



Take-Two Interactive's "Borderlands" Just Crossed \$1 Billion in Lifetime Sales

Description

In previous quarterly earnings releases, **Take-Two Interactive** ([NASDAQ: TTWO](#)) has emphasized that it has the ["strongest development pipeline"](#) in the company's history. The last few months have given us a glimpse of what management has been talking about.

In August, the *Grand Theft Auto* maker released *Ancestors: The Humankind Odyssey* from the Private Division label, and announced a new science fiction shooter called *Disintegration* launching next year. Plus, *NBA 2K20* released in early September and has shot to the top of the sales charts in Europe, which is not surprising given the growth of the popular basketball franchise over the last few years.

But *Borderlands 3* was the title getting all the hype leading up to its Sept. 13 release. The new *Borderlands* sold 5 million copies out of the gate, making it the fastest selling title in the history of 2K, the studio that worked on the game. Sales within the first five days were 50% ahead of the previous version in the series. The sales momentum will certainly continue to build through the holidays, as the game has been one of the most-watched titles on the popular game-streaming site Twitch over the last week.

The *Borderlands* franchise has now reached \$1 billion in lifetime sales, becoming the second franchise to reach that milestone in the 2K label's history. With the announcement of *Grand Theft Auto VI* getting closer, strong sales of *Borderlands* is exactly what Take-Two needs to keep momentum going in the short term.

Borderlands sales hit the mark

In recent weeks, [analysts have been upgrading Take-Two](#) and other video game stocks based on the expectation of strong sales for upcoming titles, including *Borderlands 3*. The expectation is that these new games should sell better than what is embedded in guidance, which could lead to better-than-expected performance when Take-Two and its peers announce the next round of earnings results in a few months.

For *Borderlands 3*, the analysts were right on the mark. The 5 million units sold in the first five days

were ahead of Take-Two's expectation, according to a company press release. But the stock fell a few percentage points on the news, which is a sign that the strong sales were already baked into the stock price. After falling in 2018, Take-Two stock has rebounded since the beginning of 2019, up 23% year to date, putting it close to an all-time high. Unfortunately, that also means that [growth expectations](#) are now higher than they were in late 2018, so Take-Two has to deliver from here.

Take-Two is poised for a strong finish to the year

Looking out over the next few quarters, Take-Two could be on track to deliver strong earnings results. *Borderlands 3* is already generating very strong digital sales, which should be good for margins.

Last quarter, hype for the game created rising demand for previous games in the franchise. During the fiscal first-quarter conference call, the company reported that consumer spending on digital add-on content increased nearly 135% based on higher engagement in previous *Borderlands* titles, as well as *Sid Meier's Civilization VI*. As a result, management raised guidance for the year.

Take-Two now expects net bookings to be \$100 million higher than the previous forecast, or in the range of \$2.6 billion to \$2.7 billion. Net income is expected to be about \$30 million higher, or between \$425 million to \$454 million for fiscal 2020 (which ends in March).

Keep in mind, this guidance was issued before *Borderlands 3* released and turned in better-than-expected results. In the Sept. 23 press release, Take-Two reported that more than 70% of consumers had purchased the game digitally, representing the highest mark in 2K's history. This trend could set the company up for a strong holiday season.

The next big release is not too far away

Two analyst estimates put the range of *Borderland 3*'s first-year sales between 8 million and 12 million copies. The game has gotten good reviews overall, achieving a Metacritic score of 82 on Xbox One, which should help sales in the near term.

However, the real workhorses for Take-Two currently are *Red Dead Redemption 2* and *Grand Theft Auto V*. These are the franchises that sell tens of millions of copies in just a year's time. *Red Dead 2* is only a year old, so it should be a sales driver for several years. But *Grand Theft Auto V* is a six-year-old game. It has sold a whopping 110 million copies, which naturally makes investors antsy for the sixth installment, which shouldn't be too far away.

There are reports that we may be a year away from the official announcement of *Grand Theft Auto VI*. It would then probably be a year after the announcement for actual release. CEO Strauss Zelnick dropped a hint of the time frame when he told [gamesindustry.biz](#) in June 2019 that "eight years is probably too long" between game releases. *Grand Theft Auto V* was released in 2013, the year **Sony** and **Microsoft** launched the current generation of game consoles. So, connecting the dots, it appears Take-Two could be on track to either announce or release a new *Grand Theft Auto* game around the time of the [new consoles from Sony and Microsoft](#) expected to launch in the fall of 2020.

In the meantime, a hit like *Borderlands 3* serves as a good intermediary to smooth out sales and pad the bottom line, as investors wait for the next *Grand Theft Auto*.

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