



### **Q3 Fiscal Year 2025 Conference Call**

#### **SAFE HARBOR – Nicole Shevins**

- Good afternoon. Thank you for joining our conference call to discuss our results for the third quarter of Fiscal Year 2025, ended December 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**

- I am pleased to report that we achieved solid results during the holiday season. Our Net Bookings of \$1.37 billion were within our guidance range, as significant outperformance in *NBA 2K* helped to offset moderation in some of our mobile franchises. At the same time, our operating results surpassed expectations, led by the upside from *NBA 2K*, as well as a shift in timing of expenses that benefited the quarter.
- We are reiterating our Fiscal 2025 Net Bookings guidance of \$5.55 to \$5.65 billion, and our outlook for full-year operating performance. While third quarter operating results exceeded expectations, we expect the fourth quarter to be affected by a continuation of current mobile trends, as well the shift of some operating expenses into the period.

- Looking ahead, this calendar year is shaping up to be one of the strongest ever for Take-Two, as *Sid Meier's Civilization VII* launched in Early Access today, with the official launch on February 11<sup>th</sup>, and we also plan to release *Mafia: The Old Country* in the Summer, *Grand Theft Auto VI* in the Fall, and *Borderlands 4* before year-end. We also remain confident in Zynga's ability to create new mobile forever franchises as demonstrated by their ongoing success with *Match Factory*.
- We are exceedingly optimistic about the commercial potential of our titles and believe that they will have a transformative effect on our business – and our industry – over the long term. As we execute on our mission to create our industry's most innovative and engaging entertainment experiences, we remain highly confident that we will achieve sequential increases in, and record levels of, Net Bookings in Fiscal 2026 and 2027.
- Now, turning to our business highlights from the period:
  - *NBA 2K25* delivered a phenomenal quarter, yielding significant upside to our forecast. To date, the title has sold-in over 7 million units, and engagement was extremely strong compared to last year, with Recurrent Consumer Spending up over 30%, Daily Active Users up nearly 20%, and Monthly Active Users up nearly 10%. With community-inspired enhancements to gameplay, major technological updates, and the addition of new game modes, the team at Visual Concepts has once again demonstrated their ability to deliver innovation to this beloved series, while also solidifying its position at the center of basketball culture. Additionally, 2K continues to expand our industry-leading basketball franchise with *NBA 2K Arcade Edition*, *MYTEAM*, *NBA 2K Mobile*, and *NBA 2K Online* in China, all of which contributed to another highly successful year for the *NBA 2K* franchise as a whole.
  - The *Grand Theft Auto* series remains our industry's standard bearer for excellence and, to date, *Grand Theft Auto V* has sold-in over 210 million units worldwide. *GTA Online* delivered a strong quarter, led by its holiday update, *Agents of Sabotage*, which players praised for its depth, new upgrades, and array of content. Moreover, GTA+ continues to grow its reach, with membership for the quarter increasing 10% year-over-year.
  - Rockstar Games continued to expand the audience for *Red Dead Redemption 2*, which has sold-in more than 70 million units to-date. The title is currently enjoying its highest level of concurrent players on Steam. In addition, *Red Dead Online* engaged its audience further during the period with the release of the fan-favorite *Halloween Pass*, featuring seasonal-themed bonuses and rewards.
  - Turning to mobile, Recurrent Consumer Spending grew mid single digits. While this was somewhat below our plan, we remain highly optimistic about Zynga's future.
    - *Toon Blast* and *Toy Blast* both delivered double digit growth, led by engaging features including new event types, improved player profiles, and enhanced tuning.
    - *Match Factory* is performing very well and remains on track to become Zynga's second largest title by the end of this Fiscal Year in terms of Net Bookings. We'd like to thank the team at Peak for their strong execution and for creating one of the top-grossing titles in the puzzle genre.

- While *Empires & Puzzles* performed below our expectations in the quarter, we are confident in the future of this highly profitable forever franchise. Our team is launching new event types and corresponding heroes, as well as increasing in-game rewards.
  - Zynga continued to leverage the zeitgeist of pop culture and broadened its partnerships with leading entertainment brands and personalities, including *Words With Friends* with Bravo's Real Housewives, *Zynga Poker* with actor/comedian Rob Riggle, and *Power Slap* with TKO.
  - Our teams are growing our direct-to-consumer offerings and deploying key learnings across our portfolio. During the holiday season, we achieved strong double-digit DTC conversion in several major titles, and we are taking action to maintain this momentum.
  - We are confident in Zynga's continued ability to launch successful new titles as well as brand extensions for some of our console IP. In the quarters ahead, we look forward to launching new hit mobile experiences, including the latest installment of Zynga's highly successful racing franchise, *CSR 3*.
- In closing, we are forecasting Calendar Year 2025 to be an inflection point for Take-Two – from the groundbreaking release of *Grand Theft Auto VI* to the unmatched pipeline that 2K is set to deliver. As we introduce hit products to our passionate communities of fans, we are confident that we will usher in a new period of growth and returns for our shareholders.

- I will now turn the call over to Karl.

**Karl Slatoff**

- Thanks, Strauss.
- I'd like to thank our teams for delivering another strong quarter, and for continuing to captivate and engage our player communities with the highest quality entertainment experiences.
- We are excited to bring to market several releases during the remainder of Fiscal 2025.
  - On February 11<sup>th</sup>, 2K and Firaxis Games will launch *Sid Meier's Civilization VII* – the highly anticipated, revolutionary new chapter in our epic 4-X strategy franchise. The reception for the game within the media has been very positive, including GameSpot who said that its “gameplay remains unrivaled and engaging for countless hours.” *Civ VII* has already set a new franchise record for pre-orders, and player sentiment is extremely positive, with the title recognized as “*the most anticipated game of 2025*” during the PC Gaming Show in December. We'd like to thank the entire Firaxis team for once again challenging players around the world to “*take one more turn*” in this beloved series that has engrossed players for more than 30 years.
  - On February 28<sup>th</sup>, 2K and HB Studios will launch *PGA TOUR 2K25* – the latest entry in our golf simulation franchise that will appeal to both casual and hardcore golf fans. The title features three of the Major Championships with their respective courses for the 2025 season; several franchise advancements; a more immersive and customizable MyCAREER experience and a robust suite of creation tools from leading equipment and apparel brands. In addition, fans can look forward to a diverse roster of pros at launch, including Executive Director and all-time great, Tiger Woods.

- On March 14<sup>th</sup>, 2K and Visual Concepts will launch *WWE 2K25*. Players on PS5 and Xbox Series X|S will enjoy *The Island* – an all-new interactive and online WWE-themed world that provides an immersive experience where players can prove they're worthy of the attention of the Tribal Chief. *WWE 2K25* will also include an all-new Bloodline-themed Showcase; new brawl environments, match types and stipulations; and the largest-ever roster with over 300 playable superstars. *WWE 2K25* will be supported with a series of add-on packs that can be purchased individually or together as part of the Season Pass. In addition, 2K and Netflix are collaborating to bring *WWE 2K* exclusively to mobile devices this Fall.
- Looking ahead, we are highly optimistic about our planned pipeline for Fiscal 2026, which includes *Grand Theft Auto VI* launching this Fall.
  - This Summer, 2K and Hangar 13 will transport players to the brutal criminal underworld of 1900s Sicily in *Mafia: The Old Country*, which builds upon the legacy of 2K's popular organized crime franchise that has sold-in more than 35 million units. Our announcement trailer received an outstanding response, and we expect the excitement to grow as 2K and Hangar 13 unveil more about the game leading up to its launch.
  - 2K and Gearbox Software are creating something truly special with *Borderlands 4*, which promises to take the series' signature gameplay and storytelling to an all-new level. At The Game Awards, 2K and Gearbox revealed a new trailer, which introduced the exciting new world of Kairos and a brand-new villain, The Timekeeper. *Borderlands 4* has quickly become one of this year's most anticipated games and players can expect an incredible, action packed experience from Gearbox, the studio that created the looter-shooter genre.
- In closing, we look forward to releasing these groundbreaking titles in the coming year that will set us in motion to deliver the strongest multi-year growth trajectory and pipeline in our Company's history.
- I'll now turn the call over to Lainie.

### **Lainie Goldstein**

- Thanks Karl and good afternoon everyone.
- We delivered solid third quarter results, led by the power of our diversified business. During the period, our teams brought innovation to our existing franchises, enhanced our relationships with our player communities, and made outstanding progress on our eagerly anticipated pipeline. I'd like to thank our teams for their disciplined execution and continued focus.
- Turning to our results, we achieved third quarter Net Bookings of \$1.37 billion, which was within our guidance range of \$1.35 to \$1.4 billion. We delivered outstanding performance in *NBA 2K*, which helped offset moderation experienced in some of our mobile franchises.
  - Recurrent Consumer Spending rose 9% over last year, which was in line with our guidance, and accounted for 79% of Net Bookings. *NBA 2K* grew over 30%, which greatly surpassed our forecast, led by new features and innovation in our game modes. Mobile increased 6%, driven by the addition of *Match Factory* and strength in *Toon Blast*, *Toy Blast* and *Words with Friends*. However, this was below our guidance of low double-digit growth, primarily due to underperformance in our

hyper-casual mobile portfolio and *Empires and Puzzles*. And, as anticipated, *Grand Theft Auto Online* declined.

- GAAP net revenue was \$1.36 billion and was flat to last year, while cost of revenue declined 13% to \$600 million, as the prior year included an impairment charge related to acquired intangibles.
- Operating expenses increased by 10% to \$892 million. On a management basis, operating expenses rose 8% year-over-year. This was favorable to our forecast, largely due to a shift in timing of expenses into the fourth quarter. This shift, along with the outperformance of *NBA 2K*, drove operating results that were above the high end of our guidance range.
- Turning to our outlook, I'll begin with our full fiscal year expectations.
  - As Strauss mentioned, we are reiterating our Net Bookings outlook range of \$5.55 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*, our hyper-casual mobile portfolio, *Match Factory*, *Empires & Puzzles*, the *Red Dead Redemption* series, *Sid Meier's Civilization 7*, and *Words with Friends*.
  - We are raising our Recurrent Consumer Spending forecast to 5% growth, which represents 78% of Net Bookings, driven by the phenomenal performance we are experiencing in *NBA 2K*, which we now expect to grow low double digits. Mobile is now expected to grow low single digits, as we are factoring in the current business trends. And, *Grand Theft Auto Online* is still expected to decline.
  - We project the Net Bookings breakdown from our labels to be roughly 49% Zynga, 34% 2K, and 17% Rockstar Games.
  - We forecast our geographic Net Bookings split to be about 60% United States and 40% International.
- Non-GAAP Adjusted Unrestricted Operating Cash Flow is expected to be an outflow of \$150 million, which is unchanged from our prior forecast, and we remain on track to deploy approximately \$140 million of capital expenditures, primarily for game technology and office buildouts.
- We continue to expect GAAP net revenue to range from \$5.57 to \$5.67 billion, while we now expect cost of revenue to range from \$2.41 to \$2.44 billion.
- Total operating expenses are still expected to range from \$3.77 to \$3.79 billion as compared to \$5.83 billion last year. On a management basis, we expect operating expense growth of approximately 10% year-over-year, which is unchanged from our prior guidance, and 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; the addition of *Gearbox*; and higher personnel costs; partially offset by savings from our cost reduction program. Excluding incremental marketing and the addition of *Gearbox*, our operating expenses are expected to grow low single-digits over last year.
- As it relates to our operating performance, while our third quarter results exceeded our expectations, we are maintaining our outlook for the Fiscal Year as we are factoring in several dynamics, including strength in *NBA 2K*, offset by a continuation of the mobile trends we have been experiencing, and the shift of some operating expenses into the fourth quarter.

- Now, moving onto our guidance for the fiscal fourth quarter:
- We project Net Bookings to range from \$1.48 to \$1.58 billion, compared to \$1.35 billion in the prior year.
  - Our release slate for the quarter includes *Sid Meier's Civilization 7*, *PGA TOUR 2K25*, and *WWE 2K25*.
  - The largest contributors to Net Bookings are expected to be *NBA 2K*, the *Grand Theft Auto* series, *Sid Meier's Civilization 7*, *Toon Blast*, *Match Factory*, our hyper-casual mobile portfolio, *Empires & Puzzles*, *WWE 2K25*, and *Words with Friends*.
  - We project recurrent consumer spending to increase by approximately 3%, which assumes a high-teens percentage increase for *NBA 2K*, partly offset by declines in both mobile and *Grand Theft Auto Online*.
- We expect GAAP net revenue to range from \$1.52 to \$1.62 billion.
- Operating expenses are planned to range from \$900 to \$920 million. On a management basis, operating expenses are expected to decline approximately 2% year-over-year, which is primarily driven by a more normalized level of marketing for *Match Factory*, as the title has now been in the market for over a year, as well as savings from our cost reduction efforts.
- In closing, we are forecasting a milestone year ahead of us, and we look forward to showing our fans, and the global gaming community, how our new titles can take our industry to another level of creativity. We are also optimistic that the chapter ahead will set us on a path to achieving new financial goals, including reaching a record level of scale, enhancing our profitability, and unlocking significant value for our shareholders.
- Thank you. I'll now turn the call back to Strauss.

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