

Take-Two reports 1Q net loss, weak 'Nukem' sales

The Associated Press

Video game publisher Take-Two Interactive Software Inc. said it had a net loss in the latest quarter because of weak sales of "Duke Nukem Forever" and higher marketing and other expenses.

Even so, the company reaffirmed its guidance for the full year on Monday. Its stock inched higher in after-hours trading.

The New York-based company said it lost \$8.7 million, or 11 cents per share, in the fiscal first quarter, which ended in June. That compares with earnings of \$26.3 million, or 30 cents per share, a year earlier.

Revenue fell 11 percent to \$334 million, down from \$375 million.

Adjusted earnings were 2 cents per share, down from 43 cents per share a year earlier.

Analysts were expecting earnings of 10 cents per share on revenue of \$353.5 million, according to FactSet.

Chairman and CEO Strauss Zelnick said the results were satisfying and "solidly within the guidance that we gave." He said he was "more than happy" with the release of "L.A. Noire," which went on sale in May, received positive reviews and has sold more than 4 million copies.

But "Duke Nukem Forever," another big game launch during the quarter, was met with poor reviews and lackluster sales. Zelnick said he was disappointed with the reviews, but added that the game is profitable.

"It's a big outlier," he said in an interview. "Now and then it happens, even to the best entertainment companies."

Take-Two's operating costs rose 30 percent to \$125 million. Selling and marketing expenses grew 50 percent to \$74.7 million.

For the current quarter, Take-Two is forecasting a loss of 55 cents to 65 cents per share on revenue of \$70 million to \$85 million. Analysts had expected a much smaller loss of 6 cents per share on revenue of \$190 million.

Zelnick said Take-Two tries to give realistic guidance.

Despite the projected second-quarter shortfall, Take-Two still expects adjusted

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earnings of 10 cents to 35 cents per share in the current fiscal year, which ends in March, on revenue of \$1 billion to \$1.1 billion. Analysts expected earnings of 42 cents per share on revenue of \$1.09 billion.

For the next fiscal year, which begins in April 2012, Take-Two expects adjusted earnings of at least \$2 per share, which is what the company had said in May.

Although Take-Two has not yet announced when it plans to release the next "Grand Theft Auto" game, this guidance implies that it'll likely be in fiscal 2013.

Overall, the company has worked to broaden the slate of its hit titles so that it is not solely dependent on "Grand Theft Auto" to make money.

Take-Two's stock fell 42 cents, or 3.8 percent, to \$10.65 in extended trading after the results were released. The stock had closed down \$1.07, or 8.8 percent, at \$11.07 amid a broader market sell-off on Monday.

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