Take-Two's annual report shows net bookings for fiscal 2026 at $6.72 billion, up 19% year over year and roughly $750 million above the company's initial guidance. Those are amazing numbers that I want to highlight, and I hope they continue. Looking at Take-Two's 2026 fiscal year, especially for 2K, it seems 2K did well this year, and I am content as a shareholder with how the company is run, though there are areas for improvement.

To start, let's look at where this revenue is actually coming from. Digital online distribution made up 97.0% of net revenue this year, which shows the more dramatic shift away from physical retail. By platform, mobile accounted for 50.1% of net revenue, console made up 39.0%, and PC and other platforms made up the remaining 10.9%.

I think it is best to start with the games that were a success this year. The biggest hit of this year for 2K is definitely NBA 2K. NBA 2K delivered record net bookings and recurring consumer spending, which is a sign the franchise has evolved into a bigger live-service business and not just an annual release. NBA 2K Online also became the top online PC sports game in China, built through the Tencent partnership, which shows the IP can travel and monetize internationally. Given that NBA 2K is one of our biggest live-service successes, it makes sense that mobile and digital distribution would carry the largest share, since that's where ongoing engagement and recurrent spending happen most naturally.

I also think that Borderlands 4, which was released in September 2025, saw big growth as well, and its role as a major driver of the year's revenue growth shows the audience is still there and that we are continuing to push that brand. Mafia: The Old Country, which was released in August 2025, also contributed to full-game revenue growth for the year. I think this is a good sign for the direction the business is heading, but it also reinforces why I'd like to see that same digital, recurring-revenue model extended more deliberately into our other franchises like Borderlands, Mafia, and other IP’s not mentioned here, not just NBA 2K.

An important trend worth keeping an eye on is recurrent consumer spending (RCS). The money from RCS grew from $4,474.6M in fiscal 2025 to $5,196.6M in fiscal 2026, an increase of $722.0M, and it's great that NBA 2K was named as the primary driver of that growth. However, as a percentage of total net revenue, RCS actually declined slightly, from 79.4% to 78.1%. This is not because RCS grew slowly, but because full games and other premium releases grew faster, rising from 20.6% to 21.9% of net revenue. That was driven by a wave of new premium releases such as Borderlands 4, Mafia: The Old Country, and of course, Rockstar's continued Grand Theft Auto VI sales. It will be interesting to see if this trend continues or if this is more of an anomaly tied to the big Grand Theft Auto release.

This is not the only improvement I saw that excites me as a shareholder. No goodwill impairment was recorded this year, versus $3,545.2M in fiscal 2025, which reflects improved confidence in

the business's value. Net revenue rose to $6,656.4M, up 18.2% from last year. Gross margin also expanded to 57.2% from 54.3%, the net loss narrowed to $298.2M from $4,478.9M, and the cash position improved to $1,638.1M, helped by debt repayments and continued share buybacks. Overall, these numbers give me a sense that the business is going well.

Now I want to get into some areas I see for improvement. In the section explaining why "full game and other" revenue grew this year, the filing notes that growth was partially offset by lower net revenue from Civilization VII, released in February 2025. Although Borderlands and Mafia drove a lot of the increase, I am curious to see why Civilization underperformed. I do not think the franchise is in trouble yet, but I would keep an eye on it and diagnose what might have caused it to underperform.

The 10-K states that Grand Theft Auto alone contributed 12.4% of net revenue in fiscal 2026, and that the five best-selling franchises combined accounted for 54.3% of net revenue. The filing only credits NBA 2K by name for driving RCS growth among the five for 2K's side. 2K's other franchises aren't mentioned in that context, which raises the question of how diversified the label's recurring-revenue base really is. The company acknowledges that a small number of hit titles carry an outsized share of the business. In the long run, this is not good, and it will be important going forward to build up more of the revenue from other 2K games. I am wondering if this points to a current overreliance on live-service success. I am a bit worried that if we rely too heavily on live-service, we might leave potential revenue from our big-ticket premium games on the table.

Other than game performance, I want to flag some business items as well. The 10-K acknowledges several rounds of company-wide layoffs tied to cost optimization, and the document notes that this could affect recruiting and reputation as a risk factor going forward. I am curious to see how this will affect numbers over time, specifically the impact on our workforce, current and future, and what this means for 2K specifically. I understand other companies have had layoffs, but I do not want 2K to fall into that same trap and gain a bad reputation because of it. Not to mention that GTA VI is set to release in November 2026 and will be the most attention-grabbing project in the industry and also within Take-Two. This flags the potential of 2K coming under target for more layoffs and less hiring. 2K may need its own specific retention plan to stay competitive for talent while Rockstar pulls focus within the company.

This leads into my next point, about AI regulation and the competitive risk around it, which is an industry-wide flag that Take-Two itself acknowledges. Even with safeguards in place, AI tools used by any employee or contractor could have unintended consequences. Such as IP. I would advise against any IP generated with AI, as it is still not clear who owns those assets. I also think that if competitors implement AI into their products or production process more effectively than

2K does, that could put the company at a disadvantage. While I advise against using AI-generated assets in the game products themselves, I would suggest investing in, or being proactive about, ethical AI use for production or research purposes. It is also necessary to keep an eye on ongoing AI regulation. Since the laws and ethics around AI are constantly changing, keeping an eye on the regulations around AI is important for how the company uses it. I also suggest keeping an eye on AI that is impacting industries that aren't directly related to 2K, as they can provide insights into where the technology and regulations may be going.

I want to reiterate that I do not see these as weaknesses, but more as things to flag and have proactive plans for going forward.

I also want to highlight some opportunities I see ahead. The China/Tencent partnership worked spectacularly, and I think international expansion would work well in other markets if replicated in a similar way. I think further expansion into these markets could be a good thing to focus on going forward. Seeing as NBA 2K is so successful, I think it would be good to get other IP contributing to recurring revenue as well, diversifying the revenue base further. This could be done by extending live-service elements into those IPs. However, with this proposed market expansion, it is important to keep geopolitical issues in mind. Specifically, the filing discusses tariff risk given global development and distribution operations, including reference to the Supreme Court ruling on tariffs in February 2026. This is a macro risk worth watching, even if it's outside of direct control. Physical product costs, hardware partnerships, and international operations could all be affected by trade policy shifts as well as other global economic/ political issues going forward.

Overall, I am very happy with how the company has been going so far. The success of NBA 2K is a great opportunity to leverage across our other IPs and markets, as well as to build on our international presence. Great job, and keep up the good work.