

ELECTRONIC ARTS INC.  
Form 10-Q  
February 09, 2010  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**  
**FORM 10-Q**

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

For the Quarterly Period Ended December 31, 2009

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. 0-17948

**ELECTRONIC ARTS INC.**

*(Exact name of registrant as specified in its charter)*

**Delaware**  
*(State or other jurisdiction of  
incorporation or organization)*

**94-2838567**  
*(I.R.S. Employer  
Identification No.)*

**209 Redwood Shores Parkway**  
**Redwood City, California**  
*(Address of principal executive offices)*

**(650) 628-1500**

**94065**  
*(Zip Code)*

*(Registrant's telephone number, including area code)*

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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, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES  NO

As of February 5, 2010, there were 326,644,249 shares of the Registrant's Common Stock, par value \$0.01 per share, outstanding.

**Table of Contents**

**ELECTRONIC ARTS INC.**

**FORM 10-Q**

**FOR THE PERIOD ENDED DECEMBER 31, 2009**

**Table of Contents**

	<b>Page</b>
<b><u>Part I - FINANCIAL INFORMATION</u></b>	
Item 1. <u>Condensed Consolidated Financial Statements (Unaudited)</u>	
<u>Condensed Consolidated Balance Sheets as of December 31, 2009 and March 31, 2009</u>	3
<u>Condensed Consolidated Statements of Operations for the Three and Nine Months Ended December 31, 2009 and 2008</u>	4
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended December 31, 2009 and 2008</u>	5
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	6
<u>Report of Independent Registered Public Accounting Firm</u>	29
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	30
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	54
Item 4. <u>Controls and Procedures</u>	57
<b><u>Part II - OTHER INFORMATION</u></b>	
Item 1. <u>Legal Proceedings</u>	58
Item 1A. <u>Risk Factors</u>	58
Item 6. <u>Exhibits</u>	67
<u>Signature</u>	68
<u>Exhibit Index</u>	69

**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements (Unaudited)  
ELECTRONIC ARTS INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

<b>(Unaudited) (In millions, except par value data)</b>	<b>December 31, 2009</b>	<b>March 31, 2009 (a)</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,114	\$ 1,621
Short-term investments	352	534
Marketable equity securities	318	365
Receivables, net of allowances of \$267 and \$217, respectively	495	116
Inventories	144	217
Deferred income taxes, net	95	51
Other current assets	264	216
Total current assets	2,782	3,120
Property and equipment, net	550	354
Goodwill	1,097	807
Acquisition-related intangibles, net	215	221
Deferred income taxes, net	74	61
Other assets	221	115
<b>TOTAL ASSETS</b>	<b>\$ 4,939</b>	<b>\$ 4,678</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 186	\$ 152
Accrued and other current liabilities	790	723
Deferred net revenue (packaged goods and digital content)	895	261
Total current liabilities	1,871	1,136
Income tax obligations	281	268
Deferred income taxes, net	49	42
Other liabilities	139	98
Total liabilities	2,340	1,544
Commitments and contingencies (See Note 11)		
Stockholders' equity:		
Preferred stock, \$0.01 par value. 10 shares authorized		
Common stock, \$0.01 par value. 1,000 shares authorized; 327 and 323 shares issued and outstanding, respectively	3	3
Paid-in capital	2,265	2,142
Retained earnings	93	800
Accumulated other comprehensive income	238	189

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Total stockholders' equity	2,599	3,134
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 4,939</b>	<b>\$ 4,678</b>

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

(a) Derived from audited consolidated financial statements.

**Table of Contents****ELECTRONIC ARTS INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited) (In millions, except per share data)	Three Months Ended December 31,		Nine Months Ended December 31,	
	2009	2008	2009	2008
Net revenue	\$ 1,243	\$ 1,654	\$ 2,675	\$ 3,352
Cost of goods sold	654	925	1,568	1,778
<b>Gross profit</b>	<b>589</b>	<b>729</b>	<b>1,107</b>	<b>1,574</b>
Operating expenses:				
Marketing and sales	208	250	559	575
General and administrative	84	82	241	258
Research and development	290	299	918	1,027
Acquired in-process technology		1		3
Amortization of intangibles	14	15	38	46
Certain abandoned acquisition-related costs				21
Goodwill impairment		368		368
Restructuring charges	100	18	120	41
<b>Total operating expenses</b>	<b>696</b>	<b>1,033</b>	<b>1,876</b>	<b>2,339</b>
Operating loss	(107)	(304)	(769)	(765)
Losses on strategic investments	(1)	(27)	(25)	(67)
Interest and other income (expense), net	(2)	14	8	36
Loss before provision for (benefit from) income taxes	(110)	(317)	(786)	(796)
Provision for (benefit from) income taxes	(28)	324	(79)	250
<b>Net loss</b>	<b>\$ (82)</b>	<b>\$ (641)</b>	<b>\$ (707)</b>	<b>\$ (1,046)</b>
Net loss per share:				
Basic and Diluted	\$ (0.25)	\$ (2.00)	\$ (2.18)	\$ (3.28)
Number of shares used in computation:				
Basic and Diluted	325	321	324	319

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

**Table of Contents****ELECTRONIC ARTS INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited) (In millions)	Nine Months Ended December 31,	
	2009	2008
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (707)	\$ (1,046)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	145	147
Depreciation, amortization and accretion, net	142	152
Other non-cash restructuring charges	27	18
Net losses on investments and sale of property and equipment	20	67
Goodwill impairment		368
Acquired in-process technology		3
Change in assets and liabilities:		
Receivables, net	(356)	(476)
Inventories	77	(128)
Other assets	(53)	30
Accounts payable	36	102
Accrued and other liabilities	(42)	177
Deferred income taxes, net	(24)	258
Deferred net revenue (packaged goods and digital content)	634	125
Net cash used in operating activities	(101)	(203)
<b>INVESTING ACTIVITIES</b>		
Purchase of headquarters facilities	(233)	
Capital expenditures	(50)	(90)
Proceeds from sale of marketable equity securities	10	
Proceeds from maturities and sales of short-term investments	657	610
Purchase of short-term investments	(477)	(459)
Acquisition-related restricted cash	(100)	
Acquisition of subsidiaries, net of cash acquired	(278)	(58)
Net cash provided by (used in) investing activities	(471)	3
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of common stock	25	75
Excess tax benefit from stock-based compensation	13	2
Net cash provided by financing activities	38	77
Effect of foreign exchange on cash and cash equivalents	27	(51)
Decrease in cash and cash equivalents	(507)	(174)
Beginning cash and cash equivalents	1,621	1,553
Ending cash and cash equivalents	\$ 1,114	\$ 1,379
<b>Supplemental cash flow information:</b>		
Net cash paid during the period for income taxes	\$ 8	