consolidated Financial Statements (unaudited).

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ELECTRONIC ARTS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three	
	Months	
(Unaudited)	Ended	
	June 30,	
(In millions)	2018	2017
Net income	\$293	\$644
Other comprehensive income (loss), net of tax:		
Net gains (losses) on derivative instruments	93	