



Q4 Fiscal Year 2024 Conference Call

SAFE HARBOR – Nicole Shevins

- Good afternoon. Thank you for joining our conference call to discuss our results for the fourth quarter and Fiscal Year 2024, ended March 31, 2024. 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](https://www.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 concluded Fiscal 2024 with strength, including Net Bookings of \$1.35 billion, which exceeded the high end of our guidance range. Contributing to our positive results was the outperformance of *NBA 2K24*; Zynga's in-

app purchases, led by *Toon Blast* and our newest hit, *Match Factory*; and the *Red Dead Redemption* and *Grand Theft Auto* series.

- During Fiscal 2024, we generated Net Bookings of \$5.33 billion, driven by our high-quality titles and our ability to engage consistently our player communities.
- With Fiscal 2025 underway, our portfolio is gaining momentum and we have many exciting releases planned for the year. We expect Net Bookings to be in the range of \$5.55 to \$5.65 billion, representing 5% year-over-year growth. Our outlook reflects a narrowing of Rockstar Games' previously established window of Calendar 2025 to Fall of Calendar 2025 for *Grand Theft Auto VI*. We are highly confident that Rockstar Games will deliver an unparalleled entertainment experience, and our expectations for the commercial impact of the title continue to increase. As we release our groundbreaking pipeline, we expect to achieve tremendous growth, including sequential increases in Net Bookings in Fiscal 2025, 2026, and 2027.
- We have been executing our substantial cost-reduction program, which we now anticipate will result in over \$165 million of annual cost savings from our current and future expenses. This will enable us to run our business more efficiently and achieve greater operating leverage as our large-scale titles come to market.
- Now, turning to our performance during the quarter:
 - *NBA 2K24*, which remains the #1 basketball simulation experience in our industry, surpassed our expectations, as players responded to our promotions, in-game content strategy, and updates within Seasons. To-date, the title has sold-in over 9 million units. Engagement remains high, with nearly 2 million consumers playing daily. Our industry-leading *NBA 2K* brand also continued to expand its audience through several innovative mobile experiences, including *NBA 2K24 MyTeam* - the new free-to-download mobile experience that allows players to sync progress between console and mobile devices as they play their favorite MyTEAM modes on the go, *NBA 2K Mobile*, and *NBA 2K24 Arcade Edition*, which is consistently in the Top 5 on Apple Arcade.
 - The *Grand Theft Auto* series delivered another fantastic quarter, partially driven by an array of free content updates for *Grand Theft Auto Online*, including new vehicles, drag races, holiday-themed items to celebrate Lunar New Year and Valentine's Day, new community series jobs, and more. Unit sales for *Grand Theft Auto V* exceeded our forecast, and to date, the title has sold-in approximately 200 million units worldwide. We are thrilled that more than a decade after their initial releases, *Grand Theft Auto V* and *Grand Theft Auto Online* grew their audience size by an incredible 35% and 23%, respectively, for the full year. *Grand Theft Auto V* also reclaimed its top spot as the most watched video game across all platforms according to Streamhatchet, thanks largely to the tremendous viewership from the series' thriving role play community. Rockstar's premium subscription service,

GTA+, also continues to grow, with membership for the quarter almost doubling over the same period in the prior year as Rockstar continues to add valuable benefits to players.

- *Red Dead Redemption 2* also surpassed our expectations and has sold-in nearly 64 million units worldwide. We continue to expand the audience for the series, with *Red Dead Redemption* and *Undead Nightmare* recently added to the roster of games included within the *GTA+* library.
- *Borderlands 3* outpaced our forecasts and we are thrilled that Randy Pitchford and Gearbox Entertainment are slated to join officially 2K's renowned internal studios in the coming weeks. We have already identified many potential growth opportunities for the *Borderlands* series and Gearbox's catalog, which we plan to pursue once the studio is integrated into our organization. We are also excited to see growing buzz for the star-studded *Borderlands* feature film, which is planned for release by Lionsgate this summer.
- *WWE 2K24* has been a resounding success and is the highest rated sports simulation of 2024. The title is also the highest-rated installment in the history of our popular wrestling franchise on Xbox, with an 83 average Metacritic score. Engagement has been exceptional, with players logging over 11 million hours across more than 110 million played matches. In addition, the *Forty Years of WrestleMania Pack* has the highest attach rate for a Super Deluxe DLC in the series' history, with more than 25% of *WWE 2K24* players owning it. 2K and Visual Concepts are continuing to support the title and will have additional packs launching throughout the Fall. I'd like to thank our friends, Nick Kahn and Ari Emanuel over at WWE, TKO, and WME for their continued support. Additionally, I'd like to express our immense gratitude to our team at Visual Concepts for their outstanding work on our *WWE 2K* and *NBA 2K* franchises, which are both important annual contributors for our Company.
- Zynga delivered outstanding results for the period, led by robust in-app purchases.
 - *Match Factory* is accelerating and proving to be a hit, already establishing itself as a Top-20 grossing game on the U.S. Apple App Store and reaching millions of new users with its launch on the Google Play store. We are pleased that new bold beats and other exciting features have propelled average daily play time to around 60-minutes per user.
 - *Toon Blast* maintained its positive momentum, achieving nearly 20% growth of in-app purchases compared to the third quarter, driven by a new *Dragons' Treasure* competition and many other features. We'd like to congratulate the team at Peak for their incredible performance.
 - *Top Troops* launched several content updates, as well as a major cross-media collaboration with the popular influencer, MrBeast. The team plans to release additional enhancements to core gameplay and progression systems to drive further growth.

- Momentum continues at Rollic, with the studio crossing 3.5 billion all-time downloads and announcing a new partnership with Mattel to introduce a mass-market Barbie mobile game later this calendar year.
 - Our blended monetization efforts in hyper-casual are progressing well within Rollic, which has resulted in *Twisted Tangle* and *Screw Jam* both becoming Top-100 grossing games on the U.S. Apple App Store.
 - Our direct-to-consumer business continues to grow, and our teams are working actively to add more titles each quarter to this highly accretive, owned distribution channel.
 - Looking ahead, Zynga has numerous titles in development and soft launch that we are eager to release worldwide this fiscal year, including *Star Wars Hunters* and *Game of Thrones: Legends*.
- In closing, I am highly confident in our business, led by our top creative talent, our industry-leading portfolio of owned intellectual property, our sound balance sheet and our increasingly efficient infrastructure. Our teams are laser focused on our core tenets of creativity, innovation, and efficiency, and as we deliver our groundbreaking pipeline over the next several years, we are poised also to deliver industry-leading growth and shareholder returns.
 - I will now turn the call over to Karl.

Karl Slatoff

- Thanks, Strauss.
- I'd like to thank our teams for their dedication and hard work as we continue to build the foundation for our future, which we believe is more promising than ever.
- We are extremely excited about our upcoming pipeline, which includes approximately 40 titles through Fiscal 2027. Our updated release schedule reflects the actions of our recent cost-reduction program, through which we cancelled several titles to focus our efforts and resources on the franchises we believe represent our best opportunities to achieve significant critical and commercial success. These titles did not include any of our core franchises and were not expected to materially affect our Net Bookings growth.
- Turning to Fiscal 2025, we have 16 titles in our pipeline, three of which have already been released:
 - We have seven immersive core titles, including *TopSpin*, *NBA* and *WWE 2K25*, and the next iteration in one of 2K's biggest and most beloved franchises - with the first details coming in just a few short weeks at *Summer Games Fest Kickoff Live*. Of these titles, *TopSpin 2K25* was released by 2K and Hangar 13 on April 26th. The revival of our popular tennis franchise has been well-received by critics and

provides deep personalization, iconic venues, and industry-leading gameplay. With *TopSpin 2K25*, we continue to broaden our sports offerings, and 2K will support the title with season packs throughout the year.

- We have two independent titles from Private Division, the first of which is Moon Studio's *No Rest for the Wicked*, which launched on April 18th into Early Access on PC. This new ARPG was well received for its visceral combat, distinct art style, and rich narrative. Private Division, along with Wētā Workshop, also announced *Tales of the Shire: A The Lord of the Rings Game*, which is planned for release later this year. The teams recently revealed a new trailer for this cozy, hobbit life sim, which is set in the Middle-earth universe of J.R.R. Tolkien.
- We have five mobile titles, including *NFL 2K Playmakers*, *Star Wars Hunters*, and *Game of Thrones Legends*. *NFL 2K Playmakers* was released on April 23rd by 2K and Cat Daddy Games for iOS and Android devices. In this non-simulation tactical card battle, players can collect NFL player cards to assemble an exciting roster, while also experiencing a variety of game modes and features. We're proud to add *NFL 2K Playmakers* to our ever-growing mobile portfolio in partnership with the NFL and the NFL Player's Association.
- Lastly, we have two new iterations of prior releases planned for the year.
- As always, our labels will continue to provide new content and experiences that drive engagement and recurrent consumer spending across many of our key offerings.
- Looking ahead, our pipeline for Fiscal 2026 and 2027 has 24 titles planned, including:
 - 15 immersive core releases, six of which are sports simulation games;
 - One independent title;
 - Five mobile games; and
 - Three new iterations of previously-released titles;
- In closing, we believe that the many opportunities ahead of us will deliver a period of meaningful long-term growth, margin expansion, and shareholder returns.
- I'll now turn the call over to Lainie.

Lainie Goldstein

- Thanks Karl and good afternoon everyone.
- We delivered a strong finish to Fiscal 2024 and are entering Fiscal 2025 with momentum, including healthy trends across our key franchises. Throughout the year, we released successful hit titles, engaged players with a steady cadence of in-game content, and continued to position our organization for the long-term. We also

deepened our commitment to efficiency and made some decisions that, while difficult, will align our resources with the initiatives for which we have the highest levels of conviction. We are confident that, over time, these steps will drive our scale, enhance our margins, and deliver industry-leading returns for our shareholders. I'd like to thank our teams for their vision, passion, and dedication.

- Turning to our results, we delivered fourth quarter Net Bookings of \$1.35 billion, which was above our guidance range of \$1.27 to \$1.32 billion. This reflected better-than-expected results from *NBA 2K24*; Zynga's in-app purchases, led by *Toon Blast* and *Match Factory*; the *Red Dead Redemption* series and the *Grand Theft Auto* series.
 - Recurrent consumer spending declined 2% for the period and accounted for 79% of Net Bookings. This was above our outlook, driven by the outperformance of *NBA 2K*, *Toon Blast*, and *Match Factory*. Recurrent consumer spending declined for *Grand Theft Auto Online*, although it was up for virtual currency and *GTA+*. *NBA 2K* was in line with the prior year; and mobile increased slightly.
 - During the quarter, we successfully launched *WWE 2K24*, which demonstrates 2K and Visual Concept's ability to raise the bar further for our popular wrestling series.
- GAAP net revenue decreased 3% to \$1.4 billion, while cost of revenue declined 24% to \$930 million and included an impairment charge of \$304 million related to acquired intangible assets.
- Operating expenses increased by 244% to \$3.2 billion, due to a goodwill impairment charge of \$2.2 billion and \$93 million of business reorganization expenses related to our recently announced cost-reduction program. On a management basis, operating expenses rose 20% year-over-year, which was slightly above our guidance, due to higher personnel and IT expenses, and professional fees.
- For fiscal 2024, we achieved Net Bookings of \$5.33 billion, which was slightly above our revised guidance range of \$5.25 to \$5.3 billion.
 - Recurrent consumer spending grew 2%, which exceeded our outlook, and accounted for 78% of Net Bookings. Recurrent consumer spending for mobile increased high single-digits; *NBA 2K* virtual currency and seasons was up slightly; and *Grand Theft Auto Online* virtual currency and *GTA+* membership was flat.
- Non-GAAP Adjusted Unrestricted Operating Cash Flow was \$42 million as compared to our outlook of approximately \$100 million due to higher external developer advances, cash tax and interest payments.
- We spent approximately \$142 million on capital expenditures, primarily for game technology and office build outs.
- GAAP net revenue was flat at \$5.35 billion, and cost of revenue increased 1% to \$3.1 billion, which included an impairment charge of \$577 million related to acquired intangible assets.

- Operating expenses increased 69% to \$5.8 billion, due to an impairment charge of \$2.3 billion related to goodwill and a \$105 million business reorganization charge related to our cost-reduction programs. On a management basis, operating expenses rose 15% year-over-year and were slightly above our guidance, due to the factors I mentioned earlier that affected the fourth quarter.
- Today, we provided our outlook for Fiscal 2025.
 - We project Net Bookings to range from \$5.55 billion to \$5.65 billion, which represents 5% growth over Fiscal 2024.
 - The largest contributors to Net Bookings are expected to be *NBA 2K*, the *Grand Theft Auto* series, *Toon Blast*, *Empires & Puzzles*, our hyper-casual mobile portfolio, *Match Factory*, the *Red Dead Redemption* series, an unannounced immersive core title from 2K, and *Words With Friends*.
 - We expect recurrent consumer spending to be up approximately 3% compared to Fiscal 2024, and to represent 76% of Net Bookings.
 - Our recurrent consumer spending forecast assumes high single-digit growth for mobile, a slight increase for *NBA 2K*, and a decline for *Grand Theft Auto Online*.
 - We expect the Net Bookings breakdown from our labels to be roughly 50% Zynga, 31% 2K, 17% Rockstar Games, and 2% Other.
 - And, we forecast our geographic Net Bookings split to be about 60% United States and 40% International.
- We expect Non-GAAP Adjusted Unrestricted Operating Cash Flow to be an outflow of \$200 million, and we plan to deploy approximately \$140 million for capital expenditures, primarily for game technology and office buildouts.
- We expect GAAP net revenue to range from \$5.57 to \$5.67 billion and cost of revenue to range from \$2.43 to \$2.46 billion.
- Turning to operating expenses, we recently implemented a cost reduction program that is expected to deliver over \$165 million of annual cost savings across our entire business. As part of these efforts, we have eliminated several projects in development that we did not anticipate would meet our financial benchmarks. We also took actions to streamline our organizational structure, which reduced both existing headcount and future hiring needs.
- Our total operating expenses are expected to range from \$3.56 to \$3.58 billion as compared to \$5.83 billion last year. On a management basis, we expect operating expense growth of approximately 7% year-over-year, which is largely due to an increase in ongoing marketing support for *Match Factory*, as well as other mobile and immersive core launches planned for the year, partially offset by savings from our cost reduction program.

- Looking ahead, and as Strauss mentioned earlier, we have narrowed the previously established release window for *Grand Theft Auto VI* to Fall of Calendar 2025 from Calendar 2025. As development advances, our confidence in the title and its potential commercial impact continue to grow. That said, we are not providing specific guidance beyond Fiscal 2025, as our release schedule includes numerous titles each year and even modest shifts can have a significant effect on results in any given period. Our outlook for the lifetime value of our pipeline remains as strong as ever and we expect sequential growth in Net Bookings in Fiscal 2025, 2026, and 2027.
- Now, moving onto our guidance for the fiscal first quarter:
- We project Net Bookings to range from \$1.2 to \$1.25 billion, compared to \$1.2 billion in the first quarter last year.
 - Our release slate for the quarter includes *TopSpin 2K25*, *No Rest for the Wicked* on Early Access for PC and *NFL 2K Playmakers*, all of which have already released, and *Star Wars Hunters*.
 - The largest contributors to Net Bookings are expected to be *NBA 2K*, the *Grand Theft Auto* series, *Toon Blast*, *Empires & Puzzles*, our hyper-casual mobile portfolio, *Match Factory*, the *Red Dead Redemption* series, *Words With Friends*, and *Zynga Poker*.
 - We project recurrent consumer spending to increase by approximately 1%, which assumes mid single-digit growth in mobile, flat results for *NBA 2K*, and a decline for *Grand Theft Auto Online*.
- We expect GAAP net revenue to range from \$1.3 to \$1.35 billion.
- Operating expenses are planned to range from \$928 to \$938 million. On a management basis, operating expenses are expected to grow by approximately 14% year-over-year, which is primarily driven by additional marketing for *Match Factory*, partially offset by our cost reduction program.
- In closing, we believe that we are very well-positioned to deliver the highest quality content in our industry and to enhance our profitability as we grow our scale and maintain our focus on efficiency. We are extremely excited about our path for the future, and we look forward to sharing more details about the many catalysts ahead for our Company.
- Thank you. I'll now turn the call back to Strauss.

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