



Q1 Fiscal Year 2025 Conference Call

SAFE HARBOR – Nicole Shevins

- Good afternoon. Thank you for joining our conference call to discuss our results for the first quarter of Fiscal Year 2025, ended June 30, 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

- Thanks, Nicole. Good afternoon and thank you for joining us today.
- I am pleased to report that Fiscal Year 2025 is off to a solid start. Our first quarter Net Bookings of \$1.2 billion were in line with our expectations and our management team remains highly confident in our path forward. We are reiterating our Net Bookings outlook for the

year. As we release our groundbreaking pipeline, we expect to achieve tremendous growth, including sequential increases in Net Bookings in Fiscal 2026 and 2027. I would like to thank our talented teams across our labels for their boundless passion, hard work, and dedication to our mission.

- Now, turning to our business highlights from the quarter:
 - The *Grand Theft Auto* series exceeded our expectations, as momentum continues to build ahead of the launch of *Grand Theft Auto VI* in Fall 2025. Unit sales for *Grand Theft Auto V* continue to grow, and to date, the title has sold-in over 200 million units. *Grand Theft Auto Online* also surpassed our projections, led by its Summer content pack, *Bottom Dollar Bounties*, which launched June 25th. The audience for Rockstar's premium membership service, *GTA+*, grew strong double digits over last year, with Rockstar Games offering its members an array of valuable benefits that range from enhancing the in-game experience to providing access to their classic titles, including the recent addition of *L.A. Noire*.
 - We are pleased with the performance of *Red Dead Redemption 2*, which has sold-in more than 65 million units to-date. In addition, *Red Dead Online* continued to engage its audience during the period with new monthly bonuses and free outfits inspired by top content creators within the Red Dead community.
 - *NBA 2K24* delivered a solid quarter, and to-date, has sold-in close to 11 million units. Engagement remains strong, with users playing more frequently and participating in more games compared to *NBA 2K23* for the same period last year. The franchise continues to expand its audience through several innovative mobile experiences, including *NBA 2K24: MyTEAM*, a free-to-play card-collecting experience that has been downloaded nearly 3 million times since its launch in February. Moreover, *NBA 2K24 Arcade Edition* continues to enjoy huge success on Apple Arcade and is consistently a top 2 game on the service.
 - *WWE 2K24*, which launched at the end of Fiscal 2024, has continued to grow its audience and enhance its profitability. Our teams have driven meaningful engagement through the release of several content packs, with more on the way. To-date, players have logged 27 million hours of gameplay across more than 200 million matches featuring a series high roster of over 300 past and present superstars.
 - On April 4th, 2K and Cat Daddy Games released *NFL 2K Playmakers*, a new free-to-play mobile title that allows fans to collect NFL player cards and assemble an exciting roster of offensive, defensive, and special teams. We are proud to add *NFL 2K Playmakers* to our ever-expanding mobile portfolio in partnership with the NFL and the NFL Player's Association.
 - On April 26th, 2K and Hangar 13 launched *TopSpin 2K25*, marking the return of our popular tennis franchise after a 13-year hiatus. The title was well-received by critics and fans alike,

- who praised its authentic tennis experience with deep personalization and legendary venues. 2K is supporting *TopSpin* with a series of Centre Court Passes that feature iconic courts, brands, and tournaments.
- During the period, we added to the caliber of our world-class development teams with our acquisition of Gearbox Entertainment. We are thrilled to welcome Randy Pitchford and his studio to the Take-Two and 2K family. We have identified many potential growth opportunities for the *Borderlands* series and Gearbox's catalog. In addition, tomorrow marks the box office debut of the star-studded *Borderlands* feature film from Lionsgate, and we hope that audiences will enjoy experiencing the series' vibrant and character-driven world on the big screen.
 - Zynga delivered another solid quarter, including phenomenal performance at Peak.
 - *Match Factory!* is scaling quickly and has established itself as one of Zynga's largest contributors to Net Bookings. The title is responding well to our investment in user acquisition, reflected in Net Bookings growth of more than 50% over last quarter. We believe that there are even more growth opportunities ahead as we add new features and updates.
 - *Toon Blast* delivered strong year-over-year growth for the third consecutive quarter. As the title celebrates its 7th anniversary this month, we are pleased that it has become a top-10 grossing game in the US Apple App Store this quarter and has achieved more than \$2.5 billion in lifetime gross bookings.
 - On June 4th, Zynga and Lucasfilm Games launched *Star Wars: Hunters* – the label's first-ever cross-platform title, which is available for free on Nintendo Switch and iOS and Android devices. Expanding the iconic Star Wars universe with new locations and characters, the competitive battle arena game received a tremendous amount of fanfare from the media and audiences around the globe. Players can look forward to additional content offerings coming soon.
 - Our blended monetization efforts in hyper-casual are progressing well at Rollic, which crossed 3.6 billion all-time downloads. Fan-favorite titles, *Screw Jam* and *Twisted Tangle*, both performed well this quarter, becoming top-50 and top-100 grossing games, respectively, in the US Apple App Store.
 - Our direct-to-consumer business continues to grow, and our teams are working actively to add more titles each quarter to this highly accretive, owned distribution channel.
 - Looking ahead, Zynga has numerous titles in development and soft launch, including the latest installment in their popular racing franchise, *CSR Racing 3*.
 - In closing, I believe that our talented creative teams and owned portfolio of iconic entertainment franchises are driving both the consistent performance of our Company and our potential to achieve unprecedented levels of multi-year growth. As we focus on our strategic priorities and embody our core tenets of creativity, innovation, and efficiency, I am confident that we will set new benchmarks for our industry and deliver strong 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 continuing to deliver immersive and engaging entertainment experiences that are strengthening the foundation for our long-term success.
- Turning to our recent releases and announced offerings for the current year:
 - On July 25th, Zynga launched a new Puzzle RPG title, *Game of Thrones: Legends*, which invites players to journey through the magical land of Westeros, featuring characters, lores, and storylines from HBO's popular *Game of Thrones* and *House of the Dragon* franchises. The game marked the exciting return of Emmy- and Golden Globe-nominated actor, Kit Harington, to the franchise, who also starred in a marketing campaign set in the title's immersive world. Player reception has been positive, with the title entering the Top 10 in the overall Free Games category on the US Apple App Store and on Google Play in the US.
 - 2K and Visual Concepts will once again set new standards of excellence and realism for basketball in our industry with the launch of *NBA 2K25*. The title officially launches on September 6th and we are excited to offer fans that have preordered the game the ability to play up to 2 days early. Players will be able to forge a dynasty in MyCAREER and compete in new MyTEAM modes. Those on Gen-9 platforms will experience an added sixth era in MyNBA, a more dense and interactive City, and the chance to cement their GOAT status in The W. We are thrilled that Visual Concepts will release the Gen 9 version of *NBA 2K25* for PC, which will provide our passionate community access to our series' most advanced gameplay and stunning graphics. 2K will have more details to share about the game leading up to its launch.
 - In addition, Visual Concepts is currently developing *WWE 2K25*, which promises to take our successful pro-wrestling franchise to new heights when it launches later this fiscal year.
 - Later this month, 2K and Firaxis Games will reveal more details about the eagerly anticipated launch of *Sid Meier's Civilization VII* - a revolutionary new chapter in our epic strategy video game franchise. In this 4X strategy game, players can establish their civilization, and construct cities and architectural wonders to expand their territory, conquer or cooperate with rival civilizations, and explore the far reaches of the unknown world. We can't wait for *Civ* fans around the world to enjoy what promises to be the best title in the series' 30-year history. We also successfully launched a mobile *Civilization* game in China through our partnership with Tencent and are pleased that the title hit number 1 on iOS and Android stores at launch.

- In closing, as we continue to execute upon our strategy, we believe that there are many opportunities that will enable us to deliver a period of significant margin expansion, long-term growth, and shareholder returns for Take-Two.
- I'll now turn the call over to Lainie.

Lainie Goldstein

- Thanks Karl and good afternoon everyone.
- We achieved solid first quarter results by engaging our players with exciting new game releases and content updates, while maintaining our focus on efficiency. We continue to have great confidence in our ability to deliver a multi-year period of growth – our core franchises remain healthy, our teams are hard at work on the most ambitious development pipeline in our Company's history, and we remain focused on new growth opportunities to enhance our business model and financial profile. I'd like to thank our teams for enabling us to captivate millions of players every day and for their unwavering support for our long-term vision.
- Turning to our results, we delivered first quarter Net Bookings of \$1.22 billion, which was in line with our guidance range of \$1.2 to \$1.25 billion.
 - Recurrent consumer spending was flat for the period and accounted for 83% of Net Bookings. Mobile increased mid single digits, driven by the addition of *Match Factory* and growth in *Toon Blast*, which was partially offset by declines in our hyper-casual mobile portfolio and *Empires and Puzzles*. *Grand Theft Auto Online* and *NBA 2K* were both down.
 - During the quarter, we launched *TopSpin 2K25*, *No Rest for the Wicked* on Early Access for PC, *NFL 2K Playmakers*, and *Star Wars Hunters*.
- GAAP net revenue increased 4% to \$1.34 billion, while cost of revenue declined 6% to \$567 million and operating expenses increased by 8% to \$956 million.
- On a management basis, operating expenses rose 12% year-over-year, which was better than our forecast, due to lower R&D and marketing costs.
- Turning to our guidance, I'll begin with our full fiscal year expectations.
 - Our business is performing well, and 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 VII*, and *Words with Friends*.
 - We continue to expect recurrent consumer spending growth of approximately 3%, representing 77% of Net Bookings.

- Our recurrent consumer spending forecast assumes a high single digit increase for mobile, driven by *Match Factory* and *Toon Blast*, which are partially offset by declines in our hyper-casual mobile portfolio and *Empires and Puzzles*. We expect flat results for *NBA 2K* and a decline for *Grand Theft Auto Online*.
 - We expect the Net Bookings breakdown from our labels to be roughly 50% Zynga, 32% 2K, 17% Rockstar Games, and 1% Other.
 - And, we forecast our geographic Net Bookings split to be about 60% United States and 40% International.
- We now expect Non-GAAP Adjusted Unrestricted Operating Cash Flow to be an outflow of \$150 million, and we plan to deploy approximately \$140 million of capital expenditures, primarily for game technology and office buildouts.
 - We expect GAAP net revenue to range from \$5.57 to \$5.67 billion and cost of revenue to range from \$2.38 to \$2.41 billion.
 - Our total operating expenses are expected to range from \$3.70 to \$3.72 billion as compared to \$5.83 billion last year. On a management basis, we expect operating expense growth of approximately 10% year-over-year. This 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.
 - Now, moving onto our guidance for the fiscal second quarter:
 - We project Net Bookings to range from \$1.42 to \$1.47 billion, compared to \$1.44 billion in the second quarter last year.
 - Our release slate for the quarter includes *Game of Thrones: Legends* and *NBA 2K25*.
 - The largest contributors to Net Bookings are expected to be *NBA 2K*, the *Grand Theft Auto* series, *Toon Blast*, *Match Factory*, our hyper-casual mobile portfolio, *Empires & Puzzles*, *Words with Friends*, the *Red Dead Redemption* series, and *Merge Dragons*.
 - We project recurrent consumer spending to increase by approximately 5%, which assumes a low double-digit increase for mobile, driven by the addition of *Match Factory* and growth in *Toon Blast*, which are partially offset by declines in our hyper-casual mobile portfolio and *Empires and Puzzles*. We expect flat results for *NBA 2K* and a decline for *Grand Theft Auto Online*.
 - We expect GAAP net revenue to range from \$1.29 to \$1.34 billion
 - Operating expenses are planned to range from \$982 to \$992 million. On a management basis, operating expenses are expected to grow by approximately 27% year-over-year, which is

primarily driven by additional marketing for *Match Factory* and *Game of Thrones Legends* and the addition of Gearbox, partially offset by savings from our cost reduction program.

- In closing, we are confident in our ability to deliver a strong multi-year trajectory of growth, driven by our industry-leading talent; our diverse portfolio of iconic, owned intellectual properties; and our groundbreaking development pipeline. As we capitalize on our competitive advantages and pursue our strategic priorities, we believe that we will continue to grow our business, enhance our profitability, and deliver long-term value for our shareholders.
- Thank you. I'll now turn the call back to Strauss.

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