



Q1 Fiscal Year 2026 Conference Call

- Good afternoon. Thank you for joining our conference call to discuss our results for the first quarter of Fiscal Year 2026, ended June 30, 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.
- Fiscal 2026 is off to an excellent start, reflecting ongoing demand for our core franchises and the increasingly diversified, successful nature of our business. Net Bookings for the first quarter exceeded \$1.4 billion, which was meaningfully above the high end of our expectations, led by the outperformance of several mobile titles, as well as the continued success of *NBA 2K* and the *Grand Theft Auto* series.
- We are optimistic about the year ahead and are raising our Net Bookings outlook for Fiscal 2026 to \$6.05 to \$6.15 billion. We have great confidence in our long-term pipeline and expect to achieve record levels of Net Bookings in Fiscal 2027 that we believe will establish a higher baseline for our business, and set us on a path of enhanced profitability.

- I'd like to express my gratitude to all of our teams across our worldwide organization for their deep passion and intense commitment to our collective vision. We strive daily to do our best work and to exemplify our core pillars of creativity, innovation, and efficiency, all in service of our goal to make the biggest and best hits in the entertainment business.
- Turning to highlights from the period:
 - Our mobile business vastly exceeded expectations.
 - Peak's successful Forever Franchise, *Toon Blast*, grew 22% over last year and nearly 75% on a two-year basis, driven by the "seasonal collection" feature that provided a new avenue of engagement for the game's millions of active players.
 - *Match Factory*, another hit title from Peak, achieved record Net Bookings, as the title grew 33% over last year. Players experienced new features, such as the *Treasure Cave* event, as well as new levels.
 - Rollic's newest hit, *Color Block Jam*, maintained its positive momentum and has become the highest-grossing title in the studio's history. Throughout the quarter, *Color Block Jam* remained at the top of the App charts, demonstrating its strong market position and mass appeal. Rollic supported the title with its first bold beat, *Pilot's Drop*, where players receive progressively larger rewards with each consecutive win, amplifying engagement and monetization.
 - 2K's mobile offerings also had a great quarter, including *WWE SuperCard*, which remains the label's most successful mobile game, with over 37 million lifetime downloads. *NBA 2K Mobile* has been steadily growing its audience with new content and challenges, while *NBA 2K25 Arcade Edition* continues to top the Apple Arcade charts, and *NBA 2K All-Star* in China has been posting strong and profitable results since its launch in March.
 - We continue to focus on our mobile direct-to-consumer business, and we are achieving better conversion driven by new offers, events, and enhanced personalization. In the context of recent court rulings, we see ample runway for further growth in this area.
- The *Grand Theft Auto* series once again exceeded our expectations. Momentum remains exceptionally strong, and to date, *Grand Theft Auto V* has sold-in over 215 million units worldwide. During the quarter, engagement for *Grand Theft Auto Online* benefited from the record-setting launch of *Grand Theft Auto VI* Trailer 2 and the successful release of the "Money Fronts" Summer content pack, which culminated in higher than expected recurrent consumer spending growth. We are pleased that new player accounts for *GTA Online* grew over 50% year-over-year.
- *NBA 2K25* delivered another quarter of fantastic results. To date, the title has sold-in over 11.5 million units, and engagement grew significantly year-over-year with Daily Active Users and MYCAREER Daily Active Users each up 30%, which helped drive 48% growth in recurrent consumer spending. We are thrilled that 2K announced a new multiyear global partnership expansion with the NBA, NBPA, and WNBA, and extended its longstanding relationships with the NBA G League and USA Basketball. We are excited to continue our highly successful partnerships and look forward to building upon the record-setting achievements that we have accomplished together.

- Engagement with our other sports titles has been healthy, including *WWE 2K25*. The title launched on Nintendo Switch 2 in July, which expanded its audience and featured the same game modes that are available to players on PS5 and Xbox Series X/S.
- Firaxis Games continues to introduce monthly updates for *Sid Meier's Civilization VII*. In addition, the studio released the title for Nintendo Switch 2, our first offering for the platform, featuring new mouse controls that offer a more intuitive gameplay experience. We are very pleased to continue supporting Nintendo with additional titles launching throughout the year.
- In closing, we are thrilled with our Company's positive momentum and have enormous anticipation for this quarter's launches of *Mafia: The Old Country*, *NBA 2K26*, and *Borderlands 4*. We remain deeply committed to excellence, to delivering the highest quality entertainment experiences for all of our audiences, and to driving meaningful returns for our shareholders.
- I'll now turn the call over to Karl.

Karl Slatoff

- Thanks, Strauss.
- I'd like to thank our teams for delivering a fantastic start to the year and for setting the stage for what promises to be an exciting chapter in our history.
- I'll now discuss our upcoming releases:
 - Tomorrow, 2K and Hangar 13 will once again immerse players in the detailed, rich, and storied world of organized crime with *Mafia: The Old Country*. With more than 2.5 million wishlists across all platforms, community sentiment for this linear, narrative-driven action game is very strong. 2K unveiled a new story trailer during the annual Summer Game Fest show and provided the press with early play time, which resulted in glowing impressions and previews. We are very excited to expand our beloved franchise and hope that players feel the passion and pride that our team brought to this exciting release.
 - On September 5th, 2K and Visual Concepts will release *NBA 2K26*, which promises to once again raise the bar for our top-selling basketball experience. The title will be available on early access on August 29th, and will be the first game from our series to launch on Nintendo Switch 2, offering the complete Gen 9 experience for the platform. With all-new ProPLAY features, players on Gen 9 will experience our immersive technology like never before, including revamped size-ups and fast-paced dynamic movement. Fans can build a transcendent MyPLAYER as they strive to reach the pinnacle of NBA stardom in a reimagined MyCAREER journey, and team up with friends to battle rival squads in a fresh and more optimized City. *NBA 2K26's* MyTEAM will put past and present legends to the test in new single- and multi-player modes, while also offering 30 unique storylines to win a championship. More details on *NBA 2K26* will be shared in the coming weeks.
 - On September 12th, 2K and Gearbox Software will launch *Borderlands 4* – the eagerly-anticipated next entry in our iconic looter-shooter franchise. Recently, global press and content creators played the game for the first time, and the response was extremely positive, with some calling it “*the best in the series*.” In June, our team hosted the first-ever

Borderlands Fan Fest, where attendees played a demo of *Borderlands 4* and generated over 600,000 hours of streams and videos. With the title launching on Nintendo Switch 2 in October, we are excited to harness the power of the new console and allow players to enjoy our mayhem-fueled looter-shooter at home or on-the-go.

- Later this Fiscal Year, 2K and Visual Concepts will once again challenge players to step into the squared circle with *WWE 2K26*, the forthcoming installment in our popular wrestling franchise that continues to set new standards for excellence with each release. 2K will have more to share about the game in the coming months.
- This is one of the strongest lineups in 2K's history, positioning us to deliver best-in-class gameplay for our players and outstanding financial results.
- Zynga will remain focused on continuing to enhance its existing portfolio and releasing new mobile titles.
- In closing, we are deeply excited about this year's release slate, and our ability to deliver entertainment experiences that captivate and engage audiences throughout the world. As we continue to execute our proven strategy and capitalize on emerging markets and opportunities, we believe that we will 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 achieved outstanding first quarter results, driven by our strong franchises, talented teams, and unwavering commitment to our strategic vision. Outperformance was broad-based across our labels, as we engaged players with exciting new game features and content updates, while also advancing development of our highly anticipated pipeline. I'd like to thank our incredible teams worldwide for their hard work and passion for our business.
- Turning to our results, we delivered first quarter Net Bookings of \$1.42 billion, which was significantly above our guidance range of \$1.25 to \$1.3 billion.
 - This reflected better-than-expected performance from several mobile titles, including *Toon Blast*, *Match Factory*, *NBA 2K All-Star* and *Color Block Jam*, as well as *NBA 2K* and the *Grand Theft Auto* series.
 - Recurrent consumer spending grew 17% for the period, which was meaningfully above our guidance of 7% growth, and accounted for 83% of Net Bookings. Several of our businesses outperformed, including *NBA 2K*, which was up nearly 50%; mobile, which grew low teens; and *Grand Theft Auto Online*, which increased low single-digits.
 - During the quarter, we released *Civilization VII* for MetaQuest VR and Nintendo Switch 2.
- GAAP net revenue increased 12% to \$1.5 billion, while cost of revenue declined 1% to \$559 million and operating expenses decreased 3% to \$923 million.
- On a management basis, operating expenses rose 3% year-over-year, which was slightly above our forecast of 2% growth, primarily due to higher personnel costs. While total

marketing expenses were within our forecast range for the quarter, Zynga made incremental user acquisition investments to support its robust performance, which was offset by 2K shifting some marketing out of Q1 into later this fiscal year.

- Turning to our guidance, I'll begin with our full fiscal year expectations.
 - We are raising our Net bookings outlook range to \$6.05 to \$6.15 billion, which represents 8% growth over Fiscal 2025 at the midpoint. The increase predominately reflects our strong first quarter performance, and to a lesser degree, updates to our forecast, including FX.
 - The largest contributors to Net Bookings are expected to be *NBA 2K*, the *Grand Theft Auto* series, *Toon Blast*, *Borderlands 4*, *Match Factory*, the *Red Dead Redemption* series, *Color Block Jam*, *Empires & Puzzles*, and *Words With Friends*.
 - We now expect recurrent consumer spending to grow approximately 4%, which is revised upward from our prior forecast of flat, representing 76% of Net Bookings.
 - We expect *NBA 2K* to grow mid-teens; mobile to grow low single-digits; and *Grand Theft Auto Online* to decline.
 - We expect the Net Bookings breakdown from our labels to be roughly 45% Zynga, 39% 2K, and 16% Rockstar Games.
- We continue to expect Operating Cash Flow of approximately \$130 million, and capital expenditures of approximately \$140 million.
- We now expect GAAP net revenue to range from \$6.1 to \$6.2 billion and cost of revenue to range from \$2.55 to \$2.57 billion.
- Our total operating expenses are now expected to range from \$3.84 to \$3.86 billion, compared to \$7.45 billion last year. On a management basis, we expect operating expense growth of approximately 5% year-over-year. This is up slightly from our prior forecast due to higher personnel costs, as well as increased marketing spend to support our mobile portfolio, and FX.
- I'd also like to point out that our earnings per share calculations reflect our higher share count following our recent equity issuance.
- Now, moving on to our guidance for the fiscal second quarter:
- We project Net Bookings to range from \$1.7 to \$1.75 billion, compared to \$1.47 billion in the second quarter last year.
 - Our release slate for the quarter includes *Mafia: The Old Country*, *NBA 2K26*, and *Borderlands 4*.
 - The largest contributors to Net Bookings are expected to be *NBA 2K*, *Borderlands 4*, the *Grand Theft Auto* series, *Toon Blast*, *Match Factory*, *Empires & Puzzles*, *Color Block Jam*, the *Red Dead Redemption* series, *Words With Friends*, and *Mafia: The Old Country*.
 - We project recurrent consumer spending to increase by approximately 1%, which assumes a low single-digit increase for *NBA 2K*; slight growth for mobile; and a decline for *Grand Theft Auto Online*.
- We expect GAAP net revenue to range from \$1.65 to \$1.7 billion.

- Operating expenses are planned to range from \$1.02 to \$1.03 billion. On a management basis, operating expenses are expected to grow by approximately 7% year-over-year, which is primarily driven by marketing to support our strong release slate during the period.
- Looking ahead, our confidence in our outlook is exceptionally strong. Our Company is set to deliver the most ambitious pipeline in our history, which we believe will unlock a new record level of scale as well as enhanced profitability. As we release exciting new hits and explore additional growth opportunities – both organic and inorganic – we expect to achieve meaningful returns for our shareholders.
- Thank you. I'll now turn the call back to Strauss.

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