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Electronic Arts F4Q09 (Qtr End 3/31/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) And we will take our first question from Heath Terry with FBR Capital Markets.

Heath Terry - Friedman Billings Ramsay

Great, thank you. I was wondering if you could talk to us about the strategy for embedding Wii motion plus with or packaging Wii motion plus with Tiger and the tennis game -- what kind of marketing goes around that, what kind of impact do you think it's going to have on the profitability for those titles and what kind of impact do you think it ultimately has on sales for those titles?

John S. Riccitiello

Well first off, I think it's emblematic of a really strong partnership between Electronic Arts and Nintendo that we are very pleased with. And really I think it's a function of the fact that we've got two great titles supporting the new hardware peripheral from Nintendo precisely at the moment they'd be bringing them to market, and so they and we collectively thought it was a great idea to bundle them. I don't think it's got really any material impact on our profitability. You know, we expect this to be a, if you will, a normal percentage profit title for us within our Wii portfolio.

I do think it can help us on sales and my reasoning there is that I think the new sensor is going to be in high demand and one of the best ways to get it is with a piece of software that best, if you will, exemplifies or shows you or benefits you as a consumer and you are going to get that combination with both Tiger and our Grand Slam Tennis.

Operator

(Operator Instructions) We'll go next to Justin Post with Merrill Lynch.

Justin Post - Merrill Lynch

Great. Thank you. When you look at the \$295 million in R&D for the fourth quarter, and you talked about getting to your expense initiatives, are you at the level now where you think that's kind of going to flat line for a while? Was there any abnormal bonus numbers in that number in the fourth quarter? And how do you see that trending as one of the most variable lines in your income statement? Thanks.

Eric F. Brown

I'll take that question. So a couple of comments here -- so first we ended the fiscal year slightly ahead of our targeted cost reductions and we gave the statistics in terms of the end-of-year headcount, so we are pleased to have moved through the restructuring plan. We believe embedded in our guidance of operating expense of approximately \$2.1 billion on a non-GAAP basis. That's the overall expense rate that we would like to reset the business to.

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