

Electronic Arts

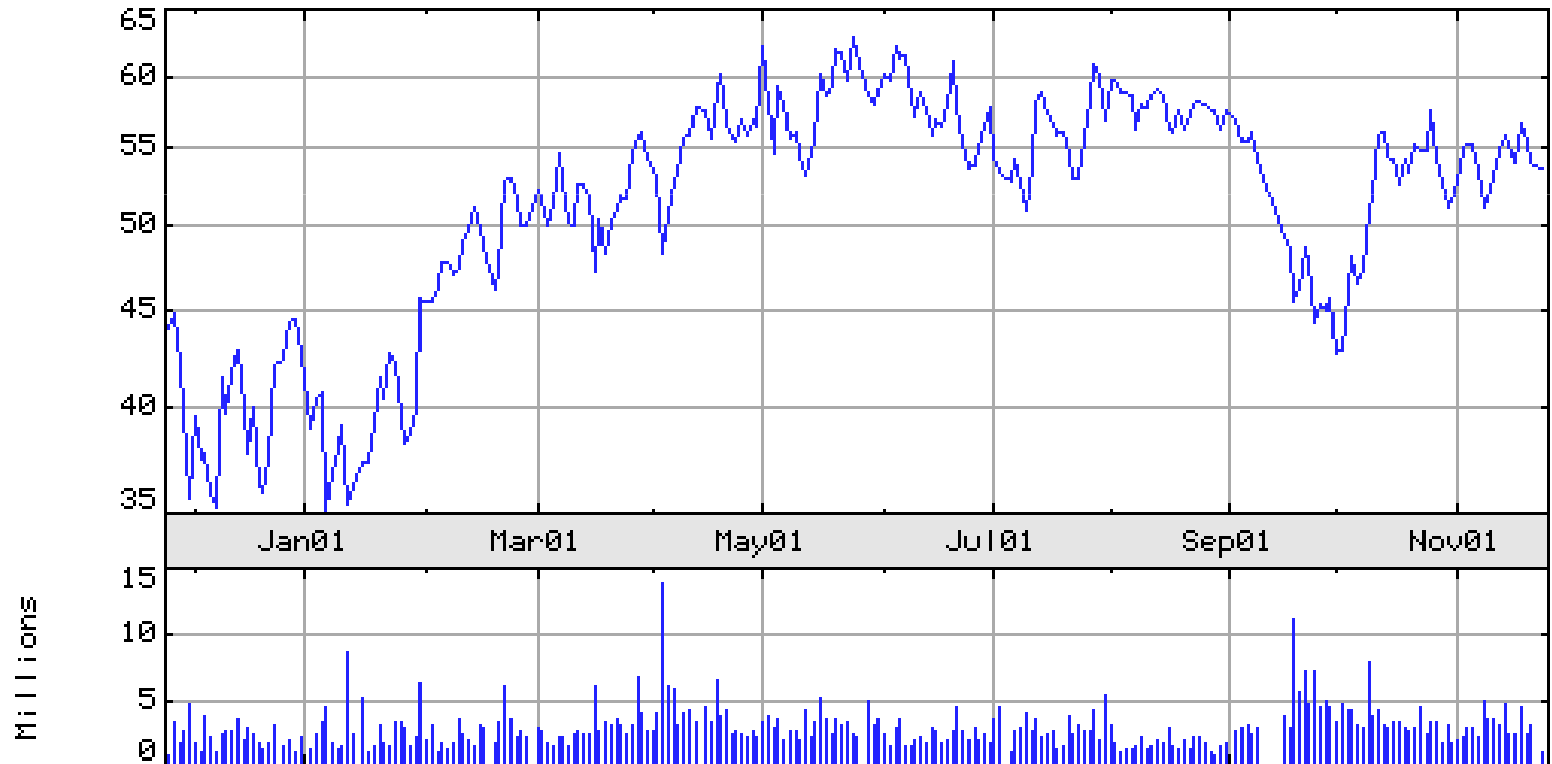
November 27, 2001



Electronic Arts

Stock Price

Electronic Arts Inc
as of 23-Nov-2001



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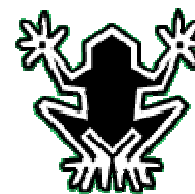
The Company

- **Founded 1982**
- **Headcount 3,600**
- **HQ in Redwood California**
- **Market cap \$7.75 billion**
- **Q2 revenues up 9% year over year**
- **Net loss of .20 verses last years .27
beat analysts' estimates of .25**



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Brands



- Maxis
- Westwood
- Origin





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EA GAMES

- **Black & White**
- **Command & Conquer**
- **Harry Potter**
- **James Bond**
- **Majestic**
- **Need for Speed**
- **The Sims (Living Large, House Party)**
- **Road Rash**
- **Ultima Online**
- **Wing Commander**



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EA SPORTS

- Rugby
- F1 (Formula One)
- FIFA Soccer
- Knockout Kings
- Madden NFL
- NASCAR
- NBA Live
- NCAA Football
- NHL
- Tiger Woods PGA Tour



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Top 10 PS 2 Games in September

1. **Madden NFL 2002**
2. Silent Hill 2
3. Resident Evil Code Veronica: X
4. Dave Mirra BMX2
5. **NHL 2002**
6. Spy Hunter
7. **NCAA Football 2002**
8. Gran Turismo 3
9. **NBA Street**
10. ICO



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EA SPORTS BIG

- NBA Street
- Sled Storm
- Sled Storm 2
- SSX
- SSX Tricky



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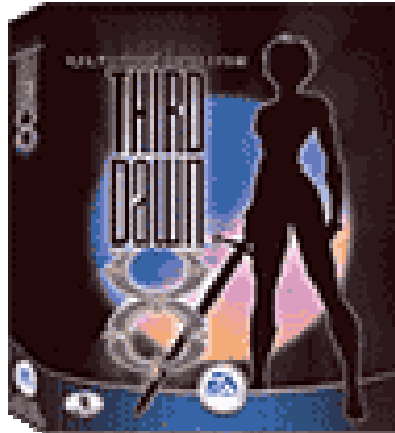


EA.com

- **#1 online game site worldwide**
- **25 million members**
- **35 minutes per day**
- **Advertisers: Milk, Pepsi, Coke, Nabisco, General Mills, Kellogg's, Taco Bell, Visa**
- **Motor City**
- **Earth and Beyond**
- **The Sims Online**
- **AOL contract**
- **60-150 thousand online last night**



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Ultima Online

- 225 Thousand players from 168 thousand September 30, 2000
- \$19.95 CD and one month
- \$9.95 for each additional month
- First large scale online game
- Online game of the year 1997
- Most popular online game
- \$7 million in revenues per quarter
- eBay \$500-1,000 for online real estate



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EA Distribution

- **US: SquareSoft**
- **Europe: Capcom, Delphine, Fox Interactive, LucasArts, NovaLogic, SquareSoft**
- **Asia Pacific: LucasArts and Fox Interactive**
- **Mainland Asia, Australia, New Zealand: SquareSoft and NovaLogic**
- **Japan: LucasArts and Fox interactive**



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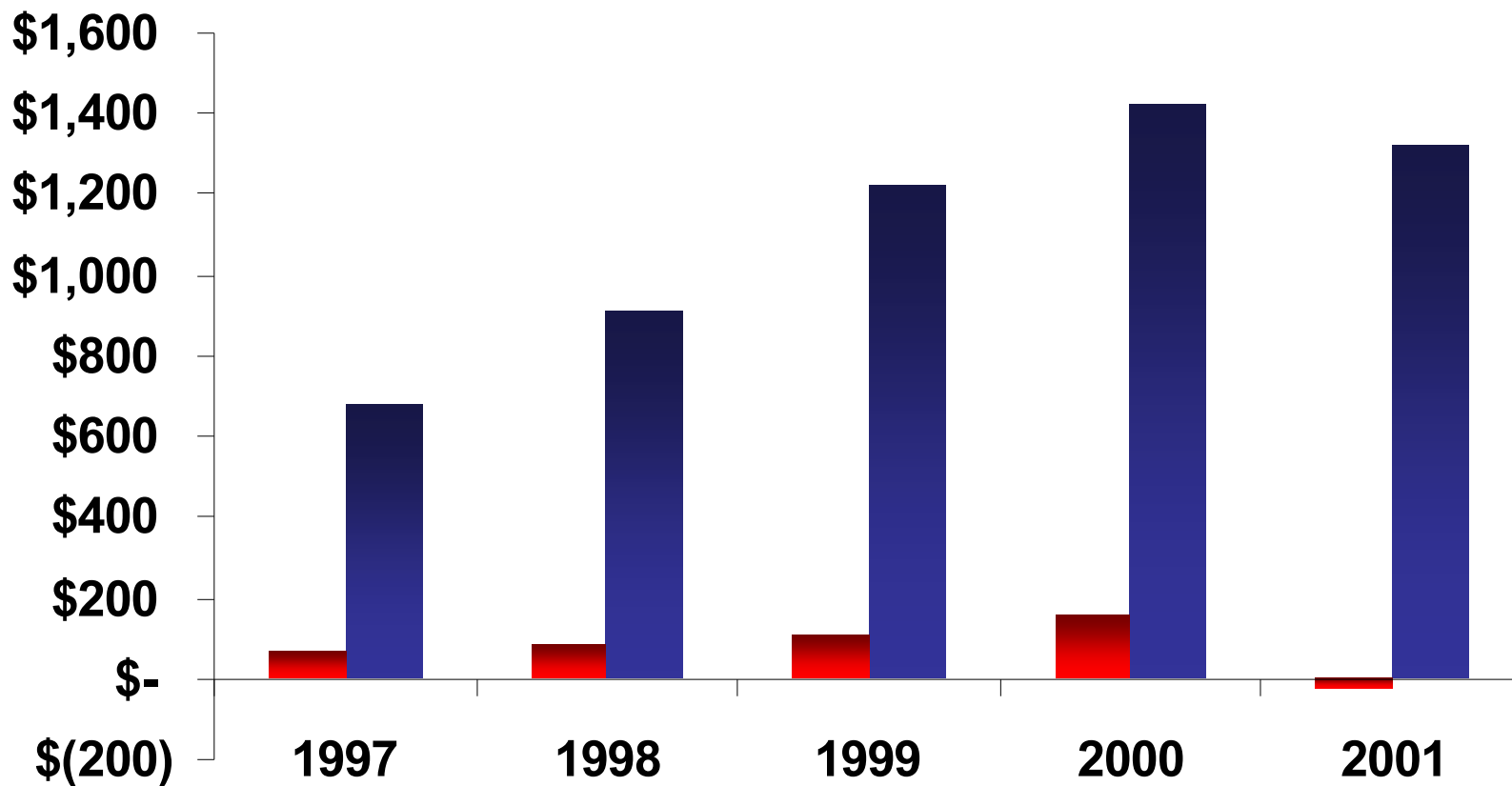
Financial Valuation

- **No debt**
- **September stock buyback plan for 2 million shares**
 - **143 million outstanding**
- **EA.com has had a crippling affect**
 - **Adds only \$15 million or 6% to sales but adds \$50 million or 30% of operating expenses**
 - **Net loss of \$32 million would have been positive**
 - **Reducing 250 of EA.com's 700 employees**
 - **\$33.75 million owed to AOL as well as a \$15 million advertising commitment**



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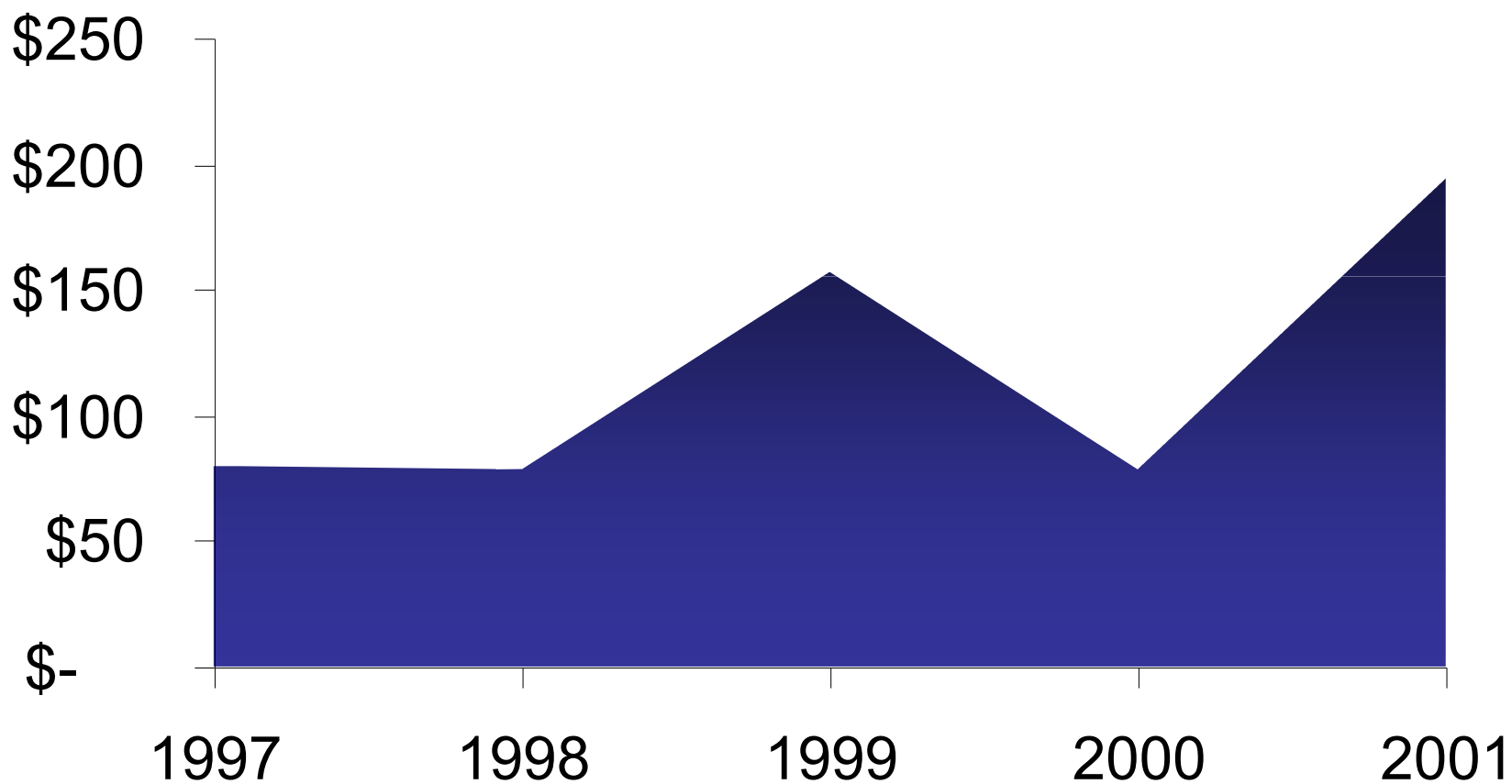
Annual Sales





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Annual Cash Flow From Operations





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History of the Video Game Industry

1972 - 2001

“It all started with Pong”



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1972 – Magnavox Odyssey 100

1975 – Magnavox Odyssey 200, **Atari Pong**

1976 – Coleco Telestar, Fairchild/Zircon Channel F

1977 – RCA Studio II, Bally Astrocade, **Atari 2600**

1978 – Magnavox Odyssey 2

1979 – Mattel Intellivision

1982 – Milton Bradley Microvision, **Atari 5200**, Colecovision

1983 – Intellivision II, Mattel Aquarius, Coleco ADAM, Ultravision, Nintendo Famicom

1985 – **Nintendo NES**, Intellivision III

1986 – **Sega Master System**, Atari 7800

1987 – Atari XE

1988 – **Turbo Grafx 16**



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1989 – **Sega Genesis, Gameboy**, Atari Lynx

1990 – Neo-Geo, TurboExpress, GameGear

1991 – **Super Nintendo**

1992 – Phillips CD-I

1993 – 3DO, Atari Jaguar

1994 – Sega 32X

1995 – Sega Saturn, Nintendo VirtualBoy, **Playstation**, Nomad

1996 – **Nintendo 64**

1998 – Gameboy Color

1999 – Sega Dreamcast, Neo-Geo Pocket

2000 – Playstation 2

2001 – Game Cube, Xbox, Gameboy Advanced



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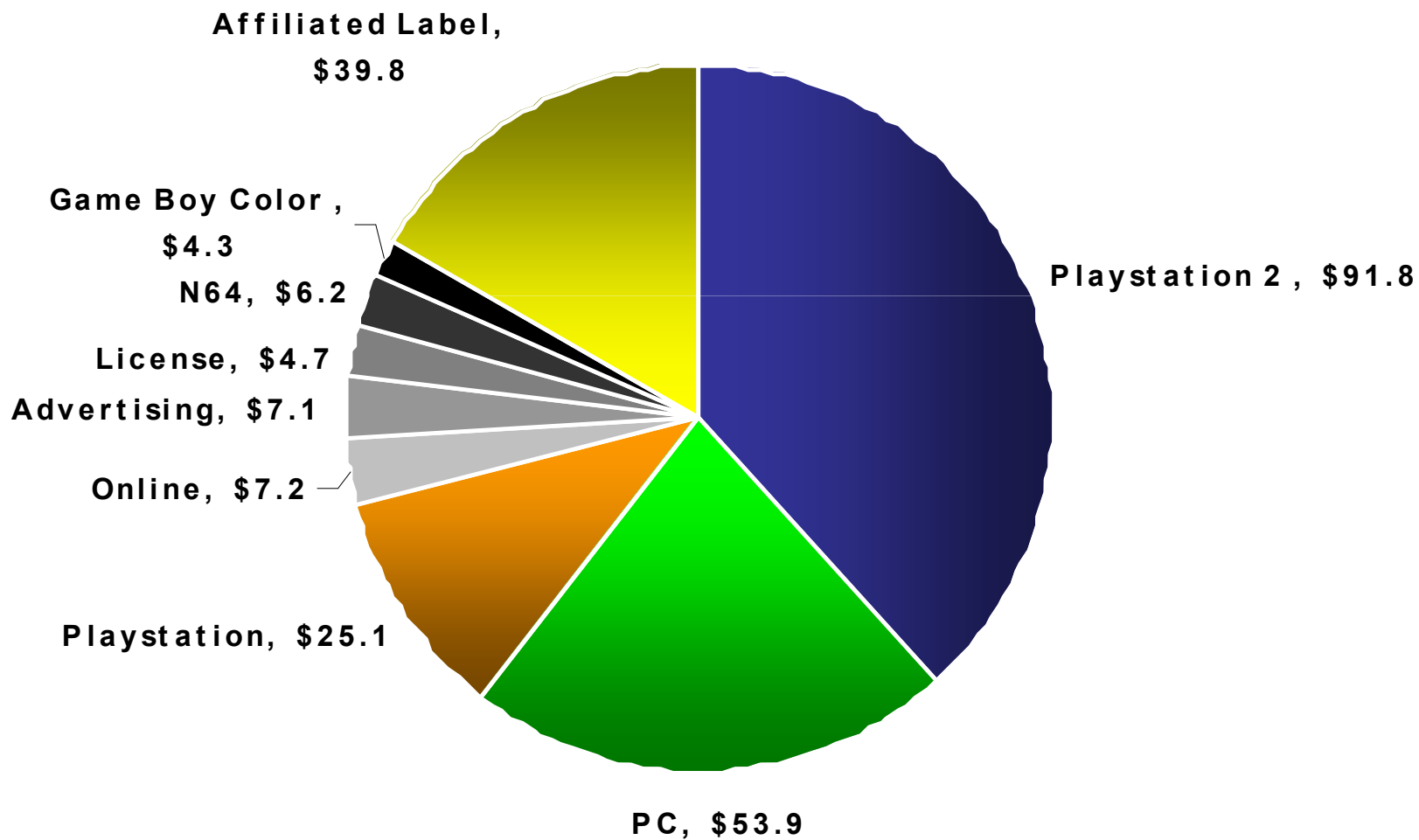
Short-Term Outlook

- **Higher margins on new games**
- **Increased sales with new systems**
- **Industry leading product line and distribution channels, with titles that resell themselves as they become out dated**
- **EA.com restructuring in December**
- **Industry leader and innovator in online gaming and is able to resell old games**
- **Games sales up 34% for the first 9 months, likely to surpass \$6.1 billion record**



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Q2 Revenue Breakdown (\$240.2 million)





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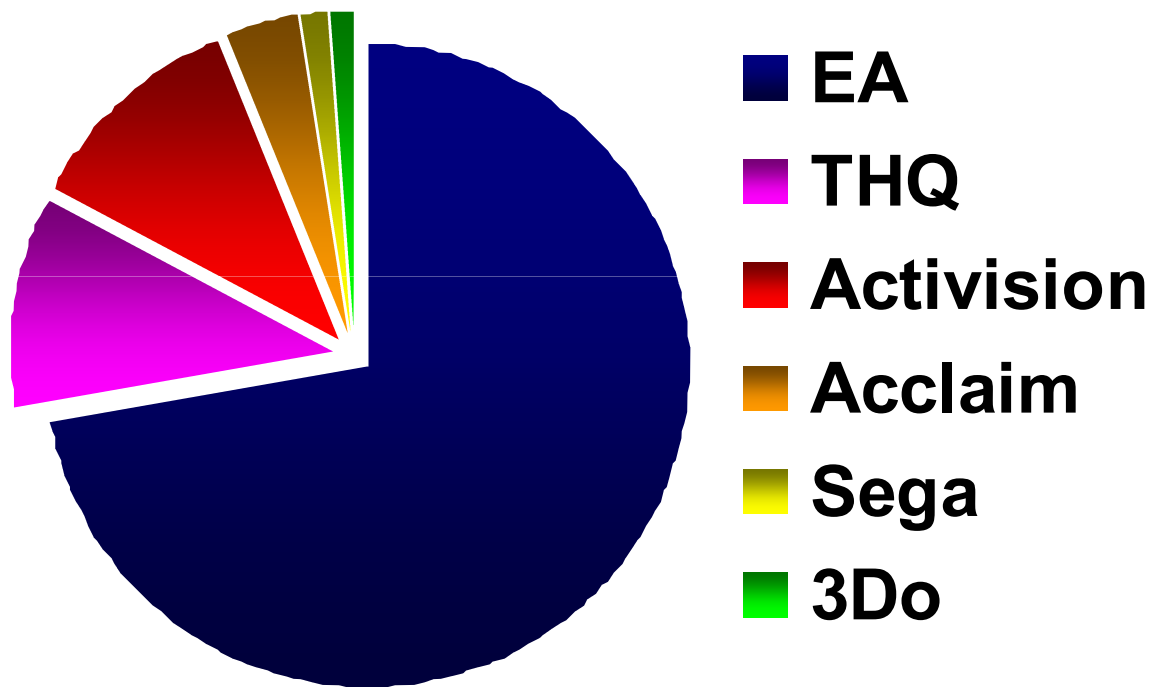
Long-Term Outlook

- **Well positioned for the eventually evolution from gaming consoles to the CPU**
- **Decrease in R&D expense that was previously necessary to allow games to function on multiple platforms**
- **Experience in online gaming will payoff as the industry grows**
- **Market cap advantage if there is fierce competition amongst all game providers because online games being positive networks**



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Relative Size





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Value Added Research

- **Possible threat of Sega sports games negated by brand loyalty amongst video game players**
- **Madden NFL only game on all three platforms at Electronic Entertainment Expo**
- **Top sellers, Luigi Mansion, Star Wars, Halo, Dead or Alive 3, and “anything EA”**
- **EA creates worlds or complete end-to-end environments for video game players to exist within**



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Questions?