

# Take-Two Interactive Software, Inc.

*Q2 upside, and maintained FY24 guidance. GTA release in 2025 should drive stock much higher. Raising P/T to \$184.*

## COMPANY UPDATE

## Rating: BUY

Ticker: TTWO

Price: \$160.95

Target: \$184.00  
(from \$164)

**Q2 upside:** Take-Two recently (on November 8) reported its fiscal Q2 2024 (ending September) results. Revenue was \$1,445 million (-4% y-o-y), compared to our estimate of \$1,434 million and consensus of \$1,408 million. Pro forma EPS was \$1.22, compared to our estimate of \$1.07 and consensus of \$1.04. Q2 guidance was for revenue of \$1,400 – 1,450 million, and for EPS of \$0.95 – 1.05.

**Solid Q2 revenue:** Revenue were led by new release *NBA 2K24* (4.5 million sold since its launch in Q2 FY24), *GTA Online* and *GTA V*; *RDR 2* and *Red Dead Online*; mobile games.

**GTA and sports games continue to sell well:** Take-Two's blockbuster game *GTA V* (released 9/2013, an amazing 10 years ago) has sold-in 190 million units to date and continues to sell really well. *Red Dead Redemption 2* (released 10/2018) has sold-in 57 million units so far. *GTA Online* and *Red Dead Online* also continues to perform very well.

**Next GTA game in 2025:** In early 2022, the company confirmed that the next major release of GTA is in development. In December 2023, the company just announced that *GTA VI* will be released in 2025.

**Maintained FY24 guidance but lowered FY25:** Management maintained FY24 guidance for revenue of \$5.45 – 5.55 billion, and for EPS of \$3.00 – 3.25. The company lowered FY25 guidance for revenue to “just under” \$8 billion from “over” \$8 billion.

**Adjusting FY24 estimates:** We are adjusting our FY24 estimates for revenue to \$5.55 billion, from \$5.58 billion, and for EPS to \$3.32 from \$3.31. We are maintaining our FY25 estimates for revenue of \$7.40 billion, and for EPS of \$6.29.

**Zynga acquisition positive:** In January 2022, Take-Two announced that it will acquire Zynga for ~\$9.86 per share (\$3.50 in cash and ~\$6.36 in shares of Take-Two common stock) implying an enterprise value of \$13 billion. Zynga is a leading social and mobile game publisher with ~2,200 employees and over ~\$2 billion in annual revenue. This deal closed on May 23, 2022.

**Longer term outlook positive:** We believe that its solid game pipeline and solid momentum for most of its premium games will continue through the end of the pandemic and even with uncertain macroeconomics and near term challenges in mobile. We believe the next GTA game will be a major catalyst for the stock when it is eventually released (we guess in FY25 (game is announced to be released in calendar 2025)).

**Expect share price growth:** With synergies (both revenue and cost savings) from its Zynga acquisition, strong long-term growth expected in digital, key games expected for over the next several years, and continued positive long term industry growth, we believe a favorable valuation is likely to drive growth in share price.

**Current valuation attractive:** Maintaining our BUY rating, but raising our 12-month price target to \$184 from \$164, which reflects a target P/E of 23x our FY26 EPS estimate of \$8.00, which is about inline with the peer group median to reflect comparable near term growth rate.

### Company Description

Based in New York, Take-Two Interactive Software is a global publisher of interactive entertainment software including the Grand Theft Auto games.

### Stock Data

Exchange:	NasdaqGS
52-week Range:	\$101.53–164.85
Shares Outstanding (million):	172
Market cap (\$million):	\$27,683
EV (\$million):	\$29,537
Debt (\$million):	\$3,080
Cash (\$million):	\$1,226
Avg. Daily Trading Vol. (\$million):	\$322
Float (million shares):	158
Short Interest (million shares):	6
Dividend, annual (yield):	\$0 (NA%)

### Revenues (US\$ million)

	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)	<u>2025E</u> (Cur.)	<u>2025E</u> (Old)
Q1 Jun	1,202A		1,504E	
Q2 Sep	1,445A	1,434E	1,534E	
Q3 Dec	1,350E	1,499E	2,067E	
Q4 Mar	<u>1,554E</u>	<u>1,446E</u>	<u>2,296E</u>	
Total	<b>5,550E</b>	<b>5,580E</b>	<b>7,400E</b>	
EV/Rev	5.3x		4.0x	

### Earnings per Share (pro forma)

	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)	<u>2025E</u> (Cur.)	<u>2025E</u> (Old)
Q1 Jun	0.27A		0.95E	
Q2 Sep	1.22A	1.07E	1.17E	1.18E
Q3 Dec	0.80E	1.28E	2.46E	2.47E
Q4 Mar	<u>1.03E</u>	<u>0.68E</u>	<u>1.72E</u>	<u>1.69E</u>
Total	<b>\$3.32E</b>	<b>\$3.31E</b>	<b>\$6.29E</b>	
P/E	48x		26x	

### Important Disclosures

Ascendant Capital Markets LLC seeks to do business with companies covered by its research team. Consequently, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making an investment decision.

**For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 10.**

### **OVERVIEW**

- Take-Two recently (on November 8) reported its fiscal Q2 2024 (ending September) results.
- Revenue was \$1,445 million (-4% y-o-y), compared to our estimate of \$1,434 million and consensus of \$1,408 million.
- Pro forma EPS was \$1.22, compared to our estimate of \$1.07 and consensus of \$1.04.
- Q2 guidance was for revenue of \$1,400 – 1,450 million, and for EPS of \$0.95 – 1.05.
- Management maintained FY24 guidance for revenue of \$5.45 – 5.55 billion, and for EPS of \$3.00 – 3.25.
- Initial Q3 guidance is for revenue of \$1,300 – 1,350 million, and for EPS of \$0.65 – 0.75.
- Implied Q4 guidance is for revenue of \$1,463 – 1,613 million, and for EPS of \$0.76 – 1.11.
- The company lowered FY25 guidance for revenue to “just under” \$8 billion from “over” \$8 billion.
- We are adjusting our FY24 estimates for revenue to \$5.55 billion, from \$5.58 billion, and for EPS to \$3.32 from \$3.31.
- We are maintaining our FY25 estimates for revenue of \$7.40 billion, and for EPS of \$6.29.

### **ADDITIONAL DETAILS**

- Gross profit for the quarter was \$968 million, compared with our estimate of \$811 million.
- Gross margin for the quarter was 67%, versus 66% last year and our estimate of 57%.
- Operating expenses were \$687 million, compared with our estimate of \$585 million.
- Operating income was \$282 million, compared with our estimate of \$226 million.
- Pro forma net income was \$210 million, compared with our estimate of \$183 million.

In January 2022, Take-Two announced that it will acquire Zynga for ~\$9.86 per share (\$3.50 in cash and ~\$6.36 in shares of Take-Two common stock) implying an enterprise value of \$12.7 billion. Zynga is a leading social and mobile game publisher with ~2,200 employees and over ~\$2 billion in annual revenue. The deal closed in May 2022 (Q1 FY23).

The company’s balance sheet remains solid with \$1.2 billion in cash and \$3.1 billion in debt (~\$11/share in net debt), compared with \$1.3 billion in cash and \$3.1 billion in debt as of June.

**Exhibit 1: Q2 FY24 Results vs. Guidance**
**Q2 FY2024 RESULTS SUMMARY:  
SELECT MANAGEMENT AND OPERATING RESULTS**
**SELECT FINANCIAL DATA (\$ in millions)**

	Q2	
	ACTUAL	GUIDANCE
<b>Net Bookings</b>	\$1,445	\$1,400 TO \$1,450
<b>Recurrent Consumer Spending Growth (RCS)</b>	-7%	-7%

- We delivered another great quarter, which demonstrates the enduring strength of our catalog, our ability to deliver deeply engaging post-launch content, and our commitment to disciplined execution
- Net Bookings were \$1.44 billion, which was at the high end of our guidance range
- Our performance reflects better-than-expected results from *Grand Theft Auto V* and *Grand Theft Auto Online*, and *Red Dead Redemption 2*
- Recurrent consumer spending declined 7%, which was in line with our outlook
- On a management basis, operating expenses were flat year-over-year, which was favorable to our guidance, driven by lower marketing expenditures, some of which was shifted to later this year

Source: Company report.

**Exhibit 2: Take-Two's FY24 Guidance (as of November 8, 2023)**
**FY 2024 GUIDANCE:  
SELECT FINANCIAL DATA**
**FISCAL YEAR 2024 GUIDANCE (\$ in millions, except EPS)**

	FY 2024		Fiscal Year Ending March 31, 2024			
	CURRENT GUIDANCE	PRIOR GUIDANCE	Financial Data			
			Outlook <sup>(1)</sup>	Change in deferred net revenue and related cost of revenue	Stock-based compensation	Amortization and impairment of acquired intangibles
			<i>\$ in millions except for per share amounts</i>			
<b>GAAP</b>						
Total net revenue	\$5,379 TO \$5,470		\$80			
Cost of revenue	\$2,791 TO \$2,819		\$(1)	\$(27)	\$(948)	\$10
Operating expenses	\$3,530 TO \$3,550		\$(307)		\$(115)	\$(208)
Interest and other, net	\$114		\$(1)			\$(18)
(Loss) income before income taxes	\$(1,065) TO \$(1,013)		\$82	\$334	\$1,063	\$216
Net loss	\$957 TO \$910					
Net loss per share	\$(5.62) TO \$(5.35)					
Net cash provided by operating activities	approximately \$90					
Capital expenditures	approximately \$150					
<b>Non-GAAP</b>						
EBITDA	\$378 TO \$430		\$81	\$334		\$33
Adjusted Unrestricted Operating Cash Flow	approximately \$100					
<b>Operational metric</b>						
Net Bookings	\$5,450 TO \$5,550					

- While we expect continued macroeconomic uncertainty, we believe that we are well positioned for the holiday season and are reiterating our fiscal 2024 Net Bookings guidance of \$5.45 to \$5.55 billion
- We project RCS growth of 4%, which assumes growth in *NBA 2K* as well as *Zynga*, since we will own the business for a full 12 months this year. For *Grand Theft Auto Online*, virtual currency and GTA+ membership is expected to be flat
- We have great confidence in our multi-year growth trajectory and we believe there are many exciting upcoming catalysts that will enable our Company to achieve new record levels of financial performance

Source: Company report.

### Exhibit 3: Take-Two Game Development Pipeline (as of November 2023)

## FY24-FY26 PIPELINE DETAILS

	FY 2024 - FY 2026*	TITLES OFFICIALLY ANNOUNCED TO-DATE
<b>Immersive Core</b>	17	<ul style="list-style-type: none"> <li>• <i>NBA 2K24</i> (2K) - Launched September 8, 2023</li> <li>• <i>WWE 2K24</i> (2K) - Launching Fiscal 2024</li> <li>• Judas (Ghost Story Games) - TBA</li> </ul>
<b>Independent</b>	7	<ul style="list-style-type: none"> <li>• <i>After Us</i> (Private Division) - Launched May 23, 2023</li> <li>• <i>Penny's Big Breakaway</i> (Private Division) - Launching Early Calendar 2024</li> <li>• <i>Tales of the Shire</i> (Private Division) - Fiscal 2025</li> <li>• Title planned from partnership with Game Freak</li> </ul>
<b>Mobile** (Currently scheduled for worldwide launch)</b>	18	<ul style="list-style-type: none"> <li>• <i>Power Slap</i> (Zynga) - Launched August 9, 2023</li> <li>• <i>Top Troops</i> (Zynga) - Launched October 3, 2023</li> <li>• <i>Match Factory</i> (Zynga) - Launched November 7, 2023</li> <li>• <i>Game of Thrones: Legends</i> (Zynga) - Launching Calendar 2024</li> <li>• <i>Star Wars Hunters</i> (Zynga) - Planned for worldwide launch in Calendar 2024</li> <li>• <i>Grand Theft Auto: The Trilogy - The Definitive Edition</i> (Rockstar Games) - TBA</li> </ul>
<b>Mid-Core</b>	4	<ul style="list-style-type: none"> <li>• <i>LEGO 2K Drive</i> (2K) - Launched May 19, 2023</li> </ul>
<b>New Iterations of Previously Released Titles</b>	6	<ul style="list-style-type: none"> <li>• <i>Red Dead Redemption</i> and <i>Undead Nightmare</i> for Switch and PS4 - Launched August 17, 2023</li> <li>• <i>Borderlands Collection: Pandora's Box</i> - Launched September 1, 2023</li> <li>• <i>Borderlands 3 Ultimate Edition</i> (Switch) - Launched October 6, 2023</li> </ul>

Source: Company report.

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Exhibit 4: Announces Grand Theft Auto VI, Coming in 2025 (as of December 4, 2023)

## Rockstar Games Announces Grand Theft Auto VI, Coming 2025

December 4, 2023 at 7:10 PM EST

### Watch Trailer 1 Now

NEW YORK--(BUSINESS WIRE)--Dec. 4, 2023-- Rockstar Games®, a publishing label of Take-Two Interactive Software, Inc. (NASDAQ: TTWO), is proud to announce that **Grand Theft Auto VI** is coming to PlayStation® 5 computer entertainment systems and Xbox Series X|S games and entertainment systems in 2025.

This press release features multimedia. View the full release here: <https://www.businesswire.com/news/home/20231204993583/en/>



"**Grand Theft Auto VI** continues our efforts to push the limits of what's possible in highly immersive, story-driven open-world experiences," said Sam Houser, Founder of Rockstar Games. "We're thrilled to be able to share this new vision with players everywhere."

**Grand Theft Auto VI** heads to the state of Leonida, home to the neon-soaked streets of Vice City and beyond in the biggest, most immersive evolution of the Grand Theft Auto series yet. Watch Trailer 1 now at <https://www.youtube.com/watch?v=QdBYZ2fkU-U>

Celebrating its 25<sup>th</sup> anniversary in December, Rockstar Games pioneered the open-world genre of video games with the launch of **Grand Theft Auto III** in 2001. With each successive blockbuster entry in the series including **Grand Theft: Vice City**, **Grand Theft Auto: San Andreas**, and **Grand Theft Auto IV**, **Grand Theft**

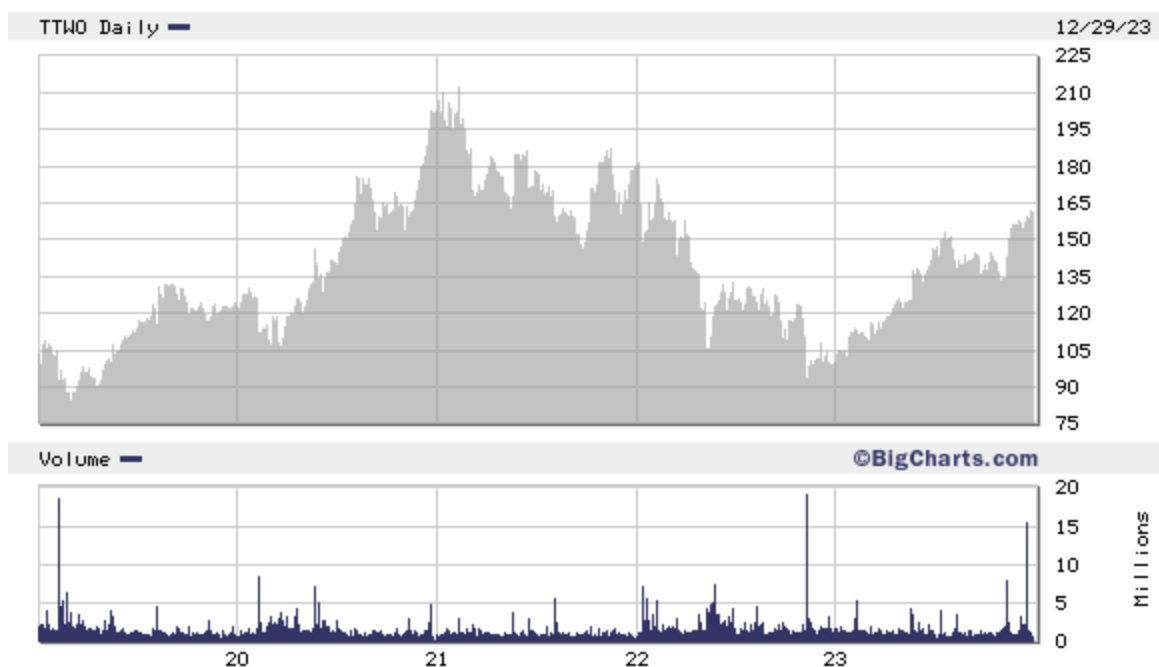
Grand Theft Auto VI coming 2025 to PlayStation 5 and Xbox Series X|S. (Graphic: Business Wire)

**Auto** has become one of the biggest selling, most critically acclaimed and influential properties in all of modern entertainment. The most recent iteration in the series, **Grand Theft Auto V**, has sold over 190 million units to date. Rockstar Games' blockbuster western series, **Red Dead Redemption** has sold over 81 million units worldwide to date, with its most recent release, **Red Dead Redemption 2**, breaking new ground in fidelity and immersion.

**Grand Theft Auto VI** is not yet rated. For more information, please visit <https://www.rockstargames.com/VI>

Source: Company report.

**Exhibit 5: Take-Two Interactive Software Stock Price (Five Years)**



Source: <https://bigcharts.marketwatch.com/>

**Exhibit 6: Consensus Expectations (as of November 8, 2023)**

	Revenue (millions)			EPS	
	2024E	2025E		2024E	2025E
Q1 Jun	\$1,202A		Q1 Jun	\$0.27A	
Q2 Sep	\$1,408E		Q2 Sep	\$1.04E	
Q3 Dec	\$1,438E		Q3 Dec	\$0.95E	
Q4 Mar			Q4 Mar		
Total	\$5,515E	\$7,985E	Total	\$3.28E	\$7.73E

\*Quarterly estimates may not add to annual estimates due to variations in contributing estimates and rounding.

Source: Company report, Refinitiv, and Ascendant Capital Markets estimates

## FINANCIAL MODEL

**Take-Two Interactive Software Inc.**

Income Statement (\$ millions)	Jun-21	Sep-21	Dec-21	Mar-22	2022	Jun-22	Sep-22	Dec-22	Mar-23	2023	Jun-23	Sep-23	Dec-23	Mar-24	2024	Jun-24	Sep-24	Dec-24	Mar-25	2025
Fiscal Year End: March 31	1QA	2QA	3QA	4QA	FY-A	1QA	2QA	3QA	4QA	FY-A	1QA	2QA	3QE	4QE	FY-E	1QE	2QE	3QE	4QE	FY-E
<b>Net Sales</b>	<b>711</b>	<b>985</b>	<b>866</b>	<b>846</b>	<b>3,408</b>	<b>1,003</b>	<b>1,505</b>	<b>1,383</b>	<b>1,394</b>	<b>5,284</b>	<b>1,202</b>	<b>1,445</b>	<b>1,350</b>	<b>1,554</b>	<b>5,550</b>	<b>1,504</b>	<b>1,534</b>	<b>2,067</b>	<b>2,296</b>	<b>7,400</b>
Product costs	42	68	76	55	240	114	205	207	186	712	177	177	177	243	773	320	238	474	848	1,880
Royalties & Licenses	196	246	234	197	873	154	221	194	179	748	135	214	194	200	743	155	220	194	190	759
Software development costs	61	127	24	100	312	104	89	86	180	459	104	85	130	300	619	200	250	200	300	950
Total Cost of Sales	299	441	334	352	1,425	371	515	487	545	1,918	415	477	501	743	2,135	675	708	868	1,338	3,589
<b>Gross Profits</b>	<b>413</b>	<b>544</b>	<b>533</b>	<b>494</b>	<b>1,984</b>	<b>632</b>	<b>990</b>	<b>896</b>	<b>848</b>	<b>3,365</b>	<b>786</b>	<b>968</b>	<b>849</b>	<b>811</b>	<b>3,415</b>	<b>828</b>	<b>826</b>	<b>1,199</b>	<b>957</b>	<b>3,811</b>
Research and development costs	79	87	102	95	363	142	194	198	195	729	206	196	182	190	774	160	160	182	190	692
Selling and marketing	94	127	127	133	481	222	325	342	324	1,212	329	308	300	200	1,137	250	220	300	200	970
General and administrative	85	87	100	99	372	109	148	127	148	531	148	146	190	185	660	200	180	180	185	745
Depreciation and amortization	12	16	16	16	60	17	21	24	27	89	32	36	17	17	102	17	17	17	17	68
Stock options and others	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restructuring and other charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Operating Expenses	270	317	345	343	1,275	490	687	690	694	2,561	715	687	679	592	2,672	627	577	679	592	2,475
<b>Income (loss) from operations</b>	<b>143</b>	<b>227</b>	<b>188</b>	<b>151</b>	<b>708</b>	<b>142</b>	<b>302</b>	<b>205</b>	<b>155</b>	<b>804</b>	<b>72</b>	<b>282</b>	<b>170</b>	<b>219</b>	<b>743</b>	<b>201</b>	<b>249</b>	<b>520</b>	<b>365</b>	<b>1,336</b>
Interest expense (income), net	2	(0)	5	(1)	5	19	34	28	33	114	16	26	2	2	46	2	2	2	2	8
Income (loss) before equity in loss of affiliate and income taxes	141	227	183	152	703	123	268	178	122	690	56	256	168	217	697	199	247	518	363	1,328
Equity in loss of affiliate and other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Income (loss) before income taxes	141	227	183	152	703	123	268	178	122	690	56	256	168	217	697	199	247	518	363	1,328
Provision (benefit) for income taxes	23	36	29	24	112	22	48	32	22	124	10	46	30	39	125	36	44	93	65	239
Net income (loss) before extraordinary items	119	191	154	127	591	101	220	146	100	566	46	210	138	178	571	163	202	425	298	1,089
<b>Net income (loss)</b>	<b>119</b>	<b>191</b>	<b>154</b>	<b>127</b>	<b>591</b>	<b>101</b>	<b>220</b>	<b>146</b>	<b>100</b>	<b>566</b>	<b>46</b>	<b>210</b>	<b>138</b>	<b>178</b>	<b>571</b>	<b>163</b>	<b>202</b>	<b>425</b>	<b>298</b>	<b>1,089</b>
EBITDA	197	243	203	167	810	52	65	148	87	352	65	73	187	236	561	218	266	537	382	1,404
Basic Shares	116	116	115	115	115	141	167	169	169	161	171	170	170	170	170	171	171	171	171	171
Diluted Shares	117	117	117	117	117	141	169	169	169	162	171	172	172	173	172	173	173	173	173	173
EPS Basic (pro forma)	\$ 1.03	\$ 1.65	\$ 1.33	\$ 1.10	\$ 5.11	\$ 0.71	\$ 1.32	\$ 0.86	\$ 0.59	\$ 3.51	\$ 0.27	\$ 1.23	\$ 0.81	\$ 1.04	\$ 3.36	\$ 0.96	\$ 1.19	\$ 2.49	\$ 1.74	\$ 6.37
EPS Diluted (pro forma)	\$ 1.01	\$ 1.63	\$ 1.32	\$ 1.09	\$ 5.06	\$ 0.71	\$ 1.30	\$ 0.86	\$ 0.59	\$ 3.50	\$ 0.27	\$ 1.22	\$ 0.80	\$ 1.03	\$ 3.32	\$ 0.95	\$ 1.17	\$ 2.46	\$ 1.72	\$ 6.29

**Income Statement Ratios**

Gross Margin	58%	55%	61%	58%	58%	63%	66%	65%	61%	64%	65%	67%	63%	52%	62%	55%	54%	58%	42%	51%
Research & Development	11%	9%	12%	11%	11%	14%	13%	14%	14%	14%	17%	14%	13%	12%	14%	11%	10%	9%	8%	9%
Selling and marketing	13%	13%	15%	16%	14%	22%	22%	25%	23%	23%	27%	21%	22%	13%	20%	17%	14%	15%	9%	13%
General and administrative	12%	9%	12%	12%	11%	11%	10%	9%	11%	10%	12%	10%	13%	12%	12%	13%	12%	9%	8%	10%
Operating Profit	20%	23%	22%	18%	21%	14%	20%	15%	11%	15%	6%	20%	13%	14%	13%	13%	16%	25%	16%	18%
Net Income	17%	19%	18%	15%	17%	10%	15%	11%	7%	11%	4%	14%	10%	11%	10%	11%	13%	21%	13%	15%

**Y/Y % Change**

Revenue	-29%	3%	6%	8%	-4%	41%	53%	60%	65%	55%	20%	-4%	-2%	12%	5%	25%	6%	53%	48%	33%
Gross Margin	-25%	2%	11%	5%	-3%	53%	82%	68%	72%	70%	24%	-2%	-5%	-4%	1%	5%	-15%	41%	18%	12%
Research & Development	21%	34%	33%	23%	28%	80%	123%	94%	104%	101%	45%	1%	-8%	-3%	6%	-22%	-18%	0%	0%	-11%
Selling and marketing	17%	17%	-5%	33%	14%	136%	156%	169%	144%	152%	48%	-5%	-12%	-38%	-6%	-24%	-23%	0%	0%	-15%
General and administrative	-4%	16%	26%	20%	14%	28%	69%	26%	49%	43%	36%	-1%	42%	25%	24%	35%	23%	0%	0%	13%
Operating Profit	-53%	-17%	8%	-22%	-25%	-1%	33%	9%	3%	14%	-49%	-7%	-17%	41%	-8%	180%	-12%	205%	67%	80%
Net Income	-55%	-17%	6%	-22%	-26%	-15%	15%	-5%	-21%	-4%	-54%	-5%	-5%	77%	1%	255%	-3%	208%	68%	90%

Source: Company reports and Ascendant Capital Markets estimates

**Take-Two Interactive Software Inc.**

Balance Sheet (\$ millions)	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Fiscal Year End: March 31	1QA	2QA	3QA	4QA	1QA	2QA	3QA	4QA	1QA	2QA	3QE	4QE	1QE	2QE	3QE	4QE
<b>ASSETS</b>																
Cash	1,401	857	987	1,732	847	956	861	827	776	757	1,525	1,787	1,895	2,280	2,358	2,777
Short term investments	1,135	1,441	1,479	820	459	348	269	187	109	45	45	45	45	45	45	45
Restricted cash	653	754	267	360	535	592	332	308	381	424	424	424	424	424	424	424
A/R - net	487	804	648	579	634	831	711	763	622	815	600	518	668	511	919	765
Inventories	11	13	12	13							100	149	135	142	174	268
Software development	15	55	48	81	64	89	68	66	34	95	95	95	95	95	95	95
Prepaid royalties / licenses / COGS	11	13	15	12							-	-	-	-	-	-
Prepaid expenses and other current assets	300	307	250	273	497	435	367	357	332	402	402	402	402	402	402	402
Investments											-	-	-	-	-	-
Deferred tax asset											-	-	-	-	-	-
Total Current Assets	4,014	4,243	3,705	3,871	3,036	3,251	2,607	2,508	2,255	2,537	3,190	3,419	3,664	3,898	4,416	4,776
Fixed assets, net	225	231	236	242	300	334	361	403	406	392	392	392	392	392	392	392
Prepaid Royalties / licenses											-	-	-	-	-	-
Capitalized software development costs, net	607	621	738	756	828	908	1,036	1,072	1,189	1,271	1,271	1,271	1,271	1,271	1,271	1,271
Investments	103	103	103	103	109						-	-	-	-	-	-
Intangibles	306	288	274	266	5,455	5,363	5,223	4,453	4,207	3,776	3,776	3,776	3,776	3,776	3,776	3,776
Goodwill	646	663	680	675	7,227	6,872	6,788	6,767	6,769	6,600	6,600	6,600	6,600	6,600	6,600	6,600
Deferred tax asset	78	75	78	74	107	116	124	45	38	12	12	12	12	12	12	12
Other assets, net	335	394	544	559	683	650	744	614	661	619	619	619	619	619	619	619
<b>TOTAL ASSETS</b>	<b>\$6,314</b>	<b>\$6,619</b>	<b>\$6,358</b>	<b>\$6,546</b>	<b>\$17,745</b>	<b>\$17,493</b>	<b>\$16,881</b>	<b>\$15,862</b>	<b>\$15,525</b>	<b>\$15,207</b>	<b>\$15,861</b>	<b>\$16,089</b>	<b>\$16,334</b>	<b>\$16,569</b>	<b>\$17,086</b>	<b>\$17,446</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>																
Accounts payable	67	83	101	126	200	163	152	140	128	132	118	168	250	282	375	437
Accrued expenses	1,242	1,500	1,026	1,075	1,602	1,734	1,313	1,226	1,186	1,316	1,316	1,316	1,316	1,316	1,316	1,316
Lines of credit/short term debt					350	350	350	1,347	372	373	373	373	373	373	373	373
Deferred revenue	825	952	911	865	1,080	1,165	1,136	1,079	992	1,118	1,118	1,118	1,118	1,118	1,118	1,118
Other current liabilities (taxes payable and)	31	32	34	39	55	56	59	60	61	62	62	62	62	62	62	62
Total Current Liabilities	2,165	2,567	2,072	2,105	3,287	3,467	3,010	3,852	2,738	3,000	2,986	3,037	3,118	3,151	3,243	3,305
Note payable, net of current portion					2,936	2,936	2,736	1,733	2,705	2,707	2,707	2,707	2,707	2,707	2,707	2,707
Deferred revenue	51	52	68	71	22	29	31	36	36	61	61	61	61	61	61	61
Other liabilities	466	531	552	561	1,839	1,628	1,555	1,200	1,107	1,010	1,010	1,010	1,010	1,010	1,010	1,010
Total Liabilities	2,683	3,149	2,692	2,737	8,083	8,059	7,331	6,820	6,585	6,777	6,763	6,814	6,896	6,928	7,020	7,082
Preferred Stock																
Common stock	1	1	1	1	2	2	2	2	2	2	2	2	2	2	2	2
Additional paid-in capital	2,418	2,475	2,541	2,597	8,617	8,761	8,929	9,010	9,087	9,183	9,183	9,183	9,183	9,183	9,183	9,183
Accumulated other comprehensive loss	(3)	(20)	(35)	(57)	(121)	(236)	(134)	(113)	(86)	(149)	(149)	(149)	(149)	(149)	(149)	(149)
Retained earnings	2,023	2,034	2,178	2,289	2,185	1,928	1,775	1,164	958	415	553	731	894	1,096	1,521	1,819
Treasury stock	(821)	(1,021)	(1,021)	(1,021)	(1,021)	(1,021)	(1,021)	(1,021)	(1,021)	(1,021)	(1,021)	(1,021)	(1,021)	(1,021)	(1,021)	(1,021)
Other	12										529	529	529	529	529	529
Total Shareholders' Equity	3,631	3,470	3,666	3,810	9,662	9,434	9,550	9,043	8,940	8,430	9,098	9,275	9,439	9,641	10,066	10,364
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$6,314</b>	<b>\$6,619</b>	<b>\$6,358</b>	<b>\$6,546</b>	<b>\$17,745</b>	<b>\$17,493</b>	<b>\$16,881</b>	<b>\$15,862</b>	<b>\$15,525</b>	<b>\$15,207</b>	<b>\$15,861</b>	<b>\$16,089</b>	<b>\$16,334</b>	<b>\$16,569</b>	<b>\$17,086</b>	<b>\$17,446</b>
<b>Activity Ratios</b>																
A/R Days Sales Outstanding	62	74	67	62	57	50	46	49	47	51	40	30	40	30	40	30
Reserves as a % of Gross A/R					#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	20.0x	20.0x	20.0x	20.0x	20.0x	20.0x
Inventory turnover	103.9x	140.2x	114.2x	106.3x												
A/P Days Payable	20	17	27	32	49	28	28	23	28	25	45	50	45	40	45	50
<b>Book &amp; Cash Value (per share)</b>																
Book Value per Share (diluted)	\$31.00	\$29.71	\$31.41	\$32.62	\$ 68.53	\$ 55.95	\$ 56.44	\$ 53.60	\$ 52.34	\$ 48.98	\$ 52.80	\$ 53.77	\$ 54.65	\$ 55.76	\$ 58.15	\$ 59.80
Net Cash per Share (diluted)	\$27.23	\$26.13	\$23.42	\$24.93	\$(10.24)	\$(8.24)	\$(9.60)	\$(10.42)	\$(10.60)	\$(10.77)	\$(6.30)	\$(4.78)	\$(4.15)	\$(1.91)	\$(1.46)	\$ 0.96

Source: Company reports and Ascendant Capital Markets estimates





Take-Two Interactive Software Inc.

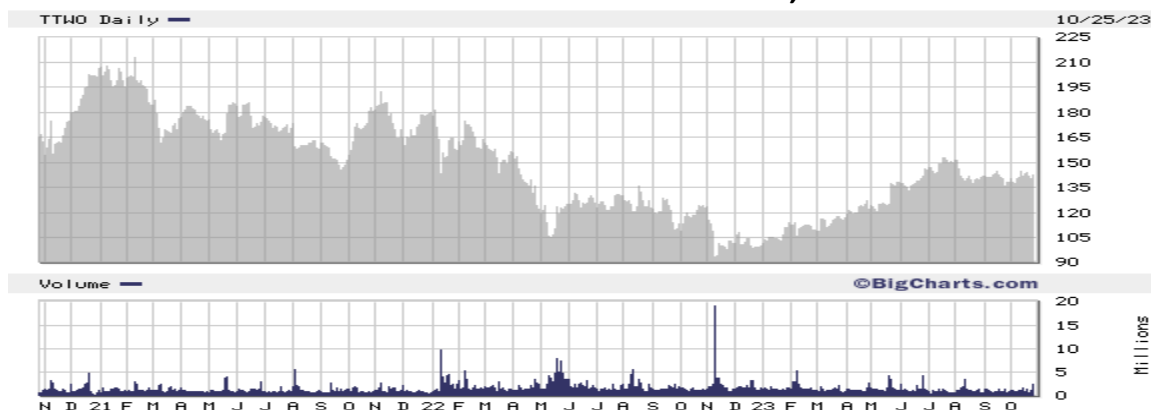
Cash Flow Statement (\$ millions)	Jun-21	Sep-21	Dec-21	Mar-22	2022	Jun-22	Sep-22	Dec-22	Mar-23	2023	Jun-23	Sep-23	Dec-23	Mar-24	2024	Jun-24	Sep-24	Dec-24	Mar-25	2025	
Fiscal Year End: March 31	1QA	2QA	3QA	4QA	FY-A	1QA	2QA	3QA	4QA	FY-A	1QA	2QA	3QE	4QE	FY-E	1QE	2QE	3QE	4QE	FY-E	
<b>Cash flows from operating activities:</b>																					
Net Income	152	10	144	111	418	(104)	(257)	(153)	(610)	(1,125)	(206)	(544)	138	178	(434)	163	202	425	298	1,089	
Adjustment to reconcile net income (loss) to net cash used:					0					0					0					0	
Depreciation and amortization	28	34	(17)	16	61	135	(15)	90	(120)	90	32	36	17	17	102	17	17	17	17	68	
Loss on impairment of securities					0					0					0					0	
Non-recurring impairment charge					0	20	(20)	0	0	0			842		842					0	
Loss on disposal of fixed assets					0					0					0					0	
Change in deferred tax asset				8	8					0					0					0	
Gain on sale of subsidiary					0					0					0					0	
Loss on early extinguishment of debt				7	7					0	(7)	7			0					0	
Foreign currency loss					0					0					0					0	
Equity in loss of affiliate					0					0					0					0	
Recognition of deferred tax asset					0				(411)	(411)					0					0	
Provision for doubtful accounts					0					0			5	5	10	5	5	5	5	20	
Amortization of software development & licenses	25	71	17	106	218	48	391	302	1,035	1,775	319	(211)			108					0	
Provision for inventory					0					0					0					0	
Other Charges	14	53	54	(6)	115	(14)	60	(11)	51	87	30	32	(5)	(5)	52	(5)	(5)	(5)	(5)	(20)	
Amortization of various expenses and discounts					0	69	(8)	31	31	123	37	28			65					0	
Deferred revenue	(95)	127	(22)	(42)	(31)	(160)	102	(30)	(55)	(142)	(87)	153			65					0	
Issuance of compensatory stock	49	47	46	40	183	44	108	87	79	318	79	90	5	5	179	5	5	5	5	20	
Tax benefit from exercise of stock options					0					0					0					0	
<b>Changes in operating assets and liabilities:</b>					0					0					0					0	
Change in restricted cash					0					0					0					0	
Decrease in accounts receivable	75	(318)	157	68	(18)	215	(200)	143	(51)	107	141	(194)	210	77	234	(155)	152	(412)	148	(267)	
(Increase) decrease in inventories	6	(1)	1	(2)	4					0			(100)	(48)	(149)	13	(6)	(32)	(94)	(119)	
Increase in prepaid royalties					0					0					0					0	
Increase in prepaid expenses and other c	18	(53)	(88)	(84)	(208)	(68)	23	21	101	77	(14)	(30)	0	0	(45)	0	0	0	0	0	
Increase in capitalized software developm	(86)	(177)	(113)	(78)	(454)	(104)	(149)	(111)	(130)	(493)	(125)	(176)	0	0	(301)	0	0	0	0	0	
Increase in other assets, net	5	(2)	(3)	0	0					0					0					0	
Increase in accounts payable	(42)	343	(441)	94	(46)	19	19	(488)	45	(405)	(192)	29	(14)	51	(126)	82	32	92	62	268	
Increase in accrued expenses					0					0					0					0	
Increase in due to/from related parties					0					0					0					0	
Decrease in other liabilities			0	(0)	0					0					0					0	
Decrease in other current liabilities					0					0					0					0	
<b>Net cash provided by operating activities</b>	<b>148</b>	<b>135</b>	<b>(265)</b>	<b>239</b>	<b>258</b>	<b>101</b>	<b>55</b>	<b>(120)</b>	<b>(35)</b>	<b>1</b>	<b>5</b>	<b>65</b>	<b>256</b>	<b>279</b>	<b>604</b>	<b>125</b>	<b>402</b>	<b>95</b>	<b>436</b>	<b>1,059</b>	
<b>Cash flows from investing activities:</b>																					
Purchase of fixed assets	(86)	(25)	(22)	(25)	(159)	(43)	(57)	(38)	(67)	(204)	(32)	(28)	(17)	(17)	(94)	(17)	(17)	(17)	(17)	(68)	
Proceeds from the sale of fixed assets					0					0					0					0	
Cash restricted for letter of credit					0					0					0					0	
Cash paid for investments	170	(312)	(49)	661	471	363	128	73	74	639	74	63	0	0	137	0	0	0	0	0	
Investment in affiliates, other					0					0					0					0	
Acquisitions, net cash paid	(98)	(34)	(26)	(16)	(174)	(3,128)	(55)	(59)	(69)	(3,311)	(2)	(11)			(13)					0	
Cash paid for prior acquisitions			1	(0)	1					0	(3)	(1)	0	0	(4)	0	0	0	0	0	
<b>Net cash used in investing activities</b>	<b>(14)</b>	<b>(370)</b>	<b>(96)</b>	<b>619</b>	<b>139</b>	<b>(2,807)</b>	<b>17</b>	<b>(24)</b>	<b>(62)</b>	<b>(2,876)</b>	<b>38</b>	<b>22</b>	<b>(17)</b>	<b>(17)</b>	<b>26</b>	<b>(17)</b>	<b>(17)</b>	<b>(17)</b>	<b>(17)</b>	<b>(68)</b>	
<b>Cash flows from financing activities:</b>																					
Proceeds from private placement, net	9		10	(0)	20	11		11	43	65	19	(19)			0					0	
Net borrowings under lines of credit					0					0					0					0	
Proceeds from loan payable					0	3,249	140	(200)	60	3,249	999				999					0	
Repayments of loan payable		(0)	(0)	(12)	(12)	(1,189)	0	(27)	(60)	(1,276)	(997)	(35)	0	0	####	0	0	0	0	0	
Proceeds from notes payable					0					0					0					0	
Proceeds from minority interest					0					0					0					0	
Proceeds from the exercise of stock options	(48)	(5)	(6)	(5)	(64)	(54)	(24)	(13)	(18)	(108)	(41)	3	0	0	(38)	0	0	0	0	0	
Repayment of capital lease obligation					0					0					0					0	
Dividends to preferred stockholders					0					0	(1)	1	0	0	0	0	0	0	0	0	
Share buyback		(200)			(200)					0					0					0	
Tax benefit from exercise of stock options					0					0					0					0	
<b>Net cash provided by financing activities</b>	<b>(39)</b>	<b>(205)</b>	<b>5</b>	<b>(17)</b>	<b>(257)</b>	<b>2,017</b>	<b>117</b>	<b>(229)</b>	<b>26</b>	<b>1,930</b>	<b>(21)</b>	<b>(50)</b>	<b>0</b>	<b>0</b>	<b>(71)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Effect of foreign exchange rates	2	(3)	(2)	(3)	(5)	(15)	(22)	(36)	57	(16)	4	(11)			(7)					0	
Net Increase (Decrease) in Cash	97	(443)	(358)	838	135	(704)	166	(409)	(14)	(961)	26	25	239	262	552	108	385	78	419	990	
Cash at beginning of period	1,623	1,720	1,277	920	1,623	2,195	1,491	1,658	1,249	2,195	1,235	1,261	1,286	1,525	1,235	1,787	1,895	2,280	2,358	1,787	
<b>Cash at end of period</b>	<b>1,720</b>	<b>1,277</b>	<b>920</b>	<b>1,758</b>	<b>1,758</b>	<b>1,491</b>	<b>1,658</b>	<b>1,249</b>	<b>1,235</b>	<b>1,235</b>	<b>1,261</b>	<b>1,286</b>	<b>1,525</b>	<b>1,787</b>	<b>1,787</b>	<b>1,895</b>	<b>2,280</b>	<b>2,358</b>	<b>2,777</b>	<b>2,777</b>	

Source: Company reports and Ascendant Capital Markets estimates

## ANALYST CERTIFICATION

Each analyst hereby certifies that the views expressed in this report reflect the analyst's personal views about the subject securities or issuers. Each analyst also certifies that no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The analyst who prepared this report is compensated based upon the overall profitability of Ascendant Capital Markets, LLC, which may, from time to time, include the provision of investment banking, financial advisory and consulting services. Compensation for research is based on effectiveness in generating new ideas for clients, performance of recommendations, accuracy of earnings estimates, and service to clients.

## Take-Two Interactive Software, Inc.



Source: <https://bigcharts.marketwatch.com/>

Report	Report Date	Rating	Price Target
38	2/8/2018	Buy	132.00
39	5/17/2018	Buy	128.00
40	8/3/2018	Buy	148.00
41	11/8/2018	Buy	150.00
42	2/7/2019	Buy	120.00
43	5/14/2019	Buy	123.00
44	8/6/2019	Buy	144.00
45	11/13/2019	Buy	146.00
46	2/9/2020	Buy	139.00
47	6/3/2020	Buy	154.00
48	8/10/2020	Buy	200.00
49	12/7/2020	Buy	220.00
50	2/21/2021	Buy	228.00
51	6/20/2021	Buy	216.00
52	9/13/2021	Buy	198.00
53	1/9/2022	Buy	191.00
54	4/13/2022	Buy	172.00
55	6/12/2022	Buy	160.00
56	9/14/2022	Buy	159.00
57	12/17/2022	Buy	126.00
58	4/7/2023	Buy	138.00
59	6/8/2023	Buy	150.00
60	9/16/2023	Buy	164.00

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### Risks & Considerations

Risks to attainment of our share price target include changes in demand for the company's products, changes to game release timing, competition, piracy of software, and weaker macroeconomic factors.

### Ascendant Capital Markets, LLC Rating System

**BUY:** We expect the stock to provide a total return of 15% or more within a 12-month period.

**HOLD:** We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.

**SELL:** We expect the stock to have a negative total return of more than 15% within a 12-month period.

Total return is defined as price appreciation plus dividend yield.

### Ascendant Capital Markets, LLC Distribution of Investment Ratings (as of October 13, 2023)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	51	98%	19	37%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	52	100%	19	37%

## Other Important Disclosures

Our analysts use various valuation methodologies including discounted cash flow, price/earnings (P/E), enterprise value/EBITDAS, and P/E to growth rate, among others. Risks to our price targets include failure to achieve financial results, product risk, regulatory risk, general market conditions, and the risk of a change in economic conditions.

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