



Q4 Fiscal Year 2025 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 2025, ended March 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](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.
- We concluded our 2025 Fiscal Year with outstanding results, including fourth quarter Net Bookings of \$1.58 billion, which was the top of our guidance range.
- Each of our labels contributed meaningfully to our performance. 2K posted a fantastic quarter, with the successful launches of *Sid Meier's Civilization VII*, *WWE 2K25*, and *PGA TOUR 2K25*. *NBA 2K* delivered one of its strongest periods on-record, including recurrent consumer spending growth of 42%. Rockstar Games excelled once again, with the *Grand Theft Auto* and *Red Dead Redemption* series

surpassing our forecasts; and Zynga continued to gain momentum, led by *Match Factory*, *Toon Blast*, and Rollic's newest hit – *Color Block Jam*.

- We are providing our initial financial outlook for Fiscal 2026, including Net Bookings of \$5.9 to \$6 billion, which represents 5% year-over-year growth at the midpoint of the range.
 - This outlook assumes a continuation of our current positive trends, including healthy mobile performance and ongoing strength in *NBA 2K*, as well as the release of several eagerly anticipated titles, including *Mafia: The Old Country* and *Borderlands 4*.
 - Rockstar expects to release *Grand Theft Auto VI* on May 26, 2026, which is in our Fiscal Year 2027. I believe affording Rockstar additional time for such a groundbreaking project is a worthy investment. *Grand Theft Auto VI* began development in earnest in 2020 following the massive success of *Red Dead Redemption 2*, and the title is now the most anticipated entertainment property of all time. Consumer anticipation is unprecedented, with Trailer 2's cross-platform debut last week shattering records to become the biggest video launch of all time, with over 475 million views in 24 hours. This follows Trailer 1's record-breaking debut of 93 million views in 24 hours on YouTube alone. Spotify streams of the track featured in the trailer, *Hot Together*, by the Pointer Sisters, surged by 182,000%, once again proving Rockstar's ability to influence popular culture. The ambition and complexity of *Grand Theft Auto VI* is greater than any previous Rockstar title, and the team is poised to release another astonishing entertainment experience that will exceed players' expectations.

- Now, I'll share more specific highlights from the quarter:
 - *NBA 2K25* posted near-record performance and exceeded our forecast. To date, the title has sold in nearly 10 million units - a 7% increase compared to *NBA 2K24* during the same timeframe. Engagement grew significantly, with Daily Active Users, MyCAREER Daily Players, and Average Games Per User increasing 30%, 40%, and 80%, respectively. We are also pleased with the performance of our brand extensions for the franchise. *NBA 2K25 Arcade Edition* remains a top-5 performing title on Apple Arcade; *NBA 2K Online* in China continues to hold its place as the #1 PC sports game in the country; and our *NBA 2K All-Stars* mobile title, which we developed in partnership with Tencent and launched on March 25th, is maintaining the #1 spot on the iOS Sports Game Chart for both downloads and revenue in China. I'd like to thank Adam Silver of the NBA and Andre Iguodala of the NBA Players Association for their extraordinary partnership and support.

 - 2K's release of *WWE 2K25* was met with great critical acclaim, including a score of 84 on Metacritic for Xbox Series X – an all-time high for the series on that platform. Visual Concepts introduced new features, including *The Island*, a highly immersive WWE-themed world where players can explore, compete in live events, and earn rewards. Consumer appetite for the franchise is growing, with recurrent consumer spending up 20% during the quarter. This includes strong performance from *WWE SuperCard*, which achieved near-record levels of Net Bookings in March. *WWE 2K25* has been integrated regularly into WWE's televised programming and was also a co-sponsor of last month's spectacular *WrestleMania 41*. In addition, 2K is bringing *WWE 2K* to Switch 2 this summer as well as bringing *WWE 2K* to mobile devices this Fall in partnership with Netflix. I'd like to thank Nick Khan and his team at TKO for their immense support as we raise the bar for excellence for our beloved wrestling franchise.

- 2K and HB Studios successfully launched *PGA TOUR 2K25*, which earned a Metacritic score of 80 on PlayStation 5 and is generating significant recurrent consumer spending growth compared to the prior iteration. I'd like to thank our partners at PGA for helping us create another superb golf experience.
- During the period, 2K released *Sid Meier's Civilization VII*, the revolutionary new chapter in our esteemed strategy franchise. As stewards of the *Civilization* series, Firaxis Games strives to bring innovation with each new release. We are confident that the development team's ongoing efforts to update key areas of the game will deliver outstanding results over the franchise's typically long sales cycle. Our teams are pursuing opportunities to expand the audience, including the recent launch of *Civilization VII VR* for Meta Quest 3 and 3S, as well as the title's upcoming release on Switch 2, which will offer new mouse controls for a highly intuitive gameplay experience.
- The *Grand Theft Auto* series once again exceeded our expectations, and to-date, *GTA V* has sold-in over 215 million units. Recurrent consumer spending outperformed our forecasts, growing 5% year-over-year, led by an array of new modes, rewards, and vehicles for *GTA Online*, as well as ongoing demand for *GTA+* memberships. Rockstar Games continues to expand the possibilities for engagement with the series through ongoing development of its FiveM creator platform.
- *Red Dead Redemption 2* also outperformed, with Net Bookings growing 23% over last year. Rockstar Games continues to support *Red Dead Online* with a series of rewards that engage their community further.
- Zynga overperformed during the period, and we are pleased that their momentum is continuing into Fiscal 2026.
 - Peak delivered fantastic results. *Match Factory* exceeded our expectations, driven by first-class live-ops execution and the introduction of *Mission Center*, a limited-time event that drove significant player engagement. Net Bookings grew meaningfully over last quarter and the title is generating profits.
 - Net Bookings for *Toon Blast* grew 7% over last year, primarily due to the introduction of the *Cannon Fest* event. We are also thrilled that the title achieved its largest quarter of Net Bookings since Zynga acquired Peak in 2020.
 - Rollic's newest hit, *Color Block Jam*, is scaling rapidly and is currently a top-10 downloaded game and among the top-grossing titles in the U.S. Apple App Store. In just four months of operation, the title has become profitable and is making an impressive contribution to our mobile Net Bookings.
 - We are encouraged to see stabilization in *Empires & Puzzles*. Small Giant improved the title's in-game economy to support faster player progression and developed fun new features based on player feedback, like *Instant Power Summon*, *Hero Coach*, and *Visiting Outfitter*.
 - Zynga has numerous titles in development and soft launch that we are eager to bring to market worldwide.
 - Our direct-to-consumer business delivered record performance, as our teams continue to launch new offers, events, and enhanced personalization, which are driving better conversion. While we have been implementing DTC in our titles for some time, we do believe there is an even greater opportunity to expand this highly accretive channel given recent court rulings.
 - As we approach the three-year anniversary of our acquisition of Zynga, we are extremely pleased that the label has become an integral part of our Company. Zynga's core franchises are

strong, and we are energized by the team's unique ability to launch hits in a highly competitive mobile market, demonstrating further the effectiveness of their multi-studio approach and continued excellence in Live Ops.

- In closing, with a player-first approach and a deep commitment to quality, we strive to create the best entertainment experiences for our global communities and to redefine our art form. As we bring our exciting lineup to market, including *Grand Theft Auto VI* in Fiscal 2027, we expect to achieve record levels of Net Bookings that will establish a new baseline for our business and set us on a path of enhanced profitability.

Karl Slatoff

- Thanks, Strauss.
- I'd like to thank our teams for another strong quarter, and for laying the groundwork for this exciting next chapter in our Company's history.
- As Strauss mentioned, we are extremely optimistic about our upcoming pipeline, which includes approximately 38 titles through Fiscal 2028.
- During Fiscal 2026, we plan to release 13 titles, including 4 within the immersive core category.
 - This includes *Mafia: The Old Country*, which 2K and Hangar 13 will introduce on August 8th. This linear, narrative-driven game is a premium experience in the vein of early *Mafia* titles, set against the stunning, authentic backdrop of 1900s Sicily. Pre-orders are off to a strong start following the debut of the first official gameplay trailer at PAX East last week, and we're excited for its upcoming launch.
 - Additionally, 2K and Gearbox will launch *Borderlands 4* on September 12th. Last month, during the PlayStation State of Play, our teams shared an extended look at the action-packed gameplay coming in the title. Players were treated to a first look at two of four new Vault Hunters as they tore a path through a secret black site in Terminus Range, showcasing the destructive power of an updated gear system. The *Borderlands* community reacted very positively, with the game trending on X, and becoming one of the most wish-listed games on Steam. 2K and Gearbox will also release *Borderlands 4* for the Switch 2 in the future.
 - And, as always, we will release the next iterations of our industry-leading annual sports franchises, *NBA 2K* and *WWE 2K*.
- We also plan to bring to market 5 mobile titles this fiscal year, including *WWE 2K* for Netflix in the Fall; and
- We are launching 4 new iterations of prior releases, including the recent release of *Civilization VII VR* for Meta Quest 3 and 3S, as well as *Civilization VII* for Switch 2.
- 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, we currently expect to deliver 25 titles throughout Fiscal 2027 and 2028 including:
 - 17 immersive core releases, including *Grand Theft Auto VI* and 5 sports simulation games;
 - 4 mobile games; and
 - 4 new iterations of previously-released titles.
- In closing, we look forward to delivering our groundbreaking titles, which we believe will enable us to achieve a period of meaningful long-term growth and shareholder returns.
- I'll now turn the call over to Lainie.

Lainie Goldstein

- Thanks Karl and good afternoon everyone.
- We delivered an outstanding finish to Fiscal 2025, with broad-based strength across our Company. Throughout the year, we positioned our business for sustainable, long-term growth by releasing new hit titles and experiences across our labels; advancing the development of many key releases we plan to launch in the coming quarters; successfully acquiring Gearbox; and continuing to implement our previously-announced cost reduction program. Through these actions, we are setting our business up for a strong multi-year period of growth and enhanced profitability, and I'd like to thank our teams for their passion and dedication.
- Turning to our results, we delivered fourth quarter Net Bookings of \$1.58 billion, which was the top of our guidance range of \$1.48 billion to \$1.58 billion. This reflected better-than-expected performance from *NBA 2K25*; Zynga, led by *Toon Blast*, our hyper-casual mobile portfolio, and *Match Factory*; the *Red Dead Redemption* series, and *Grand Theft Auto Online*.
 - Recurrent consumer spending growth was phenomenal, increasing 14% over last year and accounting for 77% of Net Bookings. *NBA 2K* grew over 40%, while *Grand Theft Auto Online* and mobile both increased mid-single digits. All of these businesses greatly exceeded our forecasts.
 - During the quarter, we launched *Sid Meier's Civilization 7*, *PGA TOUR 2K25*, and *WWE 2K25*.
- GAAP net revenue increased 13% to \$1.58 billion. Cost of revenue declined 16% to \$779 million, primarily due to lower impairment of acquired intangibles in the current year, as well as timing of development credits.
- Operating expenses increased by 44% to \$4.6 billion, due to an impairment expense of \$3.6 billion related to goodwill and acquired intangible assets. On a management basis, operating expenses rose 3% year-over-year, which was above our guidance, due to higher development costs for titles not technologically feasible.
- For Fiscal 2025, we achieved Net Bookings of \$5.65 billion, which was also the top of our guidance range of \$5.55 to \$5.65 billion.
 - Recurrent consumer spending exceeded our outlook, growing 7%, and accounted for 80% of Net Bookings. *NBA 2K* grew high-teens; mobile increased mid single-digits; and *Grand Theft Auto Online* declined modestly.

- Operating Cash Flow was an outflow of \$45 million, compared to our forecast of an outflow of \$200 million, due to timing of tax payments and lower development costs.
- We spent approximately \$169 million on capital expenditures, which was above our forecast of \$140 million, primarily due to higher game technology expenses.
- GAAP net revenue rose 5% to \$5.63 billion, while cost of revenue decreased 17% to \$2.6 billion, primarily due to lower impairment of acquired intangibles in the current year, as well as timing of development credits.
- Operating expenses increased 28% to \$7.5 billion, due to the impairment charges that I mentioned previously that we recorded during our fourth quarter. On a management basis, operating expenses rose 11% year-over-year, slightly above our guidance, due to higher development costs for titles not technologically feasible.
- Today, we are providing our initial outlook for Fiscal 2026.
 - We project Net Bookings to range from \$5.9 billion to \$6 billion, which represents 5% growth over Fiscal 2025 at the midpoint.
 - The largest contributors to Net Bookings are expected to be *NBA 2K*, the *Grand Theft Auto* series, *Toon Blast*, *Borderlands 4*, *Match Factory*, *Empires & Puzzles*, *Words With Friends*, the *Red Dead Redemption* series, and *Zynga Poker*.
 - We expect recurrent consumer spending to be flat compared to Fiscal 2025, and to represent 76% of Net Bookings.
 - Our recurrent consumer spending forecast assumes high single-digit growth for *NBA 2K*, and declines for mobile and *Grand Theft Auto Online*.
 - We expect the Net Bookings breakdown from our labels to be roughly 45% Zynga, 39% 2K, and 16% Rockstar Games.
- We expect Operating Cash Flow to be approximately \$130 million, and we plan to deploy approximately \$140 million of capital expenditures for game technology and office buildouts.
- We expect GAAP net revenue to range from \$5.95 to \$6.05 billion and cost of revenue to range from \$2.52 to \$2.55 billion.
- Our total operating expenses are expected to range from \$3.78 to \$3.8 billion. On a management basis, we expect operating expense growth of approximately 3% year-over-year, which is largely due to higher marketing expenses.
- Now, moving onto our guidance for the fiscal first quarter:
- We project Net Bookings to range from \$1.25 to \$1.3 billion, compared to \$1.22 billion in the first quarter last year.
 - The largest contributors to Net Bookings are expected to be *NBA 2K*, the *Grand Theft Auto* series, *Toon Blast*, *Color Block Jam*, *Match Factory*, *Empires & Puzzles*, *Words With Friends*, the *Red Dead Redemption* series, and *Zynga Poker*.

- We project recurrent consumer spending to increase by approximately 7%, which assumes strong double-digit growth for *NBA 2K*; flat results for mobile; and a modest decline for *Grand Theft Auto Online*.
- Our release slate for the quarter includes two new offerings of *Civilization 7*, including its VR launch in April and its upcoming launch on Switch 2 in June.
- We expect GAAP net revenue to range from \$1.35 to \$1.4 billion and cost of revenue to range from \$544 to \$562 million.
- Operating expenses are planned to range from \$908 to \$918 million. On a management basis, operating expenses are expected to grow by approximately 2% year-over-year, primarily driven by higher development costs.
- In closing, our core businesses are showing strength into Fiscal 2026 and our long-term outlook continues to be positive. Fiscal 2027 represents a massive inflection point in our business that our teams have worked long and hard for; one that we believe will significantly enhance our multi-year financial profile. We are confident that this will be an exciting period for our many stakeholders – from our colleagues to our players, industry partners, and shareholders – and we appreciate all your support along the way.
- Thank you. I'll now turn the call back to Strauss.

#