

SAFE HARBOR – Nicole Shevins, SVP, Investor Relations & Corp. Comms

- Good afternoon. Thank you for joining our conference call to discuss our results for the first quarter of fiscal year 2022, ended June 30, 2021. 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, Chairman & CEO

- Thanks, Nicole. Good afternoon and thank you for joining us today.
- I'm pleased to report that Fiscal year 2022 is off to a great start, highlighted by first quarter Net Bookings of \$711 million which exceeded our expectations. As the world has moved toward a safer, new normal, we experienced strong engagement trends across most of our core franchises.
- During the period, we took multiple steps to enhance our organization over the long-term.
 - We invested further in talent and core infrastructure, which are important areas to support our expansive, multi-year pipeline.
 - Mobile remains a key growth opportunity, and we believe that our acquisition of Nordeus will enhance meaningfully our talent and expertise in this area.

- With a larger mobile footprint, we have integrated Social Point, Playdots, and Nordeus into T2 Mobile Games. This structure will enable us to realize cost synergies, leverage expertise, and share best practices across our mobile teams.
- I'm also proud that we deepened our focus on corporate responsibility, and we have recently made several key hires to lead our efforts regarding diversity, equity, and inclusion.
- Turning to our first quarter results, our better-than-expected performance was primarily driven by *Grand Theft Auto Online* and *Grand Theft Auto V*, *Red Dead Redemption 2* and *Red Dead Online*, and *Borderlands 3*.
- For nearly eight years, *Grand Theft Auto V* and *Grand Theft Auto Online* have redefined the creative and cultural influence of interactive entertainment – setting new standards for multiple generations of consumers and gaming platforms. Sales of *Grand Theft Auto V* were significantly above our expectations once again, and the title has now sold-in more than 150 million units. Rockstar Games continued to keep its massive player base engaged with new content updates for *Grand Theft Auto Online*, including eight new stunt races, seven new arenas for Deadline mode and regular in-game bonuses and incentives. This helped drive the title to its second-highest Q1 on record for player audience and its 3rd consecutive quarter of player growth. In comparison to the first quarter of fiscal 2020, *Grand Theft Auto Online* achieved a 72% increase in its audience size, a 77% increase in new players, and significant growth in recurrent consumer spending.
- In addition, Rockstar Games continued to captivate and engage audiences with *Red Dead Redemption 2*, which exceeded our expectations and has now sold-in more than 38 million units. *Red Dead Online* also enjoyed a strong quarter thanks to new content offerings, including eight new horse races and a creative array of bonuses and incentives. The game experienced strong performance as compared to the first quarter of fiscal 2020, including 18% growth in its audience size, 26% growth in new players, and outstanding growth in recurrent consumer spending. This performance was driven by both strong ongoing game sales and the continued influx of new players from the standalone version of *Red Dead Online*.
- Turning to our sports offerings, *NBA 2K21* has sold-in over 11 million units and remains the #1 sports title in the U.S. *NBA 2K*'s community continues to be highly engaged, with more than 2.7 million users playing daily. As compared to last year, the game experienced 13% growth in first-time spenders and nearly 30% growth in returning players. We see a significant opportunity to grow the franchise further over the next few years, as we provide unique and innovative experiences throughout the game.
- *PGA TOUR 2K21* continues to exceed our expectations and expand its audience. In June, 2K and HB Studios launched a community-driven program that allows the top golf course designers from around the world to create and submit ideas for inclusion in

the game's online playlist. This program is enhancing the game's vast replayability, while also driving player engagement and growing its global community.

- *Borderlands 3* had a strong quarter. During the period, 2K and Gearbox Software released the *Director's Cut* add-on, providing new missions, characters, daily and weekly challenges, and unique rewards. The game was also supported with an array of new free content offerings that gave players more ways to perfect and expand their arsenals.
- 2K and Firaxis Games launched *Sid Meier's Civilization VI Anthology* on Windows PC, providing the ultimate package for players that have yet to experience the award-winning, critically acclaimed strategy title. The *Anthology* includes the base game, all previously released DLC, the *Rise & Fall* and *Gathering Storm* expansions, as well as the popular *New Frontier Pass*. *Civilization VI* has sold-in more than 11 million units, outperforming its predecessor at the same point in its lifecycle. Later this year, 2K and Firaxis Games will celebrate the 30th Anniversary of the *Civilization* franchise, and I would like to congratulate our teams on this incredible milestone.
- *Kerbal Space Program*, which has sold-in over 5 million units, celebrated its 10-year anniversary in June. To mark the milestone, Private Division released a short documentary video detailing the achievements of the title, as well as its impact on the aerospace industry.
- One of our key strategic priorities is to provide new and innovative ways for audiences to stay engaged with our titles and the communities built around them after their initial launch.
- During the first quarter, recurrent consumer spending declined 25%, which was better than our expectations of a 30% decline, and accounted for 69% of Net Bookings.
- Overall, all evidence suggests that media consumption patterns are beginning to stabilize to a new normal, and while down from the highs of the previous year, recurrent consumer spending in our products has leveled off and remains significantly higher than the first quarter of Fiscal 2020.
- The largest contributors to recurrent consumer spending in the period were *NBA 2K* and *Grand Theft Auto Online*. We also experienced strong performance across many of our free-to-play offerings:
 - *Monster Legends* and *Dragon City* exceeded our expectations, with sequential topline growth compared to the fourth quarter of fiscal 2021. This performance was driven by strong LiveOps, successful feature releases, and significant marketing investments.
 - *Two Dots* celebrated its 7th anniversary in June. The title performed well, with positive momentum continuing from the second half of fiscal 2021.

- *WWE SuperCard* has now been downloaded over 24 million times and remains 2K's highest grossing mobile game. The franchise has had strong performance, with the last 12 months marking its sixth consecutive year of growth.
 - Following our acquisition of Nordeus, we are encouraged by the performance of and the potential for *Top Eleven*, including its use of seasonal LiveOps and new features.
 - *NBA 2K Online* in China outperformed our expectations. The title remains the #1 online PC sports game in the region with nearly 54 million registered users.
- Turning to our outlook, we are reiterating our prior guidance of \$3.2 to \$3.3 billion in Net Bookings for Fiscal 2022. As we continue to develop our pipeline, there has been movement in some of our planned releases, including two of our immersive core titles shifting to later in Fiscal 2022 than our prior guidance had contemplated.
 - Our approach has always been to allow our labels to determine when projects are ready to bring to market to ensure the best quality and overall experience for players.
 - As Karl will discuss in greater detail, we are excited about our pipeline and the impact our new releases will have on our business and financial profile in the years to come.
 - We believe that we will achieve sequential growth in fiscal 2023, and establish new record levels of operating results over the next few years.
 - Looking ahead, we remain highly optimistic about the future of the interactive entertainment sector and our competitive positioning.
 - As we leverage our many advantages – our leading talent, focus on creativity, incredible portfolio of owned IP and strong balance sheet – we believe that Take-Two is well-positioned to drive long-term growth and shareholder value.
 - I will now turn the call over to Karl.

Karl Slatoff, President

- Thanks, Strauss.
- I would like to thank our teams for a strong start to the year, and their continued dedication to our business.
- We continue to believe that fiscal year 2022 will be a year of investments, as marked by our recent acquisitions of Nordeus and Dynamixyz. We are thrilled to have both teams join our family, and we will continue to evaluate organic and inorganic opportunities to enhance our organization.

- I'll now discuss our recent releases:
 - Rockstar Games continued to provide an array of free content for their vast and growing online communities.
 - In June, Rockstar released 7 new arenas for the fan-favorite Deadline mode for *Grand Theft Auto Online*. This was followed by the *Los Santos Tuners* update – the game's major summer launch in July, which delivered an action-packed, street-racing themed update into *Grand Theft Auto Online*. The update introduced elements of the tuner car culture to the game world, including the LS Car Meet – a new, heavily-requested shared social space for players to get together to modify their personal vehicles, watch others modify their Tuner vehicles in real-time, race and test various vehicles on an underground test track, and much more. In addition, the *Los Santos Tuners* update features 6 epic new robbery Contracts; 6 new race types; 10 new highly customizable vehicles; collectible USB sticks offering a new way to hear music from Moodymann and Seth Troxler; and a host of quality-of-life updates, including a new customizable radio station wheel. The launch of the *Los Santos Tuners* set new records for *Grand Theft Auto Online*, including the largest number of players and the highest level of Net Bookings for both Day One and during the opening week for any update in *Grand Theft Auto Online*'s history. Looking ahead, the upcoming launch of the expanded and enhanced versions of *Grand Theft Auto Online* for PlayStation 5 and Xbox Series X and S systems this November will allow for higher top speeds for select vehicles across these more powerful systems.
 - In July, Rockstar Games released the *Blood Money* update for *Red Dead Online*. The update introduced a series of criminal-themed opportunities; complex new missions, including the game's first train robbery; and *The Quick Draw Club* - a series of four distinct, rapid-fire passes featuring criminal-themed unlockable rewards, bonuses, and more. *Blood Money*'s success, along with the additional influx of new players thanks to the launch of the standalone version of *Red Dead Online*, led to the highest number of players on day one for any update in *Red Dead Online*'s history.
- Fiscal 2022 is an exciting year for Take-Two, as we embark on our multi-year strategy to deliver a slate of releases more robust than any other time in our Company's history. While there has been some movement in our pipeline, including two of our immersive core titles shifting to later this fiscal year, we remain highly optimistic about our plans, including the introduction of several new franchises.
- I'll now discuss details on our upcoming announced offerings for this year:
 - On August 13th, Private Division will launch *Hades* on physical disc for PlayStation and Xbox consoles. Developed by Supergiant Games, *Hades* is a rogue-like

dungeon crawler in which players seek freedom by battling their way through the treacherous Underworld of Greek myth. The physical retail edition will come with additional items for collectors, including a compendium booklet featuring the art of the game and a code to download its soundtrack. We are excited to launch *Hades*, which previously won over 50 “Game of the Year” awards and earned impressive aggregate scores of 93 and 94 on Metacritic and OpenCritic, respectively.

- In addition, during the second quarter, Private Division will launch *Murder on Eridanos*, the second add-on content offering for *The Outer Worlds*, for the Nintendo Switch.
- On September 10th, 2K and Visual Concepts will once again set the standard for basketball simulations, as they have done for the past 20 years, with the launch of *NBA 2K22* for PlayStation and Xbox consoles, Switch and PC. Featuring best-in-class visual presentation and player AI, historic teams, and a wide variety of hoops experiences, *NBA 2K22* will place the entire basketball universe in the player’s hands. Global phenomenon and two-time NBA All-Star, Luka Dončić, will grace the cover of the Standard Edition and Cross-Gen Digital Bundle, while NBA legends Kareem Abdul-Jabbar, Dirk Nowitzki, and Kevin Durant will be featured on the premium NBA 75th Anniversary Edition. In North America, players can purchase a special version of the Standard Edition featuring six-time WNBA All-Star and WNBA Champion, Candace Parker, on the cover, available exclusively through GameStop and EB Games. Parker’s appearance is a milestone for the *NBA 2K* series, marking the first female cover athlete in the history of the franchise. In Japan, players can also purchase a special version of the Standard Edition that will feature Washington Wizards Rui Hachimura, a rising star who was the first Japanese player to not only be drafted in the first round in 2019, but also to reach the NBA Playoffs. The NBA 75th Anniversary Edition and Cross-Gen Digital Bundle will feature cover artwork painted by renowned Atlanta-based artist, Charly Palmer, whose “*Civil Rights*” series appeared on the cover of *TIME* magazine in July 2020.
- This fall, Private Division will introduce *Kerbal Space Program Enhanced Edition* for PlayStation 5 and Xbox Series X and S. The title will benefit from multiple hardware advancements, which will provide upgraded resolution, increased frame-rate, advanced shaders, better textures, and additional performance improvements. Players who already own *Kerbal Space Program Enhanced Edition* for Gen 8 consoles will be eligible for a free upgrade to the new version of the game upon its release.
- On November 11th, Rockstar Games will launch the expanded and enhanced version of *Grand Theft Auto V* and *Grand Theft Online - Standalone* for Gen 9 consoles. Rockstar Games will have more details to share about these eagerly anticipated launches in the coming months.

- This winter, Private Division will release Roll 7's *OlliOlli World* digitally for PlayStation and Xbox consoles, Nintendo Switch, and PC. The title has received outstanding initial feedback from early media impressions, including praise for its bold new direction, unique art style, standout soundtrack, and improved gameplay mechanics.
- During the fourth quarter, 2K and Gearbox Software will launch an exciting new franchise. *Tiny Tina's Wonderlands* is an epic adventure full of whimsy, wonder, and high-powered weaponry set in an unpredictable fantasy world where magic, broadswords, and bullets collide. It is an entirely new game and a full standalone experience, with a rich, story-driven co-op campaign for up to four players, as well as repeatable end-game content.
- In addition, later this month, 2K will unveil details of another exciting new franchise planned for launch during this fiscal year.
- During Fiscal 2022, *WWE 2K22* will mark the rebirth of our popular wrestling series. We are very excited about the team's fresh approach to the franchise, including an array of enhancements and new features. 2K and Visual Concepts have shared a series of behind-the-scenes videos of their work on *WWE 2K22*, including entrance and move animations, as well as motion capture and facial scanning, with much more to come.
- Turning to mobile, we are pleased to expand our offerings, especially given the strong momentum in this market segment. Players can look forward to new releases this year, which our teams will have more to share about in the coming months. In addition, our labels continue to invest in technology and new games that they plan to deliver during the next few years.
- Turning to eSports, the *NBA 2K League* kicked off its fourth season on May 19th that will conclude on September 4th with the *League Finals Delivered by DoorDash*. This season, games have been airing live on the *League's* Twitch and YouTube channels, and are also available on eGG Network in Southeast Asia, ESRevolution, Loco in India, Sport1 in Europe, and Dash Radio. The *League* continues to grow its audience, with more than 2 million followers on its social media platforms and nearly 470 million video views. We are excited about the *League's* recent announcement that its 2021 playoffs will take place at the Mavs Gaming Hub in Dallas, marking the first time that in-person games will be offered since the 2019 *NBA 2K League* Finals in New York City. Looking ahead, we believe that the *NBA 2K League* has the long-term potential to enhance engagement and to be a driver of profits for our Company.
- In closing, we are optimistic about the multi-year growth trajectory ahead of us. We are positioning our business for growth and enhancing our enterprise by investing in talent

and infrastructure. Together with our robust pipeline of titles and content updates, we are confident that we can establish new record levels of operating performance over the next several years.

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

Lainie Goldstein, CFO

- Thanks Karl and good afternoon everyone.
- Today I'll discuss our first quarter results and then review our financial outlook for the second quarter and fiscal year 2022. Please note that additional details regarding our actual results and outlook are contained in our press release.
- As Strauss mentioned, fiscal 2022 is off to a strong start, with our first quarter operating results exceeding our expectations.
- Net Bookings were 711 million dollars, which was above our guidance of 625 to 675 million dollars and marked our second-highest Q1 on record. Our outperformance was primarily driven by *Grand Theft Auto Online* and *Grand Theft Auto V*, *Red Dead Redemption 2* and *Red Dead Online*, and *Borderlands 3*.
 - During the period, overall engagement exceeded our expectations. Recurrent consumer spending declined 25%, as compared to our outlook of a 30% decline, and accounted for 69% of total Net Bookings. Our outperformance was primarily driven by *Grand Theft Auto Online*, as well as the addition of Nordeus.
 - Digitally-delivered Net Bookings declined 26%, as compared to our outlook of a 30% decline, and accounted for 96% of the total. This result was better than our outlook primarily due to the outperformance of recurrent consumer spending.
 - During the quarter, 73% of console game sales were delivered digitally, up from 71% last year.
- GAAP net revenue declined 2% to 813 million dollars, while cost of goods sold decreased 31% to 330 million dollars.
- Operating expenses increased by 15% to 313 million dollars, primarily driven by higher personnel and stock compensation expenses, as well as the addition of Playdots and Nordeus.
- And, GAAP net income was 152 million dollars, or one dollar and 30 cents per share, as compared to 89 million dollars, or 77 cents per share, in the first quarter last year.

- We ended the quarter with over 2.5 billion dollars of Cash and Short-Term Investments.
- Turning to our guidance, I'll begin with our full fiscal year expectations.
- As Strauss mentioned, we are reiterating our Net Bookings outlook range of 3.2 to 3.3 billion dollars. While our first quarter results outperformed our expectations and our acquisition of Nordeus will benefit the year, this is being offset by some changes to our release schedule, including moving two of our immersive core titles to later in fiscal 2022 than our prior guidance had contemplated. We continue to be very excited about our pipeline and the next phase of growth that it presents for our Company.
 - The largest contributors to Net Bookings are expected to be *NBA 2K*, *Grand Theft Auto Online* and *Grand Theft Auto V*, *Red Dead Redemption 2* and *Red Dead Online*, as well as some of our new releases that are yet to be announced.
 - We expect the Net Bookings breakdown from our labels to be roughly 55% 2K, 35% Rockstar Games, and 10% Private Division and T2 Mobile Games.
 - We forecast our geographic Net Bookings split to be about 60% United States and 40% International.
- As a result of our outperformance in Q1, as well as the addition of Nordeus, we now expect recurrent consumer spending to decline by 9%, compared to our prior outlook of a 15% decline versus fiscal 2021. As a percentage of Net Bookings, recurrent consumer spending is expected to be relatively flat versus last year and represent 65% of total Net Bookings.
- We now project digitally-delivered Net Bookings to decrease by approximately 6% as compared to our prior outlook of an 8% decline. As a percentage of our business, digital is projected to represent 90%, slightly above 89% last year.
- Our forecast assumes that 74% of console game sales will be delivered-digitally, up from 64% last year.
- We expect to generate more than 400 million dollars in Non-GAAP Adjusted Unrestricted Operating Cash Flow and we plan to deploy approximately 170 million dollars for capital expenditures. The increase over our prior guidance relates to the acquisition of two office buildings in the UK to support our business in the region.
- We continue to expect GAAP net revenue to range from 3.14 to 3.24 billion dollars, while we now expect cost of goods sold to range from 1.4 to 1.44 billion dollars.

- Total operating expenses are expected to range from 1.48 to 1.5 billion dollars, representing, at the midpoint, a 23% increase over the prior year. This increase reflects significant investments in marketing, personnel, stock compensation, and IT expenses to bring our expansive multi-year pipeline to market, as well as incremental expenses due to the addition of Nordeus and a full year of Playdots.
- And, we expect GAAP net income to range from 229 to 259 million dollars, or 1 dollar and 95 cents to 2 dollars and 20 cents per share.
- For management reporting purposes, we expect our tax rate to be 16% throughout fiscal 2022.
- Now, moving to our guidance for the fiscal second quarter:
- We project Net bookings to range from 815 to 865 million dollars, compared to 958 million dollars in the second quarter last year. Our guidance reflects the continued challenging comparisons from last year, due to COVID-19.
 - The largest contributors to Net Bookings are expected to be *NBA 2K*, *Grand Theft Auto Online* and *Grand Theft Auto V*, *Red Dead Redemption 2* and *Red Dead Online*, *Dragon City*, *Top Eleven* and *Two Dots*.
 - We project recurrent consumer spending to decline by approximately 11% and digitally-delivered Net Bookings to decline by approximately 5%.
 - Our forecast assumes that 64% of console game sales will be delivered digitally, up from 57% last year.
- We expect GAAP net revenue to range from 740 to 790 million dollars and cost of goods sold to range from 323 to 349 million dollars.
- Operating expenses are expected to range from 368 to 378 million dollars. At the midpoint, this represents a 27% increase over last year, driven primarily by higher marketing, personnel, IT and research and development costs, as well as the inclusion of Playdots and Nordeus.
- And, GAAP net income is expected to range from 41 to 53 million dollars, or 35 cents to 45 cents per share.
- In closing, our first quarter results demonstrate the health of our business and the incredible execution from our talented colleagues across the world. As we capitalize on our industry's

strong tailwinds, combined with our unique business drivers, we believe that our Company will deliver significant long-term growth and margin expansion for our shareholders.

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

CONCLUSION – Strauss Zelnick, Chairman and CEO

- Thanks, Lainie and Karl. On behalf of our entire management team, I would like to thank our colleagues for delivering a strong start to the year. To our shareholders, I want to express our appreciation for your continued support.

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