Q2 Fiscal Year 2026 Conference Call

- Good afternoon. Thank you for joining our conference call to discuss our results for the second quarter of Fiscal Year 2026, ended September 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.

- We delivered fantastic second quarter results, including Net Bookings of $1.96 billion, which vastly exceeded our expectations and represent the best second quarter of Net Bookings in our Company's history. We had many achievements during the period: 2K launched three major titles, including *NBA 2K26*, which set multiple records and has been delivering an unprecedented level of in-game spending; our mobile business outperformed substantially, driven by our teams' unparalleled innovation in Live Services; and *Grand Theft Auto Online* continued to benefit from its highly-engaged community.

- Due to these outstanding second quarter results and our optimism for the balance of the fiscal year, we are again raising our Net Bookings outlook for Fiscal 2026 to $6.4 to $6.5 billion.

- Rockstar Games has announced that *Grand Theft Auto VI* will now be released on November 19, 2026, giving the team some additional time to finish the game with the high level of polish players expect and deserve. Rockstar has our full support of course, and we are confident they will deliver an unrivalled blockbuster entertainment experience.

- Turning to highlights from the period:

  - Our mobile business delivered another quarter of excellent results.
    - Peak's forever franchise, *Toon Blast*, grew 26% year-over-year and approximately 90% over the past two years, driven by new gameplay elements and meta-game features, such as Card Collection.
    - *Match Factory*, another hit title from Peak, achieved record Net Bookings and grew 20% over last year. Players responded positively to innovative new features, including a Super Ball power-up, which increased engagement and monetization within the game.
    - Rollic's hit title, *Color Block Jam*, continues to engage and grow its audience with new features and levels, and remains the highest-grossing title in the studio's history. In addition, Rollic surpassed 3.8 billion lifetime downloads and achieved a new Net Bookings record for the quarter.
    - The *CSR* franchise achieved $1 billion in lifetime in-game spending, with more than 180 million players worldwide since its launch in 2012, which we believe indicates great momentum ahead of the release of *CSR 3*.
    - *Zynga Poker* launched on Steam with full cross-functionality, enabling players to enjoy the game freely across mobile, web browsers, and PC.
    - 2K's mobile offerings had another strong quarter, with *WWE SuperCard* surpassing 38 million lifetime downloads; *NBA 2K Mobile* continuing to grow its audience; *NBA 2K26 Arcade Edition* holding its top-5 position on the Apple Arcade charts; and *NBA 2K All-Star* in China capturing 8 million registered users after just six months in market.
  - We continue to focus on our mobile direct-to-consumer business, and are achieving higher conversion driven by new offers, events, and enhanced personalization. Also, as a result of recent legislative changes, our teams have rolled out new technologies that enable direct transactions and new payment mechanisms, including solutions designed to support international growth, which should help us expand meaningfully Net Bookings and margins via this highly accretive channel.

- With the record-breaking launch of *NBA 2K26,* 2K and Visual Concepts proved once again their ability to create phenomenal gameplay, innovate with new features, and optimize live service offerings. To-date, the title has sold-in over 5 million units, representing a double-digit increase over *NBA 2K25*, and with Average Selling Prices reaching an all-time high, led by higher sales on premium editions. We were pleased to see Daily Active Users and MyCAREER Daily Active Users grow nearly 30% and nearly 40%, respectively, which contributed to Recurrent Consumer Spending growth of 45%. Players love many of the game's new features, including a thriving hub of competition, a more accessible layout, all new rewards, and fresh cosmetics. I'd like to congratulate 2K and Visual Concepts for once again delivering a superb basketball experience, led by innovation and an unwavering commitment to excellence.

- 2K and Gearbox Software launched *Borderlands 4* – the latest offering in our beloved looter-shooter franchise. The game received high critical praise, with many reviewers calling it "the best *Borderlands* yet." The series' highly active community eagerly welcomed the title, and during its opening weekend, it reached the largest concurrent player count on Steam in franchise history. *Borderlands 4* also dominated YouTube with 300 million views and earned the #1 spot on Twitch during its launch, underscoring the franchise's enduring mass appeal. While we experienced some challenges with optimization and performance on PC, Gearbox has been addressing these issues and releasing updates to improve gameplay. We are confident that *Borderlands 4* will achieve strong unit sales over its lifetime. We are immensely proud of Gearbox, and look forward to robust post-launch content offerings that will support the game in the months ahead.

- 2K and Hangar 13 released *Mafia: The Old Country* – the first new entry in our popular organized crime franchise in nearly a decade, which earned vast praise from critics and consumers alike. The title quickly surpassed our internal expectations and affirmed our belief that consumer demand remains strong for premium, narrative-driven experiences that over-index on value. The team at Hangar 13 will continue to push the boundaries for cinematic experiences in this series and in future creative pursuits.

- *Grand Theft Auto V* continues to grow its audience, and to-date, the title has sold-in more than 220 million units worldwide. Players remain deeply engaged with *Grand Theft Auto Online,* which added holiday-themed jobs and rewards, as well as new vehicles, community events and outfits. GTA+ continued to increase its membership, achieving over 20% growth year-over-year. We are pleased with consumers' ongoing passion and engagement with the franchise, which we believe will help usher in a record-breaking launch for *Grand Theft Auto VI*.

- In closing, we are very pleased with our position as one of the largest, most diversified companies within the interactive entertainment industry – a sector that we believe will enjoy robust growth. As we embrace our core values and focus on delivering the most captivating and engaging entertainment experiences, we expect to achieve record levels of Net Bookings in Fiscal 2027, establish a new baseline for our business, and enhance our profitability.

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

Karl Slatoff

- Thanks, Strauss.

- I'd like to thank our teams for delivering another terrific quarter, which reflects our unique ability to consistently deliver the highest quality entertainment experiences.

- Our teams plan to sustain this momentum over the balance of the year by releasing an array of new content and product offerings.

    - Following the successful launches of *Mafia: The Old Country*, *NBA 2K26*, and *Borderlands 4*, 2K plans to release new content and updates for each game that will provide our fans with even greater opportunities to engage with these franchises.

    - Zynga will continue to enhance its portfolio with the introduction of new features and innovation in live services, while also pursuing new titles.

    - During the fourth quarter of our fiscal year, 2K and Visual Concepts will launch *WWE 2K26*, the next installment in our popular wrestling franchise. Since taking over the series, Visual Concepts has immersed players in the most intense and realistic action that the squared circle can hold – and *WWE 2K26* will continue this legacy. 2K will have more to share about the game shortly.

- Looking ahead, we believe strongly in our long-term pipeline, which includes the release of *Grand Theft Auto VI* on November 19, 2026, as well as the future launches of *Judas, Project ETHOS, CSR 3*, *Top Goal,* the next *BioShock,* and many other exciting new titles from across our labels.

- In closing, we are thrilled with our performance for the first half of Fiscal 2026. As we continue to execute our proven strategy and capitalize on emerging opportunities, we expect to 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.

- Our second quarter results were truly fantastic, and we are excited to raise our annual Net Bookings outlook for the second consecutive quarter. Our outperformance was driven by many of our key titles, which underscores the strength of our core franchises and the power of our diverse portfolio of owned intellectual property. I'd like to thank our teams for their outstanding execution and unwavering focus on creativity, innovation, and efficiency.

- Turning to our results, we delivered second quarter Net Bookings of $1.96 billion, which was significantly above our guidance range of $1.7 to $1.75 billion.
    - This reflected better-than-expected performance from *NBA 2K, Mafia: The Old Country,* and several mobile titles, including *Toon Blast, Color Block Jam, Match Factory*, and *Empires and Puzzles,* which more-than-offset softness in the initial launch of *Borderlands 4*.
    - Recurrent consumer spending rose 20% for the period, which outperformed our guidance of 1% growth, and accounted for 73% of Net Bookings. *NBA 2K* grew 45%; mobile increased mid-teens; and *Grand Theft Auto Online* declined, as expected.
    - During the quarter, we launched *Mafia: The Old Country, NBA 2K26,* and *Borderlands 4*.

- GAAP net revenue increased 31% to $1.77 billion, cost of revenue increased 27% to $793 million, and operating expenses increased 5% to $1.1 billion.

- On a management basis, operating expenses rose 13% year-over-year, which represented significant operating expense leverage on our strong topline growth. Operating expense dollars were above our forecast due to incremental user acquisition investments to support robust performance in our mobile portfolio and higher performance-based compensation, which was partly offset by a shift in some console marketing and IT expenses into the second half of the year.

- Turning to our guidance, I'll begin with our full fiscal year expectations.
    - Our momentum is strong, and we are raising our Net Bookings outlook range to $6.4 to $6.5 billion, which represents 14% growth over Fiscal 2025 at the midpoint. The increase reflects our second quarter outperformance and higher expectations for many of our core franchises for the second half of the year.
    - The largest contributors to Net Bookings are expected to be *NBA 2K*, the *Grand Theft Auto* series, *Toon Blast, Match Factory, Borderlands 4, Color Block Jam, Empires & Puzzles,* the *Red Dead Redemption* series, and *Words with Friends.*
    - We now expect recurrent consumer spending to grow approximately 11%, representing 77% of Net Bookings. This growth percentage is more than double our prior forecast of 4%, driven by *NBA 2K* and higher expectations for several mobile titles.

- Our revised recurrent consumer spending forecast assumes that *NBA 2K* now grows in the mid-20% range; mobile now increases approximately 10%; and *Grand Theft Auto Online* declines, which is unchanged from our prior forecast.
- We project the Net Bookings breakdown from our labels to be roughly 46% Zynga, 39% 2K, and 15% Rockstar Games.

- We are raising our Operating Cash Flow forecast to approximately $250 million, reflecting the strength in our business. We now expect to deploy approximately $180 million in capital expenditures, which is above our prior guidance, due to the acquisition of an office building to support our global footprint.

- We are also increasing our forecasts for GAAP net revenue, which is now expected to range from $6.38 to $6.48 billion, and cost of revenue, which is now expected to range from $2.66 to $2.69 billion.

- Our total operating expenses are expected to range from $3.98 to $4 billion, compared to $7.45 billion last year. On a management basis, we now expect operating expense growth of approximately 9% year-over-year, which represents notable operating expense leverage on our higher Net Bookings outlook. Our forecast for operating expense dollars is increasing due to incremental marketing to support our mobile portfolio and higher performance-based compensation.

- Now, moving onto our guidance for the fiscal third quarter:

- We project Net Bookings to range from $1.55 to $1.6 billion, compared to $1.37 billion in the prior year.
  - The largest contributors to Net Bookings are expected to be *NBA 2K*, the *Grand Theft Auto* series, *Toon Blast, Match Factory,* the *Red Dead Redemption* series, *Color Block Jam, Empires & Puzzles, Borderlands 4,* and *Words with Friends.*
  - We project recurrent consumer spending to increase by approximately 8%, which assumes low double-digit growth in mobile, a mid single-digit increase for *NBA 2K,* and a decline for *Grand Theft Auto Online.*

- We expect GAAP net revenue to range from $1.57 to $1.62 billion.

- Operating expenses are planned to range from $980 to $990 million. On a management basis, operating expenses are expected to grow by approximately 12% year-over-year, which is primarily driven by incremental user acquisition investments to support our robust performance in our mobile portfolio and higher performance-based compensation.

- In closing, we are thrilled with the strength in our business today, and we are extremely optimistic about the future ahead. As we execute on our strategic priorities, which include expanding our core franchises to even greater levels of commercial success, releasing groundbreaking new hits, driving efficiencies, and capitalizing on new business opportunities, we believe that we will meaningfully grow our scale and our profitability. I'd like to thank you all for your support and look forward to sharing more details on our exciting pipeline in the coming months.

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

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