

# EA sees bright digital future despite loss

1 February 2011, by Glenn Chapman



A fair goer plays a game by Electronic Arts (EA) at an entertainment fair in 2008. US videogame giant Electronic Arts (EA) on Tuesday reported a deepened loss in the last quarter but saw a bright future as players opt increasingly for online play and digital downloads.

US videogame giant Electronic Arts (EA) on Tuesday reported a deepened loss in the last quarter but saw a bright future as players opt increasingly for online play and digital downloads.

The California-based firm posted a net loss of \$322 million on revenue of \$1.05 billion in the quarter ending December 31 as compared with a loss of \$82 million on revenue of \$1.24 billion in the same period a year earlier.

The results topped Wall Street expectations, causing the company's stock price to jump nearly 10 percent to \$17.18 per share in trading that followed release of the earnings figures.

"We are pleased to report another strong quarter," said EA chief executive John Riccitiello.

"Our \$600 million stock buyback demonstrates our confidence in EA's digital strategy."

Net revenue from videogame sales in the forms of digital downloads and online play climbed to \$195 million in the quarter from \$133 million in the same period a year earlier, according to EA.

EA saw a 39 percent increase in digital sales and was "tracking toward" its target of \$750 million revenue in the category for the fiscal year, according to chief financial officer Eric Brown.

EA was the top publisher in Western markets at Apple's online App Store for software for iPhones, iPads, or iPod touch devices.

The company also claimed the title as the leading Western markets publisher of games on Sony PlayStation 3 (PS3) and Microsoft Xbox 360 consoles.

While overall industry sales of packaged titles have slid, purchases of compact disks of high-definition games for play on powerful PS3 and Xbox 360 consoles have risen, according to EA chief operating officer John Schappert.

EA has already sold more than five million copies of both the "Medal of Honor" shooter game and the "Need for Speed" car racing title released in the final three months of last year.

Videogame players have snatched up nearly two million copies of a "Dead Space 2" horror action title released by EA last week.

"What we see is the rise of digital and rise of console for high-definition games," Schappert said, dismissing suggestions that videogame consoles are on the decline.

Marketplace successes of freshly-launched Kinect and Move motion-sensing control hardware for Xbox 360 and PS3, respectively, play into an EA strong suit of Madden and FIFA brand sports games.

The amount of money EA took in from games crafted for smartphones climbed 12 percent in the quarter and "tens of millions" of people are registered to play titles at Facebook and other online locales.

About 290 million gamers play an average of 2.5 hours monthly at online social networking hotspot Facebook, according to EA.

"Another big digital opportunity is on Facebook," Schappert said. "Games are rapidly transforming to a much bigger, much more accessible industry."

Revenue in EA's interactive entertainment division climbed seven percent in the quarter as compared to the prior year. Digital games now make up 30 percent of industry sales in Western markets and 40 percent globally, according to EA.

Millions people are playing on smartphones, electronic readers, tablet computers, and at websites, Schappert said.

A "Star Wars" role-playing action game designed to be played online by massive numbers of people is shaping up for release later this year.

"Many will continue to debate whether a packaged goods company can make the change to digital but few will question why," Riccitiello said, noting that eliminating costs of producing and shipping compact disks meant higher returns.

EA has taken a "fewer, bigger, better" approach to compact disk titles crafted for consoles and been rewarded with a 25 percent climb in revenue on those kinds of videogames.

EA is out to reclaim glory in the shooter game genre with coming titles "Bulletstorm" and "Crysis 2."

Riccitiello said that while innovations in 3-D videogames have been hot topics, the more significant trend in the near-term is Internet-linked televisions.

"The larger idea at present is the connected game," Riccitiello said. "People playing together is a powerful motivator."

EA raised its revenue forecast for the current quarter.

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