

ELECTRONIC ARTS INC.
Form 10-Q
November 08, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the Quarterly Period Ended September 30, 2011

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

209 Redwood Shores Parkway

Redwood City, California
(Address of principal executive offices)

(650) 628-1500

(Registrant's telephone number, including area code)

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

94065
(Zip 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 November 3, 2011, there were 331,425,465 shares of the Registrant's Common Stock, par value \$0.01 per share, outstanding.

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FORM 10-Q

FOR THE PERIOD ENDED SEPTEMBER 30, 2011

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Table of Contents**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)	September 30, 2011	March 31, 2011 (a)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 930	\$ 1,579
Short-term investments	355	497
Marketable equity securities	214	161
Receivables, net of allowances of \$166 and \$304, respectively	562	335
Inventories	90	77
Deferred income taxes, net	97	56
Other current assets	320	327
Total current assets	2,568	3,032
Property and equipment, net	532	513
Goodwill	1,700	1,110
Acquisition-related intangibles, net	416	144
Deferred income taxes, net	45	49
Other assets	174	80
TOTAL ASSETS	\$ 5,435	\$ 4,928
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 213	\$ 228
Accrued and other current liabilities	792	768
Deferred net revenue (packaged goods and digital content)	849	1,005
Total current liabilities	1,854	2,001
0.75% convertible senior notes due 2016, net	529	
Income tax obligations	187	192
Deferred income taxes, net	84	37
Other liabilities	241	134
Total liabilities	2,895	2,364
Commitments and contingencies (See Note 13)		
Stockholders' equity:		
Preferred stock, \$0.01 par value. 10 shares authorized		
Common stock, \$0.01 par value. 1,000 shares authorized; 332 and 333 shares issued and outstanding, respectively	3	3
Paid-in capital	2,551	2,495
Accumulated deficit	(272)	(153)
Accumulated other comprehensive income	258	219

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Total stockholders' equity	2,540	2,564
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 5,435	\$ 4,928

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 September 30,		Six Months Ended September 30,	
	2011	2010	2011	2010
Net revenue	\$ 715	\$ 631	\$ 1,714	\$ 1,446
Cost of goods sold	432	363	672	585
Gross profit	283	268	1,042	861
Operating expenses:				
Marketing and sales	222	173	362	300
General and administrative	88	77	162	151
Research and development	318	277	603	552
Amortization of intangibles	13	15	26	30
Acquisition-related contingent consideration	17	(28)	19	(26)
Restructuring and other charges	(1)	6	17	8
Total operating expenses	657	520	1,189	1,015
Operating loss	(374)	(252)	(147)	(154)
Gain on strategic investments, net		28		23
Interest and other income (expense), net	(6)	6	(3)	6
Loss before benefit from income taxes	(380)	(218)	(150)	(125)
Benefit from income taxes	(40)	(17)	(31)	(20)
Net loss	\$ (340)	\$ (201)	\$ (119)	\$ (105)
Net loss per share:				
Basic and Diluted	\$ (1.03)	\$ (0.61)	\$ (0.36)	\$ (0.32)
Number of shares used in computation:				
Basic and Diluted	331	329	331	328

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

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

(Unaudited)	Six Months	
(In millions)	Ended	
	September 30,	
	2011	2010
OPERATING ACTIVITIES		
Net loss	\$ (119)	\$ (105)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization and accretion, net	94	94
Stock-based compensation	81	90
Acquisition-related contingent consideration	19	(26)
Non-cash restructuring charges		(1)
Net gains on investments and sale of property and equipment	(12)	(24)
Change in assets and liabilities:		
Receivables, net	(215)	(237)
Inventories	(11)	(55)
Other assets	(63)	14
Accounts payable	(57)	106
Accrued and other liabilities	2	(142)
Deferred income taxes, net	(48)	27
Deferred net revenue (packaged goods and digital content)	(156)	(23)
Net cash used in operating activities	(485)	(282)
INVESTING ACTIVITIES		
Capital expenditures	(84)	(23)
Proceeds from sale of property and equipment	26	
Proceeds from sale of marketable equity securities		132
Proceeds from maturities and sales of short-term investments	319	197
Purchase of short-term investments	(179)	(262)
Acquisition of subsidiaries, net of cash acquired	(657)	
Net cash provided by (used in) investing activities	(575)	44
FINANCING ACTIVITIES		
Proceeds from issuance of common stock	35	17
Proceeds from borrowings on convertible senior notes, net of issuance costs	617	
Proceeds from issuance of warrants		