



Q2 Fiscal Year 2025 Conference Call

SAFE HARBOR – Nicole Shevins

- Good afternoon. Thank you for joining our conference call to discuss our results for the second quarter of Fiscal Year 2025, ended September 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'm pleased to report that we delivered strong second quarter results. Our Net Bookings of \$1.47 billion were at the top of our guidance range, driven by the continued success of the *Grand Theft Auto* and *Borderlands* franchises, and our operating results surpassed our plans, largely due to a shift in the timing of marketing expenses within the year.
- We are reiterating our Fiscal 2025 Net Bookings guidance range of \$5.55 to \$5.65 billion, and we remain confident that we will achieve sequential increases and record levels of Net Bookings in Fiscal 2026 and 2027.

- Now, turning to our business highlights from the quarter:
 - Sales of *Grand Theft Auto V* outperformed our expectations and, to date, the title has sold-in more than 205 million units worldwide. *Grand Theft Auto Online* also exceeded our plans, driven by sustained engagement with the Summer content pack *Bottom Dollar Bounties*, and an array of updates including the new, multi-stage *Assault on ATT-16* mode, and experience improvements such as a new anti-cheat system for the PC version of *Grand Theft Auto Online*. Momentum also continued within *GTA+*, as Rockstar grew its membership by 35% over last year, and added the classic title, *Bully*, to the library of available games.
 - *Red Dead Redemption 2* posted another fantastic quarter. The title has sold-in more than 67 million units to-date and, six years after its release, still ranks in the top ten for unit sales globally, according to GSD. Rockstar Games was pleased to expand its audience further with the successful launch of *Red Dead Redemption* and *Undead Nightmare* for PC on October 29th.
 - On September 6th, 2K and Visual Concepts launched *NBA 2K25*, which scored among the highest ratings on New Gen consoles in recent franchise history. Our teams continued to raise the bar for excellence with the addition of 9,000 new ProPLAY animations that provide increased authenticity; an all-new dribble engine, representing the biggest technological update in the series' 26-year history; and a more interactive and engaging experience in *The City*. To-date, the title has sold-in nearly 4.5 million units and achieved phenomenal Recurrent Consumer Spending performance. Compared to *NBA 2K24* for the same period last year, *NBA 2K25* delivered meaningful double-digit growth in average revenue per user and 40% growth in average games per user. I would like to congratulate 2K and Visual Concepts for another stellar launch in our industry-leading NBA franchise.
 - Our catalog also outperformed, led by our immensely popular *Borderlands* franchise. Now that Gearbox has officially joined the 2K and Take-Two family, we are eager to capitalize on the many potential growth opportunities for *Borderlands*, *Tiny Tina's Wonderlands*, and other Gearbox titles.
 - Zynga delivered another quarter of solid results.
 - *Match Factory* is scaling rapidly and is on track to become Zynga's second largest title by the end of this year in terms of projected annual Net Bookings. The title grew approximately 16% over last quarter, driven by its engaging gameplay, including the recent *Star Race* bold beat, and our strategic investments in user acquisition.
 - *Toon Blast* is maintaining its fantastic path of growth, with Net Bookings increasing more than 50% over last year, as our teams deploy highly engaging new features, including new single player and team based events and social challenges. We are also achieving great results as we apply our learnings to other games in Zynga's portfolio, including *Toy Blast*.
 - Our blended monetization efforts in hyper-casual are advancing well. In particular, *Screw Jam* remains a top fifty game in the U.S. Apple App Store. We are encouraged by the Net Bookings and profitability milestones that the title has reached and are optimistic about it going forward.
 - Nordeus released the highly anticipated 2025 edition of our popular soccer manager game, *Top Eleven*. Backed by a month-long marketing campaign, the release generated positive sentiment around the community, which helped solidify the largest in-app purchase spending per active user in the game's 14-year history.

- During the quarter, Zynga launched *Game of Thrones: Legends*, and we remain excited about the label's future mobile launches, including *CSR 3 – Street Car Racing*.
 - We continue to expand our offerings within our highly-accretive direct-to-consumer business.
 - With our current success and new titles on the horizon, we are confident in the future outlook of our mobile business.
- In closing, we believe that Take-Two remains exceedingly well-positioned for the balance of this fiscal year, and for the long-term. Our vision is clear, our talent is unparalleled, and we have one of the strongest portfolios of owned intellectual property in our industry. As we release our pipeline – including many of our industry's most highly-anticipated sequels – we expect to deliver leading 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 consistently executing against our strategy, and for positioning our Company to deliver the strongest anticipated growth trajectory and multi-year pipeline in our history.
- Turning to our recent releases and announced games in development:
 - On February 11th, 2K and Firaxis Games will launch *Sid Meier's Civilization VII* – the highly anticipated, revolutionary new chapter in our epic 4-X strategy game franchise. 2K has been promoting the title across many key activations, including a developer panel at PAX West and PAX Australia, various community livestreams, a First Look video series, and developer diaries. Firaxis recently revealed details about their partnership with the Shawnee Tribe, featuring leader Tecumseh, who appears as a playable character. We can't wait for *Civ* fans around the world to “take one more turn” and enjoy what promises to be the best title in the series' 33-year history.
 - Later this fiscal year, Visual Concepts will launch *WWE 2K25*, which promises to take our successful pro-wrestling franchise to new heights. 2K will have more to share about the game in the coming months.
- Looking ahead, we expect Fiscal 2026 to be a milestone year, as we plan to release several blockbuster titles, including Rockstar Games' *Grand Theft Auto VI* in fall of 2025, *Borderlands 4* and *Mafia: The Old Country*. The latter two were unveiled by 2K this past summer at Gamescom, with each announcement featuring a game trailer that received a tremendous reception from their dedicated communities of fans. Rockstar Games also plans to bring the much-requested PlayStation 5 and Xbox Series features of GTA Online to the PC platform in the new year.
- In addition, we recently made the strategic decision to sell our Private Division label to focus our resources on growing our core and mobile businesses for the long-term. As part of this transaction, the buyer purchased our rights to substantially all of Private Division's live and unreleased titles. Take-Two will continue to support *No Rest for the Wicked*, which launched in Early Access on PC in April. We are

grateful for the contributions that the Private Division team has made to our company and are confident that they will continue to achieve success in their new home.

- In closing, our teams are hard at work on the strongest and most diverse lineup in our company's history. As we deliver exciting new hits and pursue new business opportunities, we believe that we will achieve sustainable, profitable growth and shareholder returns.
- I'll now turn the call over to Lainie.

Lainie Goldstein

- Thanks Karl and good afternoon everyone.
- We achieved another consecutive quarter of strong results, led by our diversified portfolio of industry-leading intellectual properties. During the period, we delivered exciting new offerings and continued to make great progress advancing our development pipeline, which reinforces our confidence in our outlook for this year and our multi-year growth trajectory. I'd like to thank our teams for their consistent execution and unwavering focus on creativity, innovation, and efficiency.
- Turning to our results, we delivered second quarter Net Bookings of \$1.47 billion, which was at the top of our guidance range of \$1.42 to \$1.47 billion, driven by the strength of the *Grand Theft Auto* and *Borderlands* franchises.
 - Recurrent consumer spending rose 6% for the period, which was slightly above our guidance of 5%, and accounted for 81% of Net Bookings. Mobile increased high single digits, driven by the addition of *Match Factory* and strong growth in *Toon Blast*, which was partially offset by declines in our hyper-casual mobile portfolio and *Empires and Puzzles*. *NBA 2K* grew low single digits, while *Grand Theft Auto Online* was relatively flat.
 - During the quarter, we launched *NBA 2K25* and *Game of Thrones: Legends*.
- GAAP net revenue increased 4% to \$1.35 billion, while cost of revenue declined 29% to \$625 million, as the prior year included an impairment charge related to acquired intangibles. Operating expenses increased by 7% to \$1 billion.
- On a management basis, operating expenses rose 24% year-over-year. This was favorable to our forecast, largely due to a shift in timing of marketing expense within the year, and drove operating results that were above our prior guidance range.
- 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 now expect recurrent consumer spending to grow approximately 4%, representing 78% of Net Bookings. This is up slightly from our prior forecast of 3%, driven by *NBA 2K*.

- Our recurrent consumer spending forecast continues to assume a high single digit increase for mobile, driven by *Match Factory* and *Toon Blast*, partially offset by declines in our hyper-casual mobile portfolio and *Empires and Puzzles*. *NBA 2K* is expected to grow low single digits, which is up from our prior forecast of flat, while *Grand Theft Auto Online* is still expected to decline.
 - We project the Net Bookings breakdown from our labels to be roughly 51% Zynga, 32% 2K, and 17% Rockstar Games.
 - And, 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 \$2.4 to \$2.42 billion.
 - Total operating expenses are now expected to range from \$3.77 to \$3.79 billion as compared to \$5.83 billion last year. On a management basis, we continue to 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 third quarter:
 - We project Net Bookings to range from \$1.35 to \$1.4 billion, compared to \$1.34 billion in the prior year.
 - Our release slate for the quarter includes *Red Dead Redemption* and *Undead Nightmare* for PC, which launched last week.
 - 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, *Words with Friends*, and *Merge Dragons*.
 - We project recurrent consumer spending to increase by approximately 9%, which assumes a low double-digit increase for mobile, driven by the addition of *Match Factory* and growth in *Toon Blast*, partially offset by declines in our hyper-casual mobile portfolio and *Empires and Puzzles*. We expect an increase for *NBA 2K* and a decline for *Grand Theft Auto Online*.
 - We expect GAAP net revenue to range from \$1.36 to \$1.41 billion.
 - Operating expenses are planned to range from \$913 to \$923 million. On a management basis, operating expenses are expected to grow by approximately 11% year-over-year, which is primarily driven by additional marketing for *Match Factory* and the addition of Gearbox, partially offset by savings from our cost reduction program.

- In closing, there are many exciting upcoming catalysts that we believe will enable our Company to achieve new record levels of Net Bookings performance. As we expand our product offerings and grow our scale, we expect to deliver strong operating leverage and robust shareholder value. I'd like to thank you all for your support and look forward to sharing more details on our groundbreaking pipeline in the coming months.
- Thank you. I'll now turn the call back to Strauss.

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