TAKE-TWO INTERACTIVE

**Q4 and Fiscal Year 2023 Conference Call**

- Good afternoon. Thank you for joining our conference call to discuss our results for the fourth quarter and Fiscal Year 2023, ended March 31, 2023. 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 concluded Fiscal 2023 by delivering strong fourth quarter results, including Net Bookings of $1.4 billion, which were above the high end of our expectations.

- On behalf of our management team, I would like to thank all of our colleagues around the world for helping us achieve these results and supporting our vision to become a more scaled, diverse, industry-leading organization – especially as we navigate an oftentimes volatile and uncertain economic landscape.

- With Fiscal 2024 underway, our initial expectation is to deliver full-year Net Bookings in the range of $5.45 to $5.55 billion. We are assuming a continuation of the current challenging consumer backdrop within our forecasts. Additionally, the development timelines of some of our titles have lengthened, especially as we strive to redefine the creative standards of excellence in our industry, which affect our release slate for the year.

- Looking ahead, Fiscal 2025 is a highly anticipated year for our Company. For the last several years, we have been preparing our business to release an incredibly robust pipeline of projects that we believe will take our company to even greater levels of success. In Fiscal 2025, we expect to enter this new era by launching several groundbreaking titles that we believe will set new standards in our industry and enable us to achieve over $8 billion in Net Bookings and over $1 billion in Adjusted Unrestricted Operating Cash Flow. We expect to sustain this momentum by delivering even higher levels of operating results in Fiscal 2026 and beyond.

- I'd now like to discuss several key highlights from Fiscal 2023, which was a milestone year in the 30-year history of our organization.

    - We delivered Net Bookings of $5.3 billion, which reflects both the transformative evolution of our Company through our combination with Zynga, and our ability to create, market, and distribute the highest quality entertainment experiences.

    - We made excellent progress integrating Zynga. The combination has been highly accretive to our business as we have embarked on new revenue-driven opportunities, exceeded our anticipated cost synergies for year one, and enhanced further our mobile platform through select acquisitions. As we approach the one-year anniversary of our combination, we are immensely proud of the trajectory of our integration and the strength of our shared culture and values.

    - Our headcount now stands at nearly 12,000 talented individuals, including approximately 9,000 developers in our studios throughout the world, which positions us exceedingly well to reach the full potential of our pipeline.

    - And, we have maintained our focus on our core tenet of efficiency. We have taken a rigorous approach through our cost reduction program announced in February, which we believe will surpass meaningfully the $50 million in annual savings that we originally anticipated.

- Our fourth quarter outperformance was led by strong results from *Grand Theft Auto V* and *Grand Theft Auto Online*, *Red Dead Redemption 2*, and Zynga's mobile portfolio.

- Broadly speaking, the macroeconomic environment remained relatively consistent with what we experienced throughout the third quarter holiday season. While consumers continued to exercise restraint with their purchasing behaviors, they prioritized blockbuster franchises and titles that offered great value. As a result, our vast catalog of proven, high-quality titles achieved strong results.

- As a part of our ongoing portfolio management measures, we made the decision to cancel several unannounced titles in development, which we believe will enable us to tighten our focus and reallocate resources to projects for which our creative teams have higher levels of conviction and expectations of success. Excluding the associated write-offs, our fourth quarter and full-year management earnings results were above the high end of our guidance. We manage our pipeline actively – sometimes making difficult decisions – to ensure that we are meeting our creative standards and achieving financial returns that are consistent with the goals of our Company. We believe that an evolving, robust pipeline is an essential part of our long-term strategy to expand, enhance, and diversify our portfolio; to grow our player base; and to launch a multitude of new hit franchises across an array of platforms and business models.

- Turning to the performance of our titles for the period:

  - *Grand Theft Auto V* exceeded our expectations, and to date, the title has sold in more than 180 million units worldwide. As hardware supply constraints receded, *Grand Theft Auto V* and *Grand Theft Auto Online* adoption on the latest generation of platforms continued to grow. For the first three weeks of *Grand Theft Auto Online*'s Holiday update, PlayStation 5 and Xbox series X/S consoles grew to 14% of its audience penetration and 25% of its revenue penetration, up from 11% and 20% respectively, versus last summer's content update for the comparable period.

  - During the period, Rockstar Games continued to support the passionate, global *Grand Theft Auto Online* community with an array of new content offerings, including *The Last Dose* – the epic finale of the *Los Santos Drug Wars* update, as well as the roving Gun Van, Taxi Work missions, a new 50 car garage, new vehicles, clothes, weapons, modes, and much more. *Los Santos Drug Wars* introduced a phased approach to delivering high-value content, creating a much longer tail of sustained engagement and Net Bookings than we have seen with previous content updates. Additionally, *GTA+,* Rockstar's premium membership program, continues to perform well, driven by a positive response to monthly events since the launch of *Los Santos Drug Wars*.

  - *Red Dead Redemption 2* outperformed our plans and to date, the title has sold in more than 53 million units worldwide. We are also pleased with the continued engagement of players with *Red Dead Online*, as demonstrated by its 10% year-on-year increase in new online players on all platforms.

  - *NBA 2K23* continues to grow its audience, with the title selling-in over 11 million units to date – a record for the series at this stage – and achieving its highest-ever virtual currency sales. In addition, engagement with *NBA 2K23* remained incredibly strong, with approximately 2.3 million Daily Active Users, including growth in The City, MyCAREER, and MyTEAM users. *NBA 2K23 Arcade Edition* continues to bring the best basketball experience to mobile devices and has maintained its #1 position on Apple Arcade.

  - Building upon Visual Concepts' resounding success in re-invigorating our *WWE* franchise last year, *WWE 2K23* enjoys the highest Metacritic review score average in the history of the series. Engagement with the game has been outstanding, with players logging nearly 8 million hours of gameplay and facing off in more than 100 million matches. 2K is supporting the title with a series of add-on content that can be purchased individually or as part of a *Season Pass*. We value deeply our relationship with the WWE and look forward to continuing and expanding upon our successful partnership in the years to come.

  - Private Division and Intercept Games launched *Kerbal Space Program 2* in Early Access for PC on Steam, Epic Game Store, and other storefronts. Our teams are encouraged by the incoming player feedback and we have already implemented several updates, with more on the way as development continues. Last week, Private Division announced a partnership with Game Freak to publish their upcoming new action-adventure IP, which is one of Private Division's most ambitious projects to-date. In addition, Private Division and their Roll7 studio were recently honored with two prestigious industry awards – the BAFTA for Best British Game for *Rollerdrome* and Best Sports Game at DICE for *OlliOlli World*.

- Zynga's mobile business had a strong finish to the year.

  - In-app purchases were above our expectations. Momentum has continued and we were pleased to experience strong demand over the Easter holiday.

  - Efforts to increase our advertising business are tracking well, with ad revenue growing quarter-over-quarter and accounting for approximately 27% of Zynga's Net Bookings. Our teams are successfully increasing advertising supply in our games, investing in optimization, and implementing new ad products, which are helping us monetize a much broader cohort of users.

  - Our direct-to-consumer efforts are tracking well, with numerous titles currently on our platforms and plans for nearly all mobile games across our labels to leverage our highly profitable proprietary distribution channel over the next few years.

  - A few key highlights of Zynga's offerings during the period include:

    - *Empires and Puzzles*, Zynga's highest-grossing title, drove engagement through its new in-game event, *Season of Love*.

    - Zynga's social casino portfolio had its best quarter in nearly two years, driven by record performance from *Game of Thrones Slots Casino*, and strong overall results from *Zynga Poker, Hit It Rich!*, and *Wizard of Oz Slots*.

    - *Top Eleven* had a robust quarter and launched its *Proving Ground: England* mini-game update in February, which challenged players to recreate the greatest moments in English football history.

    - The new *Race Pass* from *CSR Racing 2* continued to drive player engagement, retention, and monetization with innovative new profile banners for players to collect.

    - We remain quite pleased with our hyper-casual mobile business. Popcore achieved strong results during its first full quarter under our ownership. Additionally, Rollic has increased its profitability, and the studio celebrated several milestones during the period, including the 1st anniversary of its hit title *Fill the Fridge!,* and its social media inspired *Pressure Washing Run* reaching the #1 most downloaded spot in Apple's U.S. App Store.

- In closing, as we continue to pursue our mission to be the most creative, the most innovative, and the most efficient entertainment company in the world, we do so incredibly well-positioned with a broader portfolio of owned intellectual property, a deeper pool of the industry's top creative talent, and the sound infrastructure to capitalize on the vast opportunities on the horizon. As we execute on our strategy, we believe that we can increase meaningfully our scale and prominence within the industry, grow margins, and achieve record-breaking operating results for Fiscal 2025 and beyond.

- I will now turn the call over to Karl.

**Karl Slatoff**

- I'd like to thank our colleagues around the world for delivering another momentous year for Take-Two. Our integration with Zynga has gone incredibly well and we continue to release many of the industry's highest quality, most engaging entertainment experiences, thanks to the incredible passion and talent of our teams.

- We are extremely excited about our release pipeline, which includes approximately 52 titles through Fiscal 2026. Our revised plan reflects several title cancellations, as well as a reclassification of our mobile games to include only those titles currently in our plans for worldwide launch.

- For Fiscal 2024, our pipeline includes 16 planned releases.

  - We expect to deliver 3 immersive core offerings. This includes *NBA 2K24* and *WWE 2K24*, our genre-defining sports titles developed by Visual Concepts. Additionally, we expect to release an eagerly-anticipated new IP from one of our premier studios later this Fiscal Year.

  - We plan to release 2 midcore/arcade titles, which includes *LEGO 2K Drive* – the ultimate driving adventure game from 2K and Visual Concepts. *LEGO 2K Drive* brings the iconic LEGO play experience into a vast, open world where players of all ages can build any vehicle, drive anywhere, and become a LEGO racing legend. *LEGO 2K Drive* is the first release in a multi-title partnership between 2K and the LEGO Group. We are confident that 2K's proven expertise in creating high-quality and engaging interactive entertainment properties, combined with the LEGO Group's unprecedented cultural reach, will evolve the iconic LEGO games experience that fans love in exciting new ways.

  - We also plan to launch 2 new iterations of previously-released titles, and 3 independent titles, including Private Division's planned May 23rd release of *After Us* from Piccolo Studio. Players of *After Us* will navigate stunning environments in a surrealistic world to salvage the souls of extinct animals and restore life on Earth.

  - And lastly, we expect to release 6 mobile titles during the year, including Zynga's *Star Wars: Hunters*, which offers players the opportunity to join the greatest hunters from across the Star Wars galaxy. Players will engage in thrilling third-person combat in a range of competitive game modes across battlegrounds that evoke the iconic worlds of Star Wars.

  - Throughout the year, our hyper-casual studios will release a steady cadence of mobile titles, focusing on games that have the potential for enhanced retention rates and a mix of in-app purchases and advertising to drive higher monetization and profitability.

    - Our labels will also continue to provide new content and experiences that drive engagement and recurrent consumer spending across many of our hit franchises, including *Grand Theft Auto Online*, *Red Dead Online*, *WWE 2K*, *LEGO 2K Drive*, *PGA TOUR 2K*, and throughout Zynga's mobile portfolio.

- Looking ahead, we currently expect to deliver 36 titles throughout Fiscal 2025 and 2026. As always, these plans are a snapshot of our current development pipeline. It is likely that some of these titles will not be developed through completion, that launch timing may change, and that we will also add new titles to our slate.

- Our release slate for Fiscal 2025 and 2026 includes:

    - 14 immersive core releases, 6 of which are sports simulation games;
    - 2 mid-core games, 1 of which will be sports-oriented;
    - 4 new iterations of previously-released titles.
    - 4 independent titles from Private Division, 2 of which include our previously-announced partnerships with Weta Workshop and Game Freak;
    - And 12 mobile games.

- In addition to our full-game releases, we will continue to offer post-launch content for nearly all of our titles, including virtual currency, DLC packs and Season Passes.

- Given the strength of our upcoming release schedule and the high degree of visibility we have into our pipeline, we believe that we'll achieve the record levels of results that Strauss mentioned – including over $8 billion in Net Bookings and over $1 billion in Adjusted Unrestricted Operating Cash Flow in Fiscal 2025, with further growth in Fiscal 2026 and beyond.

- As we approach this significant inflection point in our business, we believe our expanding scale and margins will generate industry-leading returns for our shareholders.

- I'll now turn the call over to Lainie.

**Lainie Goldstein**

- Thanks Karl and good afternoon everyone.

- Today, I'll discuss the key highlights from our fourth quarter and fiscal 2023 before reviewing our financial outlook for the full year and first quarter of fiscal 2024. Please note that our results include our combination with Zynga, which affects the comparability of our results relative to last year. Additional details regarding our actual results and outlook are contained in our press release.

- I am so proud of our team for their strong execution and unwavering focus throughout the year. We made fantastic progress on our integration with Zynga; delivered incredible, high-quality content; and announced several exciting new games from our pipeline. Efficiency was also a major area of focus. We announced our cost reduction program in February and, as part of our ongoing portfolio management process, we cancelled several titles that we anticipated would not meet our internal hurdle rates. We are confident that all of these steps will help grow our scale, enhance our long-term margin structure, and ultimately deliver sustainable returns for our stakeholders.

- As Strauss mentioned, we finished fiscal 2023 with momentum and delivered fourth quarter Net Bookings of $1.39 billion, which was above our guidance range of $1.31 to $1.36 billion. This reflected better-than-expected results from *Grand Theft Auto V* and *Grand Theft Auto Online, Red Dead Redemption 2*, and Zynga's mobile portfolio.
  - During the period, recurrent consumer spending rose 115%, which was above our outlook of 105% growth, and accounted for 78% of Net Bookings. The outperformance was primarily driven by Zynga and *Grand Theft Auto Online*.
  - Digitally-delivered Net Bookings increased 76%, above our guidance of 70% growth, and accounted for 97% of the total.
  - During the quarter, 78% of console game sales were delivered digitally, up from 75% last year.

- GAAP net revenue increased 56% to $1.45 billion and cost of revenue increased 207% to $1.22 billion, which included impairment charges of $465 million related to intangible assets acquired from Zynga reflecting forecast changes for a few titles, and $54 million relating to capitalized software and development costs for unreleased and cancelled console and PC titles, the latter of which was included in our management results.

- Operating expenses increased by 130% to $926 million, which primarily reflected the addition of Zynga, which was partially offset by lower marketing expenses.

- And, GAAP net loss was $610 million, or $3.62 per share, which includes $302 million of amortization of acquired intangibles and $45 million of business acquisition costs.

- Excluding the $54 million impairment charge relating to capitalized software and development costs for unreleased and cancelled console and PC titles, our management earnings would have been above the high end of our guidance range.

- Turning to our fiscal 2023 results, total Net Bookings were $5.28 billion, which was above our guidance of $5.2 to $5.25 billion. While the challenging macroeconomic backdrop affected certain components of our portfolio, we experienced favorable performance within our catalog of industry-leading intellectual property and Zynga had a strong finish to the year.
  - Recurrent consumer spending increased 88%, which was slightly above our outlook of 85% growth, and accounted for 78% of Net Bookings.
  - Digitally-delivered Net Bookings increased 63%, which was also above our guidance of 60% growth, and accounted for 95% of the total.
  - And, during the year, 74% of our console game sales were delivered digitally, up from 68% last year.

- Non-GAAP Adjusted Unrestricted Operating Cash Flow was $56 million as compared to our outlook of over $400 million.

- During fiscal 2023, we spent $204 million on capital expenditures.

- At fiscal year-end, we had cash and short-term investments of approximately $1 billion and debt of $3.1 billion.

- GAAP net revenue grew 53% to $5.35 billion, and cost of revenue increased 100% to $3.1 billion, which included impairment charges of $465 million related to intangible assets acquired from Zynga, and $79 million relating to capitalized software and development costs for unreleased and cancelled titles, the latter of which was included in our management results.

- Operating expenses increased by 131% to $3.45 billion, which primarily reflected the addition of Zynga, as well as higher personnel, stock compensation and IT expenses.

- And, GAAP net loss was $1.12 billion, or $7.03 per share, which includes $1.04 billion of amortization of acquired intangibles and $270 million of business acquisition costs.

- Today, we provided our initial outlook for Fiscal 2024.
    - We project Net bookings to range from $5.45 billion to $5.55 billion.
    - The largest contributors to Net Bookings are expected to be *NBA 2K*, *Grand Theft Auto Online* and *Grand Theft Auto V*, our hyper-casual mobile portfolio, *Empires & Puzzles, Toon Blast, Words With Friends, Merge Dragons, Red Dead Redemption 2* and *Red Dead Online*, and *Zynga Poker.*
    - We expect the Net Bookings breakdown from our labels to be roughly 53% Zynga, 31% 2K, 15% Rockstar Games, and 1% Other.
    - And, we forecast our geographic Net Bookings split to be about 67% United States and 33% International.

- We expect recurrent consumer spending to be up approximately 5% compared to fiscal 2023, and represent 79% of Net Bookings.

- Our forecast assumes that 76% of console game sales will be delivered digitally.

- We expect to generate approximately $100 million in Non-GAAP Adjusted Unrestricted Operating Cash Flow, and we plan to deploy approximately $180 million for capital expenditures.

- We expect GAAP net revenue to range from $5.37 to $5.47 billion and cost of revenue to range from $2.51 to $2.54 billion.

- Our total operating expenses are expected to range from $3.39 to $3.41 billion as compared to $3.45 billion last year. At the midpoint, this represents a 1% reduction, reflecting lower acquisition costs; the realization of synergies from our combination with Zynga; and savings from our cost reduction program, which are being partly offset by a full year of Zynga; higher stock compensation and personnel expenses, driven by the annualization of new hires; and the effect of inflation on other business operating expenses, primarily reflected in IT costs.

- We expect a GAAP net loss ranging from $477 to $518 million, or $2.80 to $3.05 per share, which assumes a basic share count of 170.1 million shares.

- For management reporting purposes, we expect our tax rate to be 18% throughout fiscal 2024.

- I'd like to acknowledge that our current forecasts for Fiscal 2024 reflect a continuation of the challenging economic environment, as well as an extension of the development timelines for several high-profile and long-awaited titles. While this affects our expectations for our current fiscal year, our high degree of visibility into our pipeline gives us confidence that we are approaching a significant inflection point in our business where we will achieve new record levels of results for our business next year and beyond.

- Now, moving onto our guidance for the fiscal first quarter:

- We project Net Bookings to range from $1.15 to $1.2 billion, which reflects a full quarter of Zynga, compared to $1 billion in the first quarter last year.
    - The largest contributors to Net Bookings are expected to be *NBA 2K, Grand Theft Auto Online* and *Grand Theft Auto V*, our hyper-casual mobile portfolio, *Empires & Puzzles, Toon Blast, Merge Dragons, Words With Friends, Zynga Poker, Red Dead Redemption 2* and *Red Dead Online*.
    - We project recurrent consumer spending to increase by 35%.
    - Our forecast assumes that 79% of console game sales will be delivered-digitally, up slightly from 77% in the same period last year.

- We expect GAAP net revenue to range from $1.21 to $1.26 billion and cost of revenue to range from $572 to $592 million.

- Operating expenses are expected to range from $827 to $837 million. At the midpoint, this represents an 18% increase over last year, which reflects a full quarter of Zynga, and higher stock compensation, personnel and IT expenses, based on the factors I mentioned previously.

- And, GAAP net loss is expected to range from $161 to $178 million, or $0.95 to $1.05 per share, which assumes a basic share count of 169.4 million shares.

- In closing, we believe that we are very well-positioned in our industry to deliver the highest quality content, gain market share, and enhance our profitability as we grow our scale and maintain our focus on efficiency. We are extremely excited about our next chapter of growth, and we look forward to our labels sharing more details about the many exciting projects we have underway.

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

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