

EA posts smaller 4Q loss as costs decline

May 5 2009, By BARBARA ORTUTAY , AP Technology Writer



In this photo taken Monday, May 4, 2009, a customer walks by Electronic Arts' Rock Band 2 video game on display at Best Buy in Mountain View, Calif. Electronic Arts is scheduled to release quarterly earnings after market close on Tuesday. (AP Photo/Paul Sakuma)

(AP) -- Video game publisher Electronic Arts Inc. posted a smaller net loss Tuesday for its fiscal fourth quarter as it further slashed costs in a quarter that had fewer hit game launches.

Redwood City, Calif.-based EA also reaffirmed its adjusted guidance for the current fiscal year, and Chief Financial Officer Eric Brown said the company is "ahead of schedule" on its cost-cutting measures that include eliminating 1,100 jobs.

EA posted a loss of \$42 million, or 13 cents per share, for the January-March period. That's less than half the loss of \$94 million, or 30 cents a share, in the year-ago period.

Excluding special items such as restructuring charges and gains from deferred revenue, EA lost 37 cents per share. Analysts polled by Thomson Reuters had expected a larger loss - at 43 cents per share.

Revenue fell 24 percent to \$860 million, down from \$1.13 billion. Without the deferred revenue benefit, the January-March quarter's adjusted sales totaled \$609 million, short of analysts' estimates of \$631.9 million.

Sales of games like "Skate 2," "Rock Band 2," and "Left 4 Dead" drove the quarter's results. But big games that were to launch during the quarter got delayed, so revenue was weaker than the same period last year, when EA had bigger launches. The company delayed the highly anticipated "Sims 3" until June. "Godfather II," which went on sale last month, had also been also delayed, as was the computer game "Dragon's Age."

Reducing expenses helped EA offset the quarter's lower revenue, and Brown said EA remains "vigilant" on cutting costs. Operating expenses declined more than 18 percent during the quarter, to \$573 million.

During a conference call with analysts, Chief Executive John Riccitiello said the company continues to see a "challenging retail environment," as stores are still cautious with stocking too much inventory.

Overall, video game sales are still expected to rise this year, making the industry one of the few growth areas, Brown said. According to market researcher NPD Group, U.S. sales of video game software declined 2 percent during the first quarter, hurt by a sharp drop in March. EA only had titles in the top 10 in January - three, including "Skate 2."

In confirming its adjusted outlook for the current fiscal year, which ends March 2010, EA said it expects a loss of 85 cents to \$1.45 per share for the year, on sales of \$3.7 billion to \$3.85 billion.

On an adjusted basis, the company is forecasting a profit of about \$1 per share on sales of \$4.3 billion. That's roughly in line with analysts' expectations of a profit of 96 cents per share on sales of \$4.28 billion.

For the full fiscal 2009, EA reported a loss of \$1.09 billion, or \$3.40 per share, compared with a loss of \$454 million, or \$1.45 per share, a year earlier. Excluding items, its loss for fiscal 2009 were 30 cents per share.

Revenue rose 15 percent to \$4.21 billion, from \$3.67 billion.

Like most video game companies, EA brings in the largest chunk of its sales during the winter holidays. But the holiday quarter was a weak one for the company, not necessarily because of the recession but because its games fell short of expectations.

EA's shares slipped 92 cents, or 4.3 percent, to \$20.46 in after-hours trading, having closed up 34 cents at \$21.38 before the release of the results Tuesday.

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