



**TAKE-TWO INTERACTIVE  
SOFTWARE, INC.**

(NASDAQ: TTWO)

FIRST QUARTER FISCAL 2023 RESULTS  
& GUIDANCE SUMMARY

## **CAUTIONARY NOTE: FORWARD LOOKING STATEMENTS**

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Statements contained herein which are not historical facts are considered forward-looking statements under federal securities laws and may be identified by words such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "potential," "predicts," "projects," "seeks," "should," "will," or words of similar meaning and include, but are not limited to, statements regarding the outlook for the Company's future business and financial performance. Such forward-looking statements are based on the current beliefs of our management as well as assumptions made by and information currently available to them, which are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Actual outcomes and results may vary materially from these forward-looking statements based on a variety of risks and uncertainties including: risks relating to our combination with Zynga; the uncertainty of the impact of the COVID-19 pandemic and measures taken in response thereto; the effect that measures taken to mitigate the COVID-19 pandemic have on our operations, including our ability to timely deliver our titles and other products, and on the operations of our counterparties, including retailers and distributors; the effects of the COVID-19 pandemic on both consumer demand and the discretionary spending patterns of our customers as the situation with the pandemic continues to evolve; the risks of conducting business internationally; the impact of changes in interest rates by the Federal Reserve and other central banks, including on our short-term investment portfolio; the impact of potential inflation; volatility in foreign currency exchange rates; our dependence on key management and product development personnel; our dependence on our NBA 2K and Grand Theft Auto products and our ability to develop other hit titles; our ability to leverage opportunities on PlayStation®5 and Xbox Series X|S; the timely release and significant market acceptance of our games; the ability to maintain acceptable pricing levels on our games; and risks associated with international operations.

Other important factors and information are contained in the Company's most recent Annual Report on Form 10-K, including the risks summarized in the section entitled "Risk Factors," the Company's most recent Quarterly Report on Form 10-Q, and the Company's other periodic filings with the SEC, which can be accessed at [www.take2games.com](http://www.take2games.com). All forward-looking statements are qualified by these cautionary statements and apply only as of the date they are made. The Company undertakes no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

# NOTES TO OUR FINANCIAL RESULTS & OUTLOOK

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## NOTES

- Our first quarter results include Zynga's financial performance for 39 days of the quarter, which impacts the comparability of our results relative to last year, as well as to our guidance, which did not include the contribution from Zynga
- Our prior FY23 guidance also did not include Zynga
- Additional details regarding our actual results and outlook are contained in our press release

# Q1 FY2023 Results Summary: GAAP

## FINANCIAL SUMMARY (\$ in millions, except EPS)

**Q1**

	<b>ACTUAL (INCL ZYNGA)</b>	<b>GUIDANCE (EX ZYNGA)</b>
<b>GAAP Net Revenue</b>	\$1,102	\$810 TO \$860
<b>Operating Expenses</b>	\$704	\$387 TO \$397
<b>GAAP Net Income</b>	\$(104)	\$94 TO \$105
<b>GAAP EPS</b>	\$(0.76)	\$0.80 TO \$0.90

**Note:** GAAP results were impacted by amortization of acquired intangibles and business acquisition costs

# Q1 FY2023 RESULTS SUMMARY: SELECT MANAGEMENT RESULTS

## SELECT FINANCIAL DATA (\$ in millions)

**Q1**

	<b>ACTUAL (INCL ZYNGA)</b>	<b>GUIDANCE (EX ZYNGA)</b>
<b>Net Bookings</b>	\$1,003	\$700 TO \$750
<b>Recurrent Consumer Spending Growth (RCS)</b>	+48%	-10%
<b>Digitally-Delivered Net Bookings Growth</b>	+41%	+2%

### KEY MODEL INPUTS

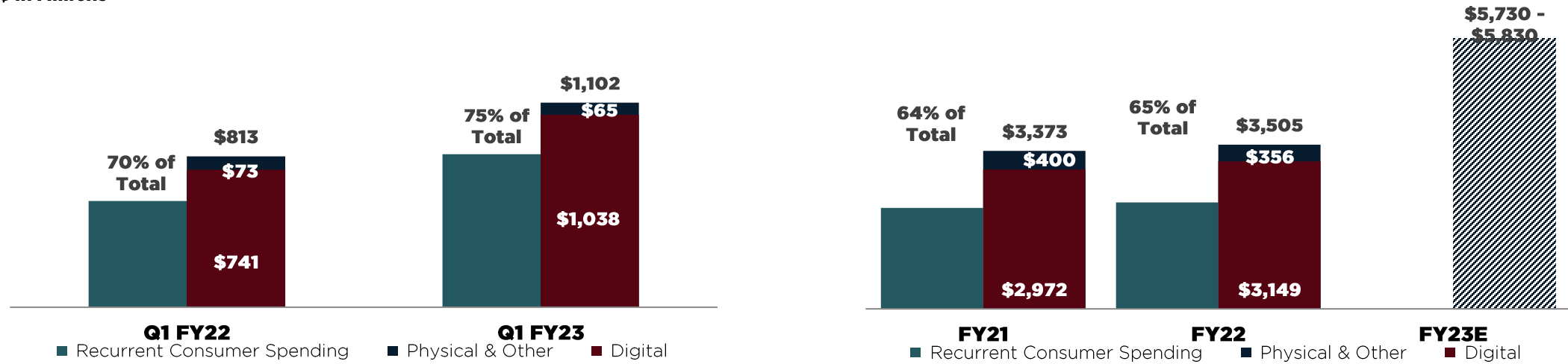
- Net interest expense: \$16 million
- Management tax rate: 18%
- Share count: 141 million

- Pre-combination Net Bookings were \$731 million, which grew 3% and were within our prior guidance range
- Movement in foreign currency exchange rates negatively impacted our Net Bookings by approximately 1%
- We were pleased with Zynga's contribution for the quarter, which complemented our results significantly
- Recurrent consumer spending for Take-Two's pre-combination business was above our expectations, driven by *NBA 2K22*, *Tiny Tina's Wonderlands*, and *Top Eleven*
- Management results include a \$20 million impairment charge related to our decision not to proceed with further development of a title from an unannounced new franchise
- Standalone net income per share for management reporting purposes exceeded the high end of our guidance range by \$0.06, despite the impairment charge taken during the quarter and higher tax rate

# NET REVENUE & NET BOOKINGS

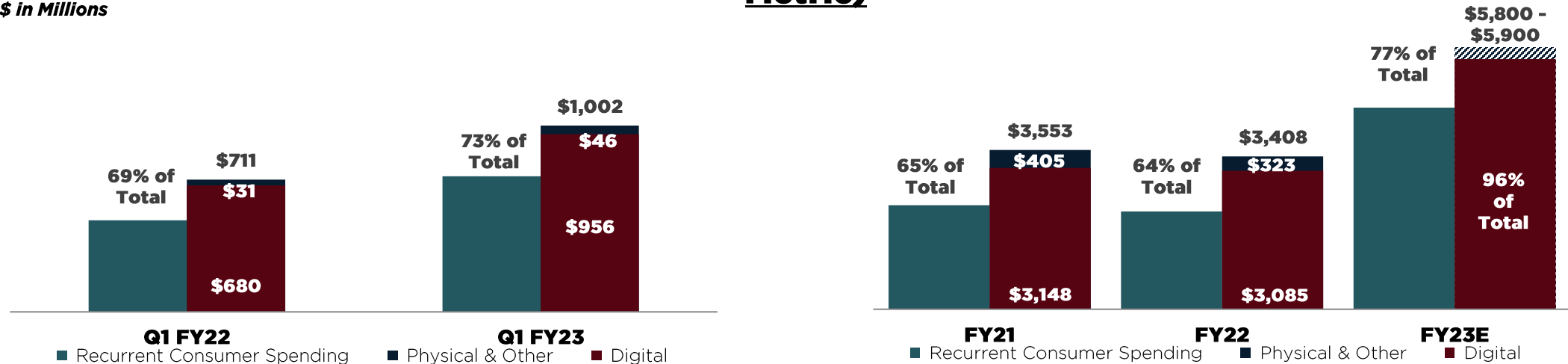
## GAAP Net Revenue

\$ in Millions



## Net Bookings (Operational Metric)

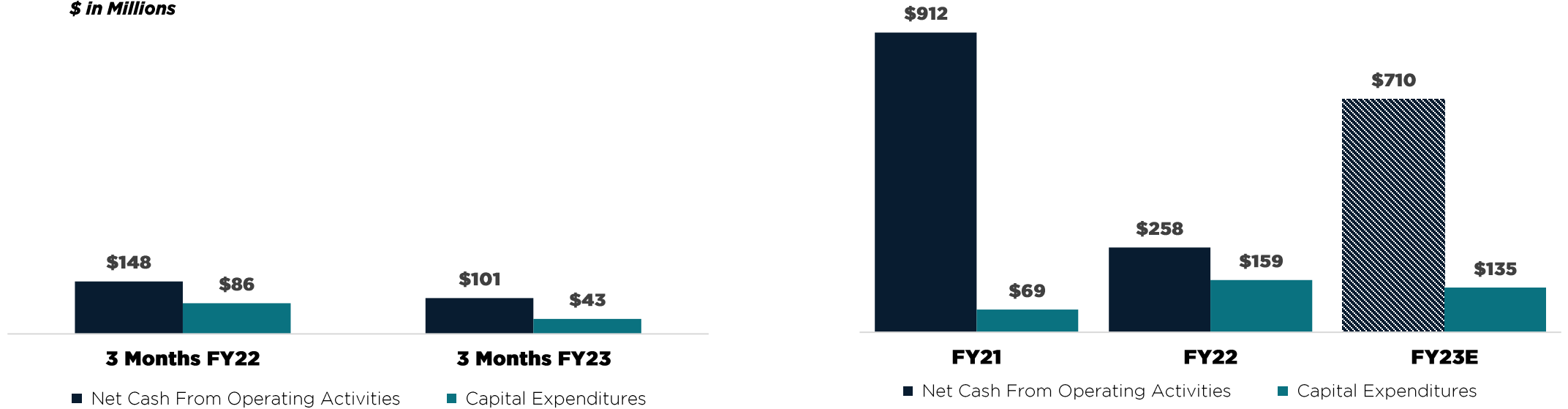
\$ in Millions



# CASH FLOW

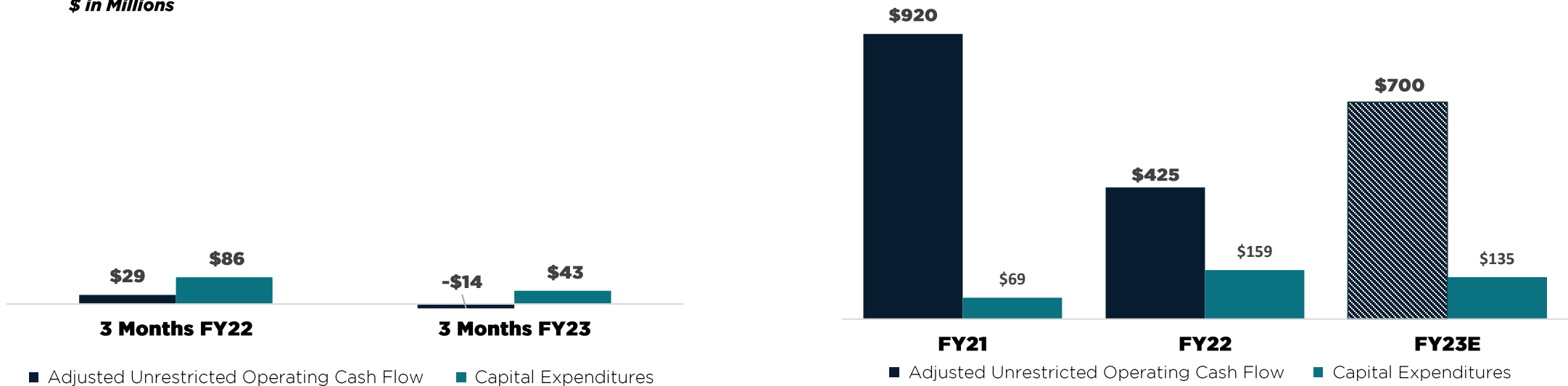
## Net Cash From Operating Activities

\$ in Millions



## Adjusted Unrestricted Operating Cash Flow (Non-GAAP)<sup>(1)</sup>

\$ in Millions



# FY 2023 GUIDANCE: GAAP

## FISCAL YEAR 2023 GUIDANCE (\$ in millions, except EPS)

	<b>FY 2023 REVISED GUIDANCE (INCL ZYNGA)</b>	<b>CHANGE FROM PRIOR GUIDANCE (EX ZYNGA)</b>
<b>GAAP Net Revenue</b>	\$5,730 TO \$5,830	PREVIOUSLY: \$3,670 TO \$3,770
<b>Operating Expenses</b>	\$3,367 TO \$3,377	PREVIOUSLY: \$1,735 TO \$1,755
<b>GAAP Net (Loss) income</b>	\$(438) TO \$(398)	PREVIOUSLY: \$223 TO \$252
<b>GAAP EPS</b>	\$(2.75) TO \$(2.50)	PREVIOUSLY: \$1.90 TO \$2.15

**Note:** Our prior guidance did not include the Company's combination with Zynga, including the amortization of acquired intangibles and business acquisition costs



# FY 2023 GUIDANCE: SELECT FINANCIAL DATA

## FISCAL YEAR 2023 GUIDANCE (\$ in millions, except EPS)

	FY 2023 REVISED GUIDANCE (INCL ZYNGA) (\$ IN MILLIONS)	FY 2023 PRIOR GUIDANCE (EX ZYNGA) (\$ IN MILLIONS)
<b>Net Bookings</b>	\$5,800 TO \$5,900	\$3,750 TO \$3,850
<b>Recurrent Consumer Spending Growth</b>	+110% YOY	FLAT YOY
<b>Digitally-Delivered Net Bookings Growth</b>	+80% YOY	+10% YOY
<b>Non-GAAP Adjusted Unrestricted</b>	OVER \$700	OVER \$350
<b>Operating Cash Flow</b>		

### KEY MODEL INPUTS

- Net interest expense: \$93 million
- Management tax rate: 18%
- Share count: 161.0 million

	Twelve Months Ending March 31, 2023				
	Outlook <sup>(3)</sup>	Financial Data			
<i>\$ in millions</i>		Change in deferred net revenue and related cost of revenue	Stock-based compensation	Amortization of acquired intangibles	Business acquisition
<b>GAAP</b>					
Total net revenue	\$5,730 to \$5,830	\$70			
Cost of revenue	\$2,739 to \$2,780	\$9	\$(3)	\$(697)	
Operating expenses	\$3,372 to \$3,382		\$(336)	\$(154)	\$(132)
Interest and other, net	\$154				\$(13)
(Loss) gain on fair value adjustments, net	\$(40)				\$40
(Loss) income before income taxes	\$(535) to \$(486)	\$63	\$339	\$851	\$185
<b>Non-GAAP</b>					
EBITDA	\$499 to \$548	\$61	\$339		\$172

- We expect to deliver Net Bookings of \$5.8 billion to \$5.9 billion
- Net Bookings by label is expected to be: 45% Zynga (which includes our former T2 mobile titles), 37% 2K, 17% Rockstar Games and 1% Private Division
- Our assumptions take into consideration some shifts in our pipeline for the year, FX volatility, and the uncertain macroeconomic backdrop
- We expect to deliver at least \$100 million of annual cost synergies within two years post-close, with approx \$50 million to be achieved in the first 12 months post-close. We are exploring additional areas of efficiencies



<sup>(3)</sup> The individual components of the financial outlook may not foot the totals, as the Company does not expect actual results for every component to be at the low end or high end of the outlook range simultaneously.

## Q2 FY2023 GUIDANCE: GAAP

### Q2 FISCAL 2023 GUIDANCE (\$ in millions, except EPS)

	Q2 FY23 GUIDANCE
<b>GAAP Net Revenue</b>	\$1,370 TO \$1,420
<b>Operating Expenses</b>	\$849 TO \$859
<b>GAAP Net Loss</b>	\$(160) TO \$(144)
<b>GAAP EPS</b>	\$(0.96) TO \$(0.86)

**Note:** GAAP results are expected to be impacted by amortization of acquired intangibles and business acquisition costs

# Q2 FY2023 GUIDANCE: SELECT FINANCIAL DATA

## Q2 FISCAL 2023 GUIDANCE (\$ in millions, except EPS)

### Q2 FY2023 GUIDANCE (\$ IN MILLIONS)

**Net Bookings** \$1,500 TO \$1,550

**Recurrent Consumer Spending Growth** +85% YOY

**Digitally-Delivered Net Bookings Growth** +70% YOY

#### KEY MODEL INPUTS

- Net interest expense: \$26 million
- Management tax rate: 18%
- Share count: 167.5 million

\$ in millions	Three Months Ending September 30, 2022				
	Outlook <sup>(3)</sup>	Change in deferred net revenue and related cost of revenue	Stock-based compensation	Amortization of intangible assets	Business acquisition
<b>GAAP</b>					
Total net revenue	\$1,370 to \$1,420	\$130			
Cost of revenue	\$700 to \$719	\$13	\$(8)	\$(202)	
Operating expenses	\$849 to \$859		\$(84)	\$(45)	\$(5)
Interest and other, net	\$28				\$(1)
(Loss) income before income taxes	\$(207) to \$(186)	\$117	\$92	\$247	\$6
<b>Non-GAAP</b>					
EBITDA	\$84 to \$105	\$117	\$92		\$5

- We expect to deliver Net Bookings of \$1.5 billion to \$1.55 billion
- Our assumptions take into consideration some shifts in our pipeline for the year, FX volatility, and the uncertain macroeconomic backdrop



<sup>(3)</sup> The individual components of the financial outlook may not foot the totals, as the Company does not expect actual results for every component to be at the low end or high end of the outlook range simultaneously.

# FY23-FY25 PIPELINE DETAILS

	FY 2023 - FY 2025*	TITLES ANNOUNCED TO-DATE
Immersive Core	24	<ul style="list-style-type: none"> <li>• <i>The Quarry</i> (2K) – Launched June 10, 2022 (Fiscal 2023)</li> <li>• <i>NBA 2K23</i> (2K) – Launching September 9, 2022 (Fiscal 2023)</li> <li>• <i>Marvel's Midnight Suns</i> (2K) – Fiscal 2023 (PS5, Xbox Series X/S, PC); TBA (PS4, Xbox One, Switch)</li> <li>• <i>Kerbal Space Program 2</i> (Private Division) - PC Launching Q4 of Fiscal 2023</li> <li>• <i>PGA TOUR2K23</i> and <i>WWE 2K23</i> – Launching Fiscal 2023</li> </ul>
Independent	10	<ul style="list-style-type: none"> <li>• <i>Rollerdrome</i> (Private Division) – Launching August 16, 2022 (Fiscal 2023)</li> </ul>
Mobile** (Titles in development & soft launch)	38	<ul style="list-style-type: none"> <li>• <i>Grand Theft Auto: The Trilogy – The Definitive Edition</i> (Rockstar Games)</li> <li>• Several Zynga titles in soft-launch, including <i>Star Wars Hunters</i></li> </ul>
Mid-Core	7	<ul style="list-style-type: none"> <li>• <i>New Tales from the Borderlands</i> Game – Launching Fiscal 2023</li> </ul>
New Iterations of Previously Released Titles	8	

\* FY23-25 release estimates provided as of May 16, 2022; however, mobile titles have been updated on August 8, 2022 to reflect Zynga. Full updated FY24/25 pipeline details to be given with Q4 FY2023 results.

\*\* Mobile count excludes Rollic's portfolio of hypercasual games. These titles are a snapshot of our current development pipeline. It is likely that some of these titles will not be developed through completion, that launch timing may change, and that we will also be adding new titles to our slate.



# PIPELINE DEFINITIONS

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## **IMMERSIVE CORE**

Titles that have the deepest gameplay and the most hours of content. Examples include our key sports franchises (e.g. *PGA TOUR2K* and *NBA 2K*) as well as *Grand Theft Auto* and *Red Dead Redemption* (to name a few).

## **INDEPENDENT**

Externally-developed Private Division releases.

## **MOBILE**

Any title released on a mobile platform.

## **MID-CORE**

Titles that are either an arcade title (like *WWE Battlegrounds*) or games that have many hours of gameplay, but not to the same extent as an immersive core title.

## **NEW ITERATIONS OF PRIOR RELEASES**

This includes ports and remastered titles. Sequels would not fall into this category.

## NON-GAAP FINANCIAL MEASURE

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In addition to reporting financial results in accordance with U.S. generally accepted accounting principles (GAAP), the Company uses Non-GAAP measures of financial performance: Adjusted Unrestricted Operating Cash Flow, which is defined as GAAP net cash from operating activities, adjusted for changes in restricted cash, and EBITDA, which is defined as GAAP net income (loss) excluding interest income (expense), provision for (benefit from) income taxes, depreciation expense, and amortization and impairment of acquired intangibles.

The Company's management believes it is important to consider Adjusted Unrestricted Operating Cash Flow, in addition to net cash from operating activities, as it provides more transparency into current business trends without regard to the timing of payments from restricted cash, which is primarily related to a dedicated account limited to the payment of certain internal royalty obligations. The Company's management believes it is important to consider EBITDA, in addition to net income, as it removes the effect of certain non-cash expenses, debt-related charges, and income taxes. The Company has chosen to report EBITDA in light of the recent closing of the Zynga acquisition, including the related debt financing. Management believes that, when considered together with reported amounts, EBITDA is useful to investors and management in understanding the Company's ongoing operations and in analysis of ongoing operating trends and provides useful additional information relating to the Company's operations and financial condition.

These Non-GAAP financial measures are not intended to be considered in isolation from, as a substitute for, or superior to, GAAP results. These Non-GAAP financial measures may be different from similarly titled measures used by other companies. In the future, Take-Two may also consider whether other items should also be excluded in calculating these Non-GAAP financial measures used by the Company. Management believes that the presentation of these Non-GAAP financial measures provides investors with additional useful information to measure Take-Two's financial and operating performance. In particular, these measures facilitate comparison of our operating performance between periods and may help investors to understand better the operating results of Take-Two. Internally, management uses these Non-GAAP financial measures in assessing the Company's operating results and in planning and forecasting. A reconciliation of these Non-GAAP financial measures to the most comparable GAAP measure is contained in the financial tables to this press release.

# RECONCILIATION OF GAAP TO NON-GAAP MEASURE

## TAKE-TWO INTERACTIVE SOFTWARE, INC. AND SUBSIDIARIES RECONCILIATION OF GAAP TO NON-GAAP MEASURE

(in millions)

	Three Months Ended June 30,	
	2022	2021
<b>Net cash from operating activities</b>	\$ 100.8	\$ 148.2
Net change in Restricted cash <sup>(1)</sup>	(115.2)	(119.1)
<b>Adjusted Unrestricted Operating Cash Flow</b>	<u>\$ (14.4)</u>	<u>\$ 29.1</u>

	Three Months Ended June 30,	
	2022	2021
Restricted cash beginning of period	\$ 463.3	\$ 637.4
Restricted cash end of period	643.7	756.5
Restricted cash related to acquisitions	(65.2)	—
<sup>(1)</sup> Net change in Restricted cash	<u>\$ (115.2)</u>	<u>\$ (119.1)</u>

# RECONCILIATION OF GAAP TO NON-GAAP MEASURE

## TAKE-TWO INTERACTIVE SOFTWARE, INC. AND SUBSIDIARIES RECONCILIATION OF GAAP TO NON-GAAP MEASURE

(in millions)

	Three Months Ended June 30,	
	2022	2021
Net (loss) income	\$ (104.0)	\$ 152.3
(Benefit from) provision for income taxes	(2.3)	\$ 19.2
Interest expense (income)	24.9	\$ (1.5)
Depreciation and amortization	22.3	12.5
Amortization of acquired intangibles	111.4	14.6
EBITDA	<u>\$ 52.2</u>	<u>\$ 197.1</u>



# RECONCILIATION OF GAAP TO NON-GAAP MEASURE

## TAKE-TWO INTERACTIVE SOFTWARE, INC. AND SUBSIDIARIES RECONCILIATION OF GAAP TO NON-GAAP MEASURE

(in millions)

### Outlook

	<u>Twelve Months Ending March 31, 2023</u>
Net loss	\$(439) to \$(398)
Benefit from income taxes	\$(97) to \$(88)
Interest expense	\$106
Depreciation and amortization	\$77
Amortization of acquired intangibles	\$851
EBITDA	\$499 to \$548

### Outlook

	<u>Three Months Ending September 30, 2022</u>
Net loss	\$(160) to \$(144)
Benefit from income taxes	\$(47) to \$(42)
Interest expense	\$27
Depreciation and amortization	\$17
Amortization of acquired intangibles	\$247
EBITDA	\$84 to \$105



**THANK YOU**