SAFE HARBOR – Nicole Shevins

- Good morning. Thank you for joining our conference call to discuss our results for the first quarter of Fiscal Year 2027, ended June 30, 2026. 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 morning and thank you for joining us today.

- Fiscal 2027 is off to an excellent start, led by the power of our diverse portfolio and the strong, consistent execution of our strategy at all of our labels. We delivered first quarter Net Bookings of approximately $1.39 billion, which was slightly above the high end of our guidance range, primarily due to the outperformance of *NBA 2K* and the *Grand Theft Auto* series.

- We are reiterating our Fiscal 2027 outlook for Net Bookings of $8 to $8.2 billion, which reflects both ongoing positive trends in our business and our high degree of confidence around the November 19th release of *Grand Theft Auto VI*. We expect to sustain this new level of scale and generate strong cash flows for the next several years, as we release our robust development pipeline; capitalize on incremental opportunities within our highly-established hit franchises; and continue to apply our proven, long-term approach to managing the Company.

- Now, turning to highlights for the period.

- *NBA 2K26*'s performance was outstanding and concluded a record year for the franchise. To date, the title has sold-in over 12 million units, reflecting 9% growth compared to *NBA 2K25.* Engagement was up meaningfully during the quarter, with Recurrent Consumer Spending growing 7%, driven by a 15% increase in Average Daily Active Users, a 25% increase in MyCAREER Daily Active Users, and a 35% increase in Average Games Played Per User. The achievements of this year's iteration of the series are a testament to Visual Concepts' ability continually to deliver new, innovative ways for fans to stay engaged, and our live-service execution remains a cornerstone of *NBA 2K*'s sustained success.

- During the quarter, 2K also supported *Borderlands 4, Sid Meier's Civilization VII*, and *WWE 2K26* with an array of new offerings, which enhanced player engagement and sentiment.

- The *Grand Theft Auto* series once again exceeded expectations, and to-date, *Grand Theft Auto V* has sold-in over 230 million units worldwide. Recurrent Consumer Spending for the series grew 3% and GTA+ continues to thrive, all led by a series of content offerings, including the addition of the Rockstar Mission Creator – an all-new suite of innovative and in-depth tools empowering the player community to bring missions to life. Global excitement for the launch of *Grand Theft Auto VI* continues to build, with the title having an exceptional start to pre-orders. With Rockstar Games' recent announcement of *Grand Theft Auto VI: An Extended Look* coming on August 27th, we believe that consumers' passion and anticipation for the next evolution of this iconic series will grow further leading up to the title's November 19th release.

- Turning to our mobile business, Zynga performed in-line with our expectations, and we are pleased that many of our forever franchises continued to resonate with players.
  - Net Bookings for *Toon Blast* grew 8% over last year. The title was supported by a new marketing campaign featuring Emmy-Nominated actor, Giancarlo Esposito.
  - *Empires & Puzzles* maintained steady momentum, anchored by a successful 9th anniversary campaign and the introduction of new heroes and character abilities.
  - *Words With Friends* exceeded our forecast, with Net Bookings growing 8% year-over-year, led by strong ad performance and higher player engagement with several

  features, including *Dice Challenge*, the title's latest permanent one-on-one game mode.
  - *Top Eleven* surpassed our expectations, with Net Bookings increasing 15% year-over-year, as fans enjoyed a special in-game event featuring player-versus-environment matches in 10 international locations.
  - 2K's mobile offerings continue to perform well, with strong downloads and engagement across key titles. *NBA 2K All-Star,* our mobile title in China in partnership with Tencent, surpassed 10 million registered users since launching last year and is yielding strong profit margins.
  - Our mobile direct-to-consumer channel remains a significant driver of revenue and margin enhancement, with many of Zynga's titles offering this feature, and further growth anticipated.

- Guided by our core pillars – to be the most creative, innovative, and efficient entertainment company in the world – our 13,000 colleagues share a singular vision for excellence and hit creation. Each day, we strive to bring joy to our player communities and value to our shareholders. I'd like to express my gratitude to our teams for their immense passion and unwavering commitment to our mission: to make the most captivating and engaging experiences in the entertainment business.

- We believe that Fiscal 2027 will be an inflection point for Take-Two – one that will write an exciting new chapter in our history and provide the foundation for new levels of success and the creation of groundbreaking entertainment experiences.

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

<u>Karl Slatoff</u>

- Thanks, Strauss.

- I'd like to thank our teams for delivering a great start to the year and setting the stage for the most exciting pipeline in our company's history.

- I'll now discuss our recent and upcoming releases:

- On July 8^{th}, 2K and HB Studios launched Season 7 for *PGA TOUR 2K25* – a free update, which added the 154^{th} Open Championship at Royal Birkdale Golf Club. The team is planning to launch Season 8 in late September and is hard at work on this year's release of *PGA TOUR 2K27*. 2K will share more details in the coming months.

- On July 14^{th}, Rockstar Games launched the *Kortz Center Heist* for GTA Online, which introduced an all-new blockbuster heist targeting Los Santos' premier cultural institution, with an array of artwork for the taking.

- On July 30th, 2K and Gearbox launched *Bounty Pack 4: Murders and Acquisitions* for *Borderlands 4,* which includes a new story mission and cosmetic items. Fans can look forward to even more action in September, when Gearbox releases additional content, including the title's next story pack.

- On August 14th, 2K and Hangar 13 will release the *Man of Honor* story expansion for *Mafia: The Old Country.* With Hangar 13's industry-leading capabilities in narrative-driven action titles, players will enjoy two new story chapters and all-new content for the game's Free Ride mode.

- 2K and Visual Concepts will launch the WrestleMania 42 Pack for *WWE 2K26* on August 19th, followed by new Seasons as part of the Ringside Pass during the Fall. *WWE 2K27* is currently in development, and 2K will provide updates later this year.

- On September 4th, 2K and Visual Concepts will launch *NBA 2K27* – the next installment of our industry leading basketball simulation that provides the most realistic and authentic NBA experience in interactive entertainment. This year, Victor Wembanyama of the San Antonio Spurs will be on the cover of the Standard Edition; Caitlin Clark of the Indiana Fever will be on the cover of the Deluxe Edition; and Chicago Bulls' legend, Derrick Rose will be on the cover of the Ultra Edition, with Early Access available as part of the Deluxe and Ultra Editions. Last week, a first-look trailer of *NBA 2K27*'s gameplay was revealed and the response has been positive, with fans and the media expressing excitement over the title's improved graphics and enhanced player movement and presentation. 2K will share more about the game soon, including the *NBA 2K27 Preseason Breakdown: Full Game Reveal* on August 18th.

- Zynga will continue to focus on enhancing its existing mobile portfolio with bold beats and updates, as well as releasing new titles, including *Top Goal,* which is currently in soft launch. The title recently introduced real-world soccer stars, as well as enhanced 3D match simulation and player-vs.-player gameplay.

- In closing, we are deeply excited about this year, highlighted by the November 19th launch of *Grand Theft Auto VI,* which will usher in a new era of growth for our Company and returns for our shareholders. We remain steadfast in our mission and commitment to delivering the highest-quality entertainment experiences that captivate and engage audiences throughout the world.

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

<u>Lainie Goldstein</u>

- Thanks Karl and good morning everyone.

- We achieved excellent first quarter results, driven by our powerful franchises, industry-leading talent, and unwavering commitment to our strategic vision. I'd like to thank our teams for their hard work, which has enabled us to reach this exciting point within our Company's history.

- Turning to our results, we delivered first quarter Net Bookings of $1.39 billion, which was slightly above our guidance range of $1.32 to $1.37 billion.
  - This primarily reflected better-than-expected performance from *NBA 2K* and the *Grand Theft Auto* series.
  - Recurrent consumer spending declined 1% for the period, which was favorable to our guidance of a 3% decline, and accounted for 84% of Net Bookings. *NBA 2K* grew 7%, the *Grand Theft Auto* series rose 3%, and as expected, mobile declined 7% over last year.

- GAAP net revenue increased 2% to $1.5 billion, while cost of revenue rose 17% to $651 million and included a $43 million impairment charge related to the decision not to proceed with an unannounced title from a third-party developer. Operating expenses were flat at $918 million.

- On a management basis, operating expenses declined 1% year-over-year, which was favorable to our forecast of 3% growth, due to timing of marketing expenses across our labels.

- With the ongoing positive trends in our business and excitement around the November 19th release of *Grand Theft Auto VI*, we are reiterating our fiscal 2027 Net Bookings outlook range of $8 to $8.2 billion, which represents approximately 20% growth over Fiscal 2026 at the midpoint.
  - The largest contributors to Net Bookings are expected to be the *Grand Theft Auto* series*, NBA 2K, Toon Blast, Match Factory, Empires & Puzzles, Words With Friends,* the *Red Dead Redemption* series*, WWE 2K, Color Block Jam,* and *Zynga Poker.*
  - We continue to expect recurrent consumer spending to be in-line with Fiscal 2026, and to represent 64% of Net Bookings. The underlying drivers remain unchanged, with *NBA 2K* projected to grow high single digits; the *Grand Theft Auto* series expected to be up; and mobile expected to be down, due to last year's success of *Color Block Jam*, and our assumption that trends will moderate for several of Zynga's mature mobile titles.
  - We now expect the Net Bookings breakdown from our labels to be roughly 37% Rockstar Games, 34% Zynga, and 29% 2K.

- We continue to forecast Operating Cash Flow in excess of $1 billion, and we remain on track to be in a Net Cash position by the end of the fiscal year. We now plan to deploy approximately $290 million of capital expenditures, which is up from our prior forecast, due to a planned real estate purchase.

- We continue to expect GAAP net revenue to range from $7.9 to $8.1 billion, while we now expect cost of revenue to range from $3.54 to $3.66 billion.

- Our total operating expenses are now expected to range from $4.15 to $4.17 billion. On a management basis, we expect operating expense growth of approximately 7% year-over-year, which is down slightly from our prior forecast.

- Now, moving on to our guidance for the fiscal second quarter:

- We project Net Bookings to range from $1.62 to $1.67 billion, compared to $1.96 billion in the second quarter last year.
  - Our release slate for the quarter includes *NBA 2K27,* as well as new content updates for various titles.
  - The largest contributors to Net Bookings are expected to be *NBA 2K*, the *Grand Theft Auto* series, *Toon Blast, Match Factory, Empires & Puzzles, Words With Friends, Color Block Jam,* the *Borderlands* franchise*,* the *Red Dead Redemption* series, and *Zynga Poker.*
  - We project recurrent consumer spending to decline by approximately 5%, which assumes growth for *NBA 2K* and the *Grand Theft Auto* series*,* while mobile is expected to be down*.*

- We expect GAAP net revenue to range from $1.42 to $1.47 billion.

- Operating expenses are planned to range from $1.01 to $1.02 billion. On a management basis, operating expenses are expected to decline by approximately 5% year-over-year, as last year included significant marketing expenses for the launch of *Borderlands 4*.

- Looking ahead, Fiscal 2027 is on track to be a milestone year for our Company – led by the release of *Grand Theft Auto VI.* We have great ambitions, as our teams have carefully curated new opportunities that we believe will sustain this new level of scale for the foreseeable future, including live-service enhancements, franchise extensions, the launch of new IP, and international expansion. In addition, we will continue to evaluate accretive M&A. As we bring these opportunities to fruition, we are confident in our ability to enhance our financial profile further and generate strong cash flows, setting us on a path to deliver continued growth and long-term shareholder returns.

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

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