



Q3 Fiscal Year 2026 Conference Call

- Good afternoon. Thank you for joining our conference call to discuss our results for the third quarter of Fiscal Year 2026, ended December 31, 2025. Today's call will be led by Strauss Zelnick, Take-Two's Chairman and Chief Executive Officer, Karl Slatoff, our President, and Lainie Goldstein, our Chief Financial Officer. We will be available to answer your questions during the Q&A session following our prepared remarks.
- Before we begin, I'd like to remind everyone that statements made during this call that are not historical facts are considered forward-looking statements under federal securities laws. These forward-looking statements are based on the beliefs of our management, as well as assumptions made by and information currently available to us. We have no obligation to update these forward-looking statements. Actual operating results may vary significantly from these forward-looking statements based on a variety of factors. These important factors are described in our filings with the SEC, including the Company's most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q, including the risks summarized in the section entitled "Risk Factors." I'd also like to note that, unless otherwise stated, all numbers we will be discussing today are GAAP and all comparisons are year-over-year. Additional details regarding our actual results and outlook are contained in our press release, including the items that our management uses internally to adjust our GAAP financial results in order to evaluate our operating performance. Our press release also contains a reconciliation of any Non-GAAP financial measure to the most comparable GAAP measure. In addition, we have posted to our website a slide deck that visually presents our results and financial outlook. Our press release and filings with the SEC may be obtained from our website at take2games.com.
- And now, I'll turn the call over to Strauss.

Strauss Zelnick

- Thanks, Nicole. Good afternoon and thank you for joining us today.
- I am pleased to report that we delivered another outstanding quarter, including Net Bookings of \$1.76 billion, which surpassed meaningfully the high-end of our guidance. All of our labels outperformed substantially our expectations and contributed to our ongoing success.

- Due to our strong results and positive momentum that has continued into the current quarter, we are once again raising our outlook for the full fiscal year. We now expect Net Bookings to range from \$6.65 to \$6.7 billion, which represents 18% growth compared to Fiscal 2025. At the midpoint, our revised Net Bookings forecast is approximately \$725 million above the initial outlook we provided in May 2025, which reflects the creative passion, hard work, and consistent execution of our teams.
- Turning to highlights from the period, I will begin with the fantastic performance of our mobile business.
 - Peak's forever franchise, *Toon Blast*, grew 43% year-over-year, and surpassed \$3 billion in lifetime Net Bookings – an extraordinary achievement for a title that has been engaging players for more than eight years. The game continues to rank among our most valuable franchises, showcasing the long-term value of our match-three portfolio.
 - *Match Factory*, another hit from Peak, grew approximately 17% over last year. The title remains a top contributor two years after its launch, affirming our strategy of building a diverse portfolio of games with vast global appeal.
 - *Color Block Jam* remains Rollic's all-time top-performing title and was featured in Apple's 2025 Free Games list in the U.S., underscoring the title's success.
 - *Empires and Puzzles* and *Words with Friends* grew 11% and 6%, respectively, over last year.
 - Advertising revenue grew 10% over last year, driven by higher average revenue per daily active user and we are highly confident in the future of this component of the business.
 - 2K's mobile offerings also had another solid quarter, with *WWE SuperCard* surpassing 38 million lifetime downloads; *NBA 2K Mobile* continuing to expand its audience; *NBA 2K26 Arcade Edition* holding its top-5 position on the Apple Arcade charts; and *NBA 2K All-Star* in China growing to nearly 9 million registered users after less than one year in market.
 - Our mobile direct-to-consumer business delivered its strongest quarter on-record. We have introduced recent enhancements that enable more personalized offers, flexible pricing, reduced payment friction, and alternative payment methods. With the regulatory environment becoming even more favorable to us, we view direct-to-consumer as a meaningful growth driver that will help accelerate net bookings, margins, and profitability.
- *NBA 2K26* delivered another stellar quarter, yielding significant upside to our forecast. To date, the title has sold-in approximately 8 million units, representing a high single-digit percentage increase over *NBA 2K25*. Recurrent Consumer Spending, Daily Active Users and MyCAREER Daily Active Users all grew 30% year-over-year. Based on its phenomenal year-to-date performance, *NBA 2K* is on track to generate the highest level of annual Net Bookings and Recurrent Consumer Spending in franchise history. I'd like to thank the NBA and NBA Players Association for their extraordinary partnership and support.

- The *Grand Theft Auto* series also vastly outpaced our forecasts, with recurrent consumer spending growth of 27%, led by *GTA Online*'s "A Safehouse in the Hills" update, which featured long-awaited Mansion properties and the return of the fan-favorite protagonist, Michael De Santa. Full-game sales of *Grand Theft Auto V* remain strong, with the title having now sold-in over 225 million units since its launch in 2013. *GTA+* continues to thrive, with membership levels nearly doubling over the same period last year and we are excited about its potential to add even more value to the player experience in the future.
- In December, Rockstar Games expanded *Red Dead Redemption* and *Undead Nightmare* onto new platforms, bringing these classic blockbusters to PlayStation 5, Xbox Series X|S, Nintendo Switch 2, and iOS and Android mobile devices for Netflix subscribers.
- We are immensely proud of our teams and their ability to deliver consistently the highest quality and most engaging entertainment experiences. As we continue to explore and invest in new technologies, particularly AI, we will unlock greater efficiencies that will allow our talent to focus on the kind of innovation that has enabled us continually to set new creative and commercial benchmarks in interactive entertainment.
- Our execution throughout Fiscal 2026 has been extraordinary and we are highly confident as we approach Fiscal 2027 – which promises to be groundbreaking for Take-Two and the entire entertainment industry – led by the November 19th release of *Grand Theft Auto VI* with Rockstar's launch marketing set to begin this Summer. With ongoing momentum in our business, coupled with our robust forward release schedule, we continue to project record levels of Net Bookings in Fiscal 2027, which we believe will establish a higher financial baseline, set us on a path to enhanced profitability, and provide further balance sheet strength and flexibility.
- I'll now turn the call over to Karl.

Karl Slatoff

- Thanks, Strauss.
- I'd like to thank our teams for delivering another fantastic quarter, which reflects our world-class talent and the breadth and depth of our portfolio.
- I'll now discuss our recent and planned product offerings for the balance of Fiscal 2026.
 - On January 14th, 2K and HB Studios announced an array of new content for *PGA TOUR 2K25*, including three new courses for the 2026 Major Championships: the 2026 PGA Championship at Aronimink Golf Club, the 126th U.S. Open at

Shinnecock Hills Golf Club, and the 154th Open at Royal Birkdale Golf Club, with more to come, including new seasons. Additionally, we look forward to growing the community with the launch of *PGA TOUR 2K25* for Nintendo Switch 2 on Friday.

- Firaxis Games will continue to deliver a steady cadence of updates for *Sid Meier's Civilization VII*. And, on Thursday, 2K will launch *Civilization VII* for mobile devices exclusively on Apple Arcade, representing an exciting opportunity to expand the *Civilization* audience.
- On March 13th, 2K and Visual Concepts will once again raise the bar for our wrestling franchise with the release of *WWE 2K26*. Featuring the biggest roster in the series' history, players will be able to choose from over 400 Legends and current superstars and enjoy new customization options throughout the game. We plan to support the release with the new Ringside Pass live service model, and a series of add-on packs that can be purchased individually or together as part of the Season Pass.
- 2K and Gearbox Software will continue to support *Borderlands 4* with new content and updates, and we expect the title to achieve strong sell-through over its lifetime.
- Zynga will continue to deliver new features and drive innovation across its live services, as well as pursue the development of new titles.
- Looking ahead, we believe strongly in our upcoming launches, and will provide our initial three-year pipeline for Fiscal 2027 through Fiscal 2029 with our Q4 results in May.
- I'll now turn the call over to Lainie.

Lainie Goldstein

- Thanks Karl and good afternoon everyone.
- Our third quarter results were fantastic, with all of our labels delivering excellent results, and we are pleased to once again raise our outlook for the fiscal year. With many of our core franchises continuing to thrive, Fiscal 2026 is on track to be one of our strongest years in recent history, and I'd like to thank our teams for their vision, passion, and dedication.
- Turning to our performance, we delivered third quarter Net Bookings of \$1.76 billion, which was significantly above the high end of our guidance range of \$1.55 to \$1.6 billion.
 - This reflected better-than-expected performance from *NBA 2K*, the *Grand Theft Auto* series, and several mobile titles, including *Toon Blast*, *Empires and Puzzles*, and *Top Eleven*.

- Recurrent consumer spending rose 23% for the period, which strongly outperformed our guidance of 8% growth, and accounted for 76% of Net Bookings. *NBA 2K* grew 30%; *Grand Theft Auto Online* increased 27%, and mobile increased 19%; all of which exceeded our expectations.
- During the quarter, we launched *WWE 2K Mobile* for *Netflix* and *Red Dead Redemption* and *Undead Nightmare* for several new platforms.
- GAAP net revenue increased 25% to \$1.7 billion, cost of revenue increased 26% to \$754 million, and operating expenses increased 10% to \$984 million.
- On a management basis, operating expenses rose 13% year-over-year, which was in line with our guidance, and represented significant operating expense leverage on our fantastic topline growth.
- Turning to our guidance, I'll begin with our full fiscal year expectations.
 - We are once again raising our Net Bookings outlook, and now expect to achieve \$6.65 to \$6.7 billion, which represents 18% growth at the midpoint over Fiscal 2025. The increase reflects our third quarter outperformance and higher expectations for several of our key titles during the fourth quarter.
 - The largest contributors to Net Bookings are expected to be *NBA 2K*, the *Grand Theft Auto* series, *Toon Blast*, *Match Factory*, *Empires & Puzzles*, *Color Block Jam*, *Borderlands*, the *Red Dead Redemption* series, and *Words with Friends*.
 - We now expect recurrent consumer spending to grow approximately 17% and represent 78% of Net Bookings. This is up significantly from our prior forecast of 11%, driven by strong momentum across most of our major franchises.
 - Our revised recurrent consumer spending forecast assumes that *NBA 2K* grows approximately 37%; mobile increases approximately 13%; and *Grand Theft Auto Online* increases slightly. All of these expectations are raised from our prior forecast.
 - We project the Net Bookings breakdown from our labels to be roughly 46% Zynga, 38% 2K, and 16% Rockstar Games.
- We are raising our Operating Cash Flow forecast to approximately \$450 million, which is up from our prior expectation of \$250 million, with the increase reflecting the strength in our business. We remain on track to deploy approximately \$180 million in capital expenditures.
- We are also updating our forecast for GAAP net revenue, which is now expected to range from \$6.55 to \$6.6 billion, and cost of revenue, which is expected to range from \$2.78 to \$2.8 billion.
- Our total operating expenses are now expected to range from \$3.96 to \$3.97 billion, compared to \$7.45 billion last year, which included a \$3.6 billion impairment of goodwill and intangible assets. On a management basis, we now expect operating expense growth of approximately 8% year-over-year, which is down slightly from our prior

forecast, due to a shift of some marketing expenses into next year. Given our strong Net Bookings outlook, this assumes meaningful operating expense leverage over last year.

- Now, moving onto our guidance for the fiscal fourth quarter:
- We project Net Bookings to range from \$1.51 to \$1.56 billion, compared to \$1.58 billion in the prior year.
 - Our release slate for the quarter includes *Sid Meier's Civilization VII* for Apple Arcade, *PGA TOUR 2K25* for Switch 2, and *WWE 2K26*.
 - The largest contributors to Net Bookings are expected to be *NBA 2K*, the *Grand Theft Auto* series, *Toon Blast*, *Match Factory*, *WWE 2K*, *Empires & Puzzles*, *Color Block Jam*, the *Red Dead Redemption* series, and *Words with Friends*.
 - We project recurrent consumer spending to increase by approximately 7%, which assumes a high-20% increase for *NBA 2K*, mid-single digit growth for mobile, and a modest decline for *Grand Theft Auto Online*.
- We expect GAAP net revenue to range from \$1.57 to \$1.62 billion and cost of revenue to range from \$675 to \$692 million.
- Operating expenses are planned to range from \$973 to \$983 million. On a management basis, operating expenses are expected to grow by approximately 3% year-over-year, which is primarily driven by higher performance-based compensation and user acquisition investments to support robust performance in our mobile portfolio, which is partly offset by lower production expenses.
- In closing, our business momentum remains outstanding, and we are very confident in our future. With *Grand Theft Auto VI* and other eagerly anticipated titles on the horizon, we believe that we will generate higher earnings power, strengthen our balance sheet, and deliver sustainable shareholder returns. I'd like to thank you all for your support and look forward to sharing more details in the coming months, including our initial outlook for Fiscal 2027 when we report our fourth quarter results in May.

Thank you. I'll now turn the call back to Strauss.

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