

Take-Two Interactive Software, Inc.

Reports Q1 and new FY23 outlook below consensus. Zynga acquisition complete and should drive strong growth. Lowering P/T to \$159.

COMPANY UPDATE

Q1 below consensus: Take-Two recently (on August 8) reported its fiscal Q1 2023 (ending June) results. We note that Take-Two completed its major acquisition of Zynga on May 23, 2022 so its Q1 report included 39 days of Zynga's results. Take-Two's prior guidance did not include Zynga and our prior estimates also did not include Zynga. Revenue was \$1,003 million (+41% y-o-y), compared to our estimate of \$750 million and consensus of \$1,061 million. Pro forma EPS was \$0.71, compared to our estimate of \$0.74 and consensus of \$0.92. Q1 guidance was for revenue of \$700 - 750 million, and for EPS of \$0.60 - 0.70.

More solid results: The company reported another solid quarter as it continues to benefit from people playing more video games though it did acknowledge some slowdown due to weaker macroeconomic conditions. Revenue were led by *NBA 2K*, *GTA Online* and *GTA V*; *RDR 2* and *Red Dead Online*; mobile games; and *WWE 2K22*.

GTA and RDR2 games continue to sell well: Take-Two's blockbuster game *GTA V* (released 9/2013) has sold-in 170 million units to date and continues to sell really well. *Red Dead Redemption 2* (released 10/2018) has sold-in 45 million units so far. *GTA Online* and *Red Dead Online* also continues to perform very well.

Next GTA game well under development: Earlier this year, the company confirmed that the next major release of *GTA* is in development. While there has been no other information disclosed, the company on the earnings call again confirmed that development of the next *GTA* game is well underway.

Solid updated FY23 guidance but below consensus: Management provided new updated FY23 guidance (which now includes Zynga) for revenue of \$5.80 - 5.90 billion, and for EPS of \$4.60 - 4.85 (up from prior guidance (without Zynga) for revenue of \$3.75 - 3.85 billion, and for EPS of \$4.20 - 4.45). Initial Q2 guidance is for revenue of \$1.50 - 1.55 billion, and for EPS of \$1.25 - 1.35.

Raising estimates: We are raising our FY23 estimates for revenue to \$6.00 billion, from \$3.85 billion, and for EPS to \$5.00 from \$4.46.

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 \$12.7 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.

FY23 outlook conservative: We believe that while FY23 guidance is lower than consensus, it is conservative and the company will likely exceed them just like it has the past several years. We believe that the strong momentum for its games will continue through the end of the pandemic and even with uncertain macroeconomics in FY23.

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

Current valuation attractive: Maintaining our BUY rating, but lowering our 12-month price target to \$159 from \$160, which reflects a target P/E of 24.5x our FY24 EPS estimate of \$6.50, which is above the peer group median to reflect its higher 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:	\$101.85-195.83
Shares Outstanding (million):	168
Market cap (\$million):	\$21,504
EV (\$million):	\$22,949
Debt (\$million):	\$3,286
Cash (\$million):	\$1,841
Avg. Daily Trading Vol. (\$million):	\$256
Float (million shares):	157
Short Interest (million shares):	4
Dividend, annual (yield):	\$0 (NA%)

Revenues (US\$ million)

	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)
Q1 Jun	1,003A	750E	1,504E	754E
Q2 Sep	1,575E	759E	1,584E	834E
Q3 Dec	1,697E	1,622E	1,867E	1,617E
Q4 Mar	<u>1,726E</u>	<u>721E</u>	<u>2,046E</u>	<u>796E</u>
Total	6,000E	3,851E	7,000E	4,000E
EV/Rev	3.8x		3.3x	

Earnings per Share (pro forma)

	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)
Q1 Jun	0.71A	0.74E	0.76E	0.61E
Q2 Sep	1.43E	0.23E	1.32E	0.69E
Q3 Dec	1.55E	3.37E	1.73E	3.20E
Q4 Mar	<u>1.23E</u>	<u>0.12E</u>	<u>2.69E</u>	<u>0.50E</u>
Total	\$5.00E	\$4.46E	\$6.50E	\$5.00E
P/E	26x		20x	

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 13.

OVERVIEW

- Take-Two recently (on August 8) reported its fiscal Q1 2023 (ending June) results.
- We note that Take-Two completed its major acquisition of Zynga on May 23, 2022 so its Q1 report included 39 days of Zynga's results. Take-Two's prior guidance did not include Zynga and our prior estimates also did not include Zynga.
- Revenue was \$1,003 million (+41% y-o-y), compared to our estimate of \$750 million and consensus of \$1,061 million.
- Pro forma EPS was \$0.71, compared to our estimate of \$0.74 and consensus of \$0.92.
- Q1 guidance was for revenue of \$700 - 750 million, and for EPS of \$0.60 - 0.70.
- Management provided new updated FY23 guidance (which now includes Zynga) for revenue of \$5.80 - 5.90 billion, and for EPS of \$4.60 - 4.85 (up from prior guidance (without Zynga) for revenue of \$3.75 - 3.85 billion, and for EPS of \$4.20 - 4.45).
- Initial Q2 guidance is for revenue of \$1.50 - 1.55 billion, and for EPS of \$1.25 - 1.35.
- We are raising our FY23 estimates for revenue to \$6.00 billion, from \$3.85 billion, and for EPS to \$5.00 from \$4.46.
- We are raising our FY24 estimates for revenue to \$7.00 billion, from \$4.00 billion, and for EPS to \$6.50 from \$5.00.

ADDITIONAL DETAILS

- Gross profit for the quarter was \$632 million, compared with our estimate of \$335 million.
- Gross margin for the quarter was 63%, versus 58% last year and our estimate of 45%.
- Operating expenses were \$490 million, compared with our estimate of \$228 million.
- Operating income was \$142 million, compared with our estimate of \$107 million.
- Pro forma net income was \$101 million, compared with our estimate of \$87 million.

In June 2021, Take-Two acquired mobile games developer NordeusWed for ~\$378 million in cash, stock, and potential earn-out. NordeusWed's top games are its *Top Eleven* soccer management game with over 240 million registered users. NordeusWed has 180 employees and is based in Belgrade, Serbia.

In July 2021, Take-Two acquired privately-held Dynamixyz, a world-class leader in video-based facial animation services. Terms were not disclosed.

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. This deal is expected to close in Q1 FY23. 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.

The company's balance sheet remains relatively solid (factoring \$3.1 billion in cash used for its Zynga acquisition) with \$1.8 billion in cash and \$3.3 billion in debt (~\$10/share in net debt), compared with \$2.9 billion in cash and no debt as of March. In April, Take-Two raised \$2.7 billion to finance its Zynga acquisition (\$2.7 billion in Senior Notes consisting of \$1.0 billion of its 3.300% Senior Notes due 2024, \$600 million of its 3.550% Senior Notes due 2025, \$600 million of its 3.700% Senior Notes due 2027, and \$500 million of its 4.000% Senior Notes due 2032).

Exhibit 1: Q1 Results (includes Zynga since acquisition on May 25) vs. Guidance (which did not include Zynga)
**Q1 FY2023 RESULTS SUMMARY:
SELECT MANAGEMENT RESULTS**
SELECT FINANCIAL DATA (\$ in millions)

	Q1	
	ACTUAL (INCL ZYNGA)	GUIDANCE (EX ZYNGA)
Net Bookings	\$1,003	\$700 TO \$750
Recurrent Consumer Spending Growth (RCS)	+48%	-10%
Digitally-Delivered Net Bookings Growth	+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

Source: Company report.

Exhibit 2: Take-Two's New FY23 Guidance (now includes Zynga) (as of August 2022)
**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)
Net Bookings	\$5,800 TO \$5,900	\$3,750 TO \$3,850
Recurrent Consumer Spending Growth	+110% YOY	FLAT YOY
Digitally-Delivered Net Bookings Growth	+80% YOY	+10% YOY
Non-GAAP Adjusted Unrestricted	OVER \$700	OVER \$350
Operating Cash Flow		

KEY MODEL INPUTS

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

	Twelve Months Ending March 31, 2022					
	\$ in millions	Outlook ⁽¹⁾	Change in deferred net revenue and related cost of revenue	Stock-based compensation	Amortization of acquired intangibles	Business acquisition
GAAP						
Total net revenue	\$5,700 to \$5,830	\$70		\$101	\$897	
Cost of revenue	\$2,200 to \$2,700	\$9		\$154	\$112	
Operating expenses	\$3,770 to \$3,382			\$236	\$154	
Interest and other, net	\$154					\$610
(Less) gain on fair value adjustments, net	\$(40)					\$40
(Less) income before income taxes	\$(130) to \$(456)	\$63		\$330	\$85	\$150
Non-GAAP						
EBITDA	\$490 to \$548	\$61		\$330		\$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

Source: Company report.

Exhibit 3: Take-Two's Acquisition of Zynga (announced January 2022, completed May 2022)

Transaction Unifies Two of the Leading Interactive Entertainment Businesses in the World

T2

Take-Two possesses some of the most successful franchises in interactive entertainment while bringing expertise in console/PC that can be applied to cross-promote content to users in Zynga's ecosystem.



zynga

Zynga is a market-leading, diversified mobile platform. Its leadership team has a proven track record of execution and the ability to drive further scale through M&A, cross-platform gameplay, increased advertising revenue through hyper-casual titles, blockchain integration, and direct payments.

Combination Overview

Combination to form one of the largest and most compelling portfolios of intellectual properties in the sector, while also benefiting from scale, diversification, synergies and new revenue opportunities.

T2

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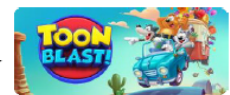
Take-Two + Zynga Form a Leader in Interactive Entertainment

T2



- ✓ Take-Two possesses some of the most successful franchises in interactive entertainment
- ✓ Expertise in console/PC can be applied to Zynga's cross-play ambitions, helping cross-sell users across the combined ecosystem
- ✓ Take-Two's extensive player database can enhance mobile initiatives

zynga



- ✓ Zynga's free-to-play mobile development talent & expertise can be leveraged across Take-Two's blockbuster original IPs
- ✓ Zynga's leading publishing and analytics platform can drive synergies across the combined mobile portfolio
- ✓ Zynga's renowned portfolio of diverse mobile titles significantly increase Take-Two's sources of Recurrent Consumer Spending

- Combined entity will feature an industry-defining portfolio of IP
- Diversified Net Bookings base, with over half of the combined business coming from mobile in FY23
- Zynga's highly skilled and proven management team, led by CEO Frank Gibeau and Zynga's President of Publishing, Bernard Kim, will drive the strategic direction for Take-Two's mobile efforts

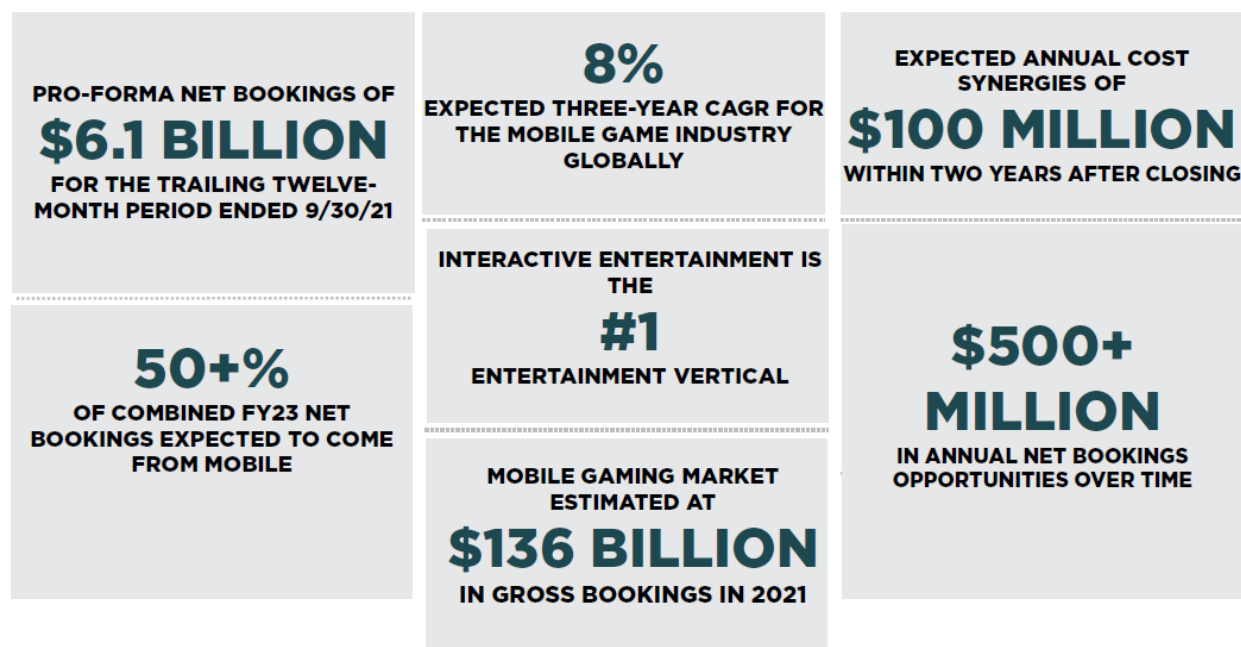
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Source: Company report.

Exhibit 4: Take-Two/Zynga Acquisition Details

Benefits of the Transaction

Both groups of stockholders will benefit from the combined company's greater scale, enhanced financial profile, and synergies created through the transaction



Terms of the Acquisition

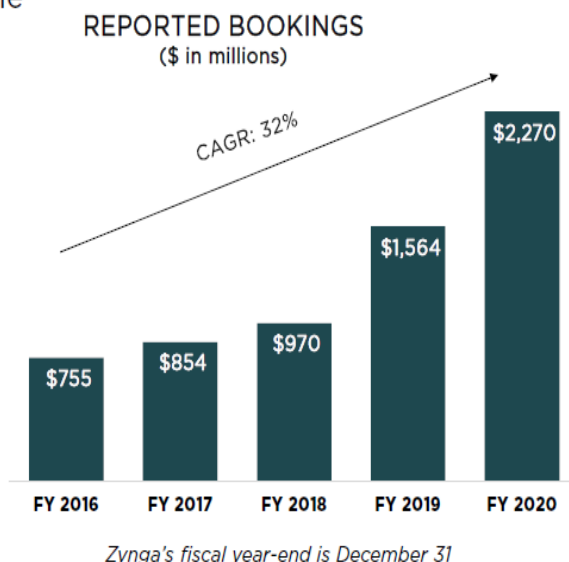
TERMS	<ul style="list-style-type: none"> Take-Two to acquire all outstanding shares of Zynga in a cash and stock transaction valued at \$9.86 per Zynga share¹ Implied total enterprise value of approximately \$12.7 billion Zynga stockholders will receive \$3.50 in cash and \$6.36¹ in shares of Take-Two common stock for each share of Zynga common stock outstanding at the closing of the transaction The purchase price represents a premium of 64% to Zynga's closing share price on January 7th
FINANCING	<ul style="list-style-type: none"> Take-Two has received committed financing of \$2.7 billion Company intends to fund cash component of transaction with cash from its balance sheet and proceeds from new debt issuance
MANAGEMENT & BOARD	<ul style="list-style-type: none"> Zynga's leadership team, including Frank Gibeau, CEO and Bernard Kim, President of Publishing will lead the combined company's mobile studios Take-Two agreed to expand its Board of Directors to 10 members upon closing of the transaction and will add two members from Zynga's Board of Directors
CLOSING/ APPROVALS	<ul style="list-style-type: none"> Expected to be completed in Take-Two's 1QFY2023, ending 6/30/22 Subject to the approval of both Take-Two and Zynga shareholders and the satisfaction of customary closing conditions Terms of the agreement include a 45-day "go-shop" provision

Source: Company report.

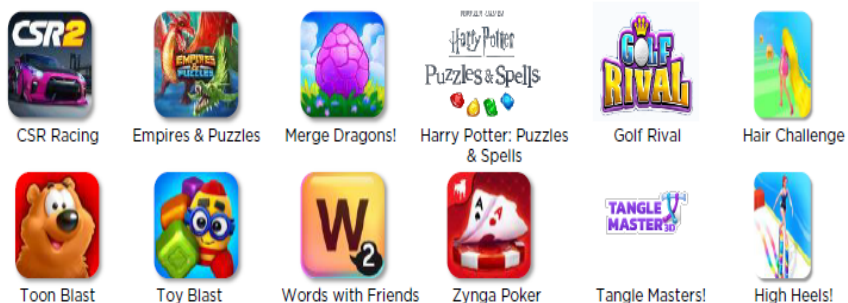
Exhibit 5: Zynga Overview

Zynga Company Overview

- Pioneer in social gaming and a leading mobile game publisher
- Highly creative and deeply experienced management team
- Approximately 2,200 of the industry's top creative talent in free-to-play mobile games
- Diverse portfolio of highly-engaging, top-grossing games
- Approximately 183 million mobile MAU
- Successful execution of M&A



ESTABLISHED PORTFOLIO ON A GROWING PLATFORM



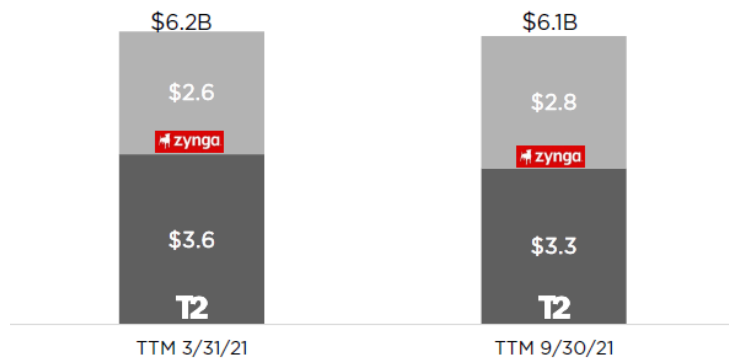
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Source: Company report.

Exhibit 6: Take-Two/Zynga Pro Forma Financial Projections (as of January 2022)

Pro Forma Financials and Expected Growth Rates

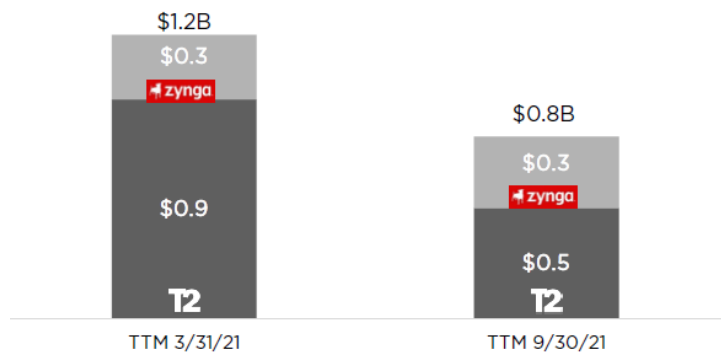
NET BOOKINGS



COMBINED COMPANY EXPECTED GROWTH CAGR*

+14%
FY21A - FY24E
(excluding any Net Bookings opportunities and any future acquisitions)

ADJUSTED UNRESTRICTED OPERATING CASH FLOW*



+13%
FY21A - FY24E
(excluding any Net Bookings opportunities and any future acquisitions; including cost synergies)

Adjusted Unrestricted Operating Cash Flow is defined as GAAP net cash from operating activities, adjusted for changes in restricted cash

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Source: Company report.

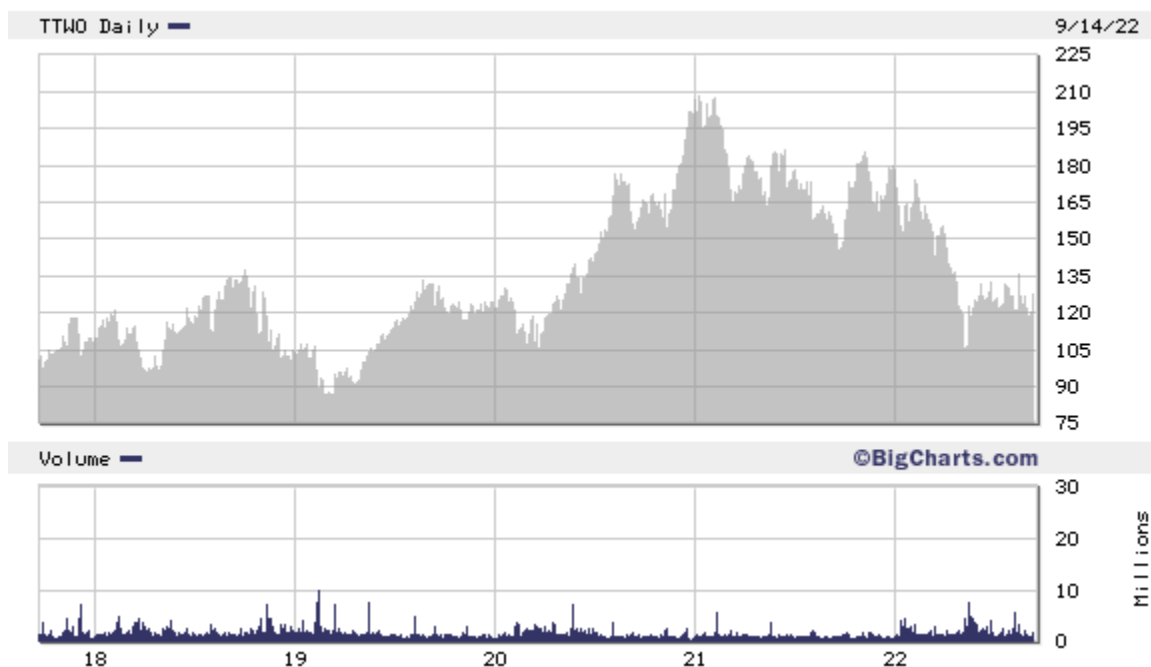
Exhibit 7: Take-Two Game Development Pipeline (as of August 2022)

FY23-FY25 PIPELINE DETAILS

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

Source: Company report.

Exhibit 8: Take-Two Interactive Software Stock Price (Five Years)



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

Exhibit 9: Consensus Expectations (as of August 8, 2022)

	Revenue (millions)			EPS	
	2023E	2024E		2023E	2024E
Q1 Jun	\$1,061E		Q1 Jun	\$0.92E	
Q2 Sep	\$1,772E		Q2 Sep	\$1.62E	
Q3 Dec			Q3 Dec		
Q4 Mar			Q4 Mar		
Total	\$6,409E	\$8,387E	Total	\$5.65E	\$8.18E

*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-20	Sep-20	Dec-20	Mar-21	2021	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
Fiscal Year End: March 31	1QA	2QA	3QA	4QA	FY-A	1QA	2QA	3QA	4QA	FY-A	1QA	2QE	3QE	4QE	FY-E	1QE	2QE	3QE	4QE	FY-E
Net Sales	996	958	814	785	3,553	711	985	866	846	3,408	1,003	1,575	1,697	1,726	6,000	1,504	1,584	1,867	2,046	7,000
Product costs	54	70	71	41	236	42	68	76	55	240	114	151	372	513	1,149	171	181	435	241	1,028
Royalties & Licenses	241	217	200	212	870	196	246	234	197	873	154	305	233	200	892	350	305	300	350	1,305
Software development costs	148	135	65	63	411	61	127	24	100	312	104	250	200	200	754	200	250	200	300	950
Total Cost of Sales	443	422	337	315	1,517	299	441	334	352	1,425	371	706	805	913	2,795	721	736	935	891	3,283
Gross Profits	553	535	478	469	2,036	413	544	533	494	1,984	632	869	892	813	3,205	783	848	932	1,154	3,717
Research and development costs	65	65	76	78	284	79	87	102	95	363	142	160	160	160	622	160	160	160	203	683
Selling and marketing	80	109	134	100	423	94	127	127	133	481	222	220	220	200	862	250	220	220	200	890
General and administrative	89	75	80	83	327	85	87	100	99	372	109	180	180	185	654	200	180	180	185	745
Depreciation and amortization	12	14	14	15	55	12	16	16	16	60	17	17	17	17	68	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	246	262	304	276	1,088	270	317	345	343	1,275	490	577	577	562	2,206	627	577	577	605	2,386
Income (loss) from operations	307	273	174	194	947	143	227	188	151	708	142	292	315	251	999	155	271	355	549	1,330
Interest expense (income), net	(7)	(1)	2	0	(6)	2	(0)	5	(1)	5	19	2	2	2	25	2	2	2	2	8
Income (loss) before equity in loss of affiliate and income taxes	314	274	172	193	953	141	227	183	152	703	123	290	313	249	974	153	269	353	547	1,322
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	314	274	172	193	953	141	227	183	152	703	123	290	313	249	974	153	269	353	547	1,322
Provision (benefit) for income taxes	50	44	28	31	153	23	36	29	24	112	22	49	53	42	167	26	46	60	93	225
Net income (loss) before extraordinary items	264	230	144	162	801	119	191	154	127	591	101	240	260	206	807	127	223	293	454	1,098
Net income (loss)	264	230	144	162	801	119	191	154	127	591	101	240	260	206	807	127	223	293	454	1,098
EBITDA	319	287	187	209	1,002	197	243	203	167	810	52	309	332	268	961	173	288	372	566	1,399
Basic Shares	114	114	115	115	115	116	116	115	115	115	141	168	168	168	161	169	169	169	169	169
Diluted Shares	115	115	116	116	116	117	117	117	117	117	141	168	168	168	161	169	169	169	169	169
EPS Basic (pro forma)	\$ 2.32	\$ 2.01	\$ 1.26	\$ 1.41	\$ 6.99	\$ 1.03	\$ 1.65	\$ 1.33	\$ 1.10	\$ 5.11	\$ 0.71	\$ 1.43	\$ 1.55	\$ 1.23	\$ 5.00	\$ 0.76	\$ 1.32	\$ 1.73	\$ 2.69	\$ 6.50
EPS Diluted (pro forma)	\$ 2.30	\$ 2.00	\$ 1.24	\$ 1.40	\$ 6.92	\$ 1.01	\$ 1.63	\$ 1.32	\$ 1.09	\$ 5.06	\$ 0.71	\$ 1.43	\$ 1.55	\$ 1.23	\$ 5.00	\$ 0.76	\$ 1.32	\$ 1.73	\$ 2.69	\$ 6.50

Income Statement Ratios

Gross Margin	56%	56%	59%	60%	57%	58%	55%	61%	58%	58%	63%	55%	53%	47%	53%	52%	54%	50%	56%	53%
Research & Development	7%	7%	9%	10%	8%	11%	9%	12%	11%	11%	14%	10%	9%	9%	10%	11%	10%	9%	10%	10%
Selling and marketing	8%	11%	16%	13%	12%	13%	13%	15%	16%	14%	22%	14%	13%	12%	14%	17%	14%	12%	10%	13%
General and administrative	9%	8%	10%	11%	9%	12%	9%	12%	12%	11%	11%	11%	11%	11%	11%	13%	11%	10%	9%	11%
Operating Profit	31%	29%	21%	25%	27%	20%	23%	22%	18%	21%	14%	19%	19%	15%	17%	10%	17%	19%	27%	19%
Net Income	26%	24%	18%	21%	23%	17%	19%	18%	15%	17%	10%	15%	15%	12%	13%	8%	14%	16%	22%	16%
Y/Y % Change																				
Revenue	136%	1%	-8%	8%	19%	-29%	3%	6%	8%	-4%	41%	60%	96%	104%	76%	50%	1%	10%	19%	17%
Gross Margin	126%	-1%	-4%	12%	19%	-25%	2%	11%	5%	-3%	53%	60%	68%	64%	62%	24%	-2%	4%	42%	16%
Research & Development	7%	1%	10%	21%	10%	21%	34%	33%	23%	28%	80%	84%	57%	68%	71%	13%	0%	0%	27%	10%
Selling and marketing	-6%	-25%	1%	32%	-4%	17%	17%	-5%	33%	14%	136%	73%	73%	51%	79%	13%	0%	0%	0%	3%
General and administrative	46%	19%	14%	17%	24%	-4%	16%	26%	20%	14%	28%	106%	80%	87%	76%	83%	0%	0%	0%	14%
Operating Profit	1051%	6%	-18%	-2%	36%	-53%	-17%	8%	-22%	-25%	-1%	29%	68%	66%	41%	10%	-7%	13%	119%	33%
Net Income	746%	4%	-22%	-5%	32%	-55%	-17%	6%	-22%	-26%	-15%	26%	69%	62%	37%	27%	-7%	13%	120%	36%

Source: Company reports and Ascendant Capital Markets estimates

Take-Two Interactive Software Inc.

Balance Sheet (\$ millions)	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Fiscal Year End: March 31	1QA	2QA	3QA	4QA	1QA	2QA	3QA	4QA	1QA	2QE	3QE	4QE	1QE	2QE	3QE	4QE
ASSETS																
Cash	1,404	1,345	1,650	1,423	1,401	857	987	1,732	847	1,071	1,084	1,494	1,583	1,965	1,939	2,600
Short term investments	881	1,041	773	1,309	1,135	1,441	1,479	820	459	459	459	459	459	459	459	459
Restricted cash	468	450	764	539	653	754	267	360	535	535	535	535	535	535	535	535
A/R - net	685	788	581	553	487	804	648	579	634	525	754	575	668	528	830	682
Inventories	19	27	27	18	11	13	12	13	64	141	161	183	144	147	187	178
Software development	32	74	49	43	15	55	48	81	64	64	64	64	64	64	64	64
Prepaid royalties / licenses / COGS	14	15	20	16	11	13	15	12	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets	184	192	297	321	300	307	250	273	497	497	497	497	497	497	497	497
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	3,687	3,932	4,160	4,221	4,014	4,243	3,705	3,871	3,036	3,292	3,554	3,806	3,950	4,195	4,510	5,015
Fixed assets, net	129	133	135	149	225	231	236	242	300	300	300	300	300	300	300	300
Prepaid Royalties / licenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capitalized software development costs, net	410	403	437	491	607	621	738	756	828	828	828	828	828	828	828	828
Investments	290	99	99	99	103	103	103	103	109	109	109	109	109	109	109	109
Intangibles	47	126	118	122	306	288	274	266	5,455	5,455	5,455	5,455	5,455	5,455	5,455	5,455
Goodwill	390	521	535	535	646	663	680	675	7,227	7,227	7,227	7,227	7,227	7,227	7,227	7,227
Deferred tax asset	121	118	127	90	78	75	78	74	107	107	107	107	107	107	107	107
Other assets, net	586	313	356	322	335	394	544	559	683	683	683	683	683	683	683	683
TOTAL ASSETS	\$5,369	\$5,836	\$5,966	\$6,028	\$6,314	\$6,619	\$6,358	\$6,546	\$ 17,745	\$ 18,001	\$ 18,263	\$ 18,515	\$ 18,659	\$ 18,904	\$ 19,219	\$ 19,724
LIABILITIES AND SHAREHOLDERS' EQUITY																
Accounts payable	56	85	100	71	67	83	101	126	200	9	11	57	74	96	118	168
Accrued expenses	1,137	1,149	1,220	1,204	1,242	1,500	1,026	1,075	1,602	1,602	1,602	1,602	1,602	1,602	1,602	1,602
Lines of credit/short term debt	-	-	-	-	-	-	-	-	350	350	350	350	350	350	350	350
Deferred revenue	928	1,063	991	928	825	952	911	865	1,080	1,080	1,080	1,080	1,080	1,080	1,080	1,080
Other current liabilities (taxes payable and other)	28	29	31	32	31	32	34	39	55	55	55	55	55	55	55	55
Total Current Liabilities	2,149	2,326	2,342	2,235	2,165	2,567	2,072	2,105	3,287	3,096	3,098	3,144	3,161	3,182	3,205	3,255
Note payable, net of current portion	-	-	-	-	-	-	-	-	2,936	2,936	2,936	2,936	2,936	2,936	2,936	2,936
Deferred revenue	33	33	32	37	51	52	68	71	22	22	22	22	22	22	22	22
Other liabilities	537	576	437	424	466	531	552	561	1,839	1,839	1,839	1,839	1,839	1,839	1,839	1,839
Total Liabilities	2,718	2,935	2,811	2,696	2,683	3,149	2,692	2,737	8,083	7,892	7,894	7,940	7,956	7,978	8,001	8,051
Preferred Stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock	1	1	1	1	1	1	1	1	2	2	2	2	2	2	2	2
Additional paid-in capital	2,152	2,285	2,328	2,289	2,418	2,475	2,541	2,597	8,617	8,617	8,617	8,617	8,617	8,617	8,617	8,617
Accumulated other comprehensive loss	(52)	(35)	(6)	(9)	(3)	(20)	(35)	(57)	(121)	(121)	(121)	(121)	(121)	(121)	(121)	(121)
Retained earnings	1,371	1,470	1,652	1,871	2,023	2,034	2,178	2,289	2,185	2,425	2,685	2,892	3,019	3,242	3,535	3,989
Treasury stock	(821)	(821)	(821)	(821)	(821)	(1,021)	(1,021)	(1,021)	(1,021)	(1,021)	(1,021)	(1,021)	(1,021)	(1,021)	(1,021)	(1,021)
Other	-	-	-	-	12	-	-	-	206	206	206	206	206	206	206	206
Total Shareholders' Equity	2,651	2,901	3,155	3,332	3,631	3,470	3,666	3,810	9,662	10,109	10,369	10,575	10,703	10,926	11,219	11,673
TOTAL LIABILITIES AND EQUITY	\$5,369	\$5,836	\$5,966	\$6,028	\$6,314	\$6,619	\$6,358	\$6,546	\$ 17,745	\$ 18,001	\$ 18,263	\$ 18,515	\$ 18,659	\$ 18,904	\$ 19,219	\$ 19,724
Activity Ratios																
A/R Days Sales Outstanding	62	74	64	63	62	74	67	62	57	30	40	30	40	30	40	30
Reserves as a % of Gross A/R	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventory turnover	91.0x	62.7x	50.4x	71.1x	103.9x	140.2x	114.2x	106.3x	#DIV/0!	20.0x	20.0x	20.0x	20.0x	20.0x	20.0x	20.0x
A/P Days Payable	11	18	27	20	20	17	27	32	49	40	45	50	45	40	45	50
Book & Cash Value (per share)																
Book Value per Share (diluted)	\$23.06	\$25.14	\$27.17	\$28.65	\$31.00	\$29.71	\$31.41	\$32.62	\$ 68.53	\$ 60.17	\$ 61.65	\$ 62.80	\$ 63.48	\$ 64.72	\$ 66.38	\$ 68.99
Net Cash per Share (diluted)	\$23.94	\$24.57	\$27.45	\$28.12	\$27.23	\$26.13	\$23.42	\$24.93	\$ (10.24)	\$ (7.26)	\$ (7.18)	\$ (4.74)	\$ (4.20)	\$ (1.93)	\$ (2.09)	\$ 1.82

Source: Company reports and Ascendant Capital Markets estimates

Take-Two Interactive Software Inc.

Cash Flow Statement (\$ millions)	Jun-20	Sep-20	Dec-20	Mar-21	2021	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	
Fiscal Year End: March 31	1QA	2QA	3QA	4QA	FY-A	1QA	2QA	3QA	4QA	FY-A	1QA	2QE	3QE	4QE	FY-E	1QE	2QE	3QE	4QE	FY-E	
Cash flows from operating activities:																					
Net Income	89	99	182	219	589	152	10	144	111	418	(104)	240	260	206	603	127	223	293	454	1,098	
Adjustment to reconcile net income (loss) to net cash used:					0					0					0					0	
Depreciation and amortization	12	14	150	(88)	89	28	34	(17)	16	61	135	17	17	17	186	17	17	17	17	68	
Loss on impairment of securities					0					0					0					0	
Non-recurring impairment charge					0					0					20					0	
Loss on disposal of fixed assets					0					0					0					0	
Change in deferred tax asset				11	11				8	8					0					0	
Gain on sale of subsidiary				(42)	(42)					0					0					0	
Loss on early extinguishment of debt					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					0					0					0	
Provision for doubtful accounts					0					0					15					20	
Amortization of software development & licenses	62	42	(104)	144	144	25	71	17	106	218	48	5	5	5	48	5	5	5	5	20	
Provision for inventory					0					0					0					0	
Other Charges	(3)	0	(38)	46	6	14	53	54	(6)	115	(14)	(5)	(5)	(5)	(29)	(5)	(5)	(5)	(5)	(20)	
Amortization of various expenses and discounts					0					0					69					0	
Deferred revenue	154	131	(76)	(56)	152	(95)	127	(22)	(42)	(31)	(160)			(160)						0	
Issuance of compensatory stock	53	45	41	(29)	110	49	47	46	40	183	44	5	5	5	59	5	5	5	5	20	
Tax benefit from exercise of stock options					0					0					0					0	
Changes in operating assets and liabilities:																					
Change in restricted cash					0					0					0					0	
Decrease in accounts receivable	(92)	(98)	209	28	47	75	(318)	157	68	(18)	215	104	(234)	174	258	(98)	135	(307)	143	(127)	
(Increase) decrease in inventories	(0)	(7)	1	9	3	6	(1)	1	(2)	4		(141)	(20)	(22)	(183)	38	(3)	(40)	9	4	
Increase in prepaid royalties					0					0					0					0	
Increase in prepaid expenses and other current assets	81	(15)	(115)	(9)	(59)	18	(53)	(88)	(84)	(208)	(68)	0	0	0	(68)	0	0	0	0	0	
Increase in capitalized software development	(60)	(62)	(22)	(76)	(221)	(86)	(177)	(113)	(78)	(454)	(104)	0	0	0	(104)	0	0	0	0	0	
Increase in other assets, net	5	(5)	0	4	5	5	(2)	(3)	0	0					0					0	
Increase in accounts payable	144	38	(67)	(36)	79	(42)	343	(441)	94	(46)	19	(190)	1	46	(124)	16	22	22	51	111	
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	
Net cash provided by operating activities	445	181	161	125	912	148	135	(265)	239	258	101	34	30	427	592	106	399	(9)	678	1,175	
Cash flows from investing activities:																					
Purchase of fixed assets	(9)	(16)	(15)	(29)	(69)	(86)	(25)	(22)	(25)	(159)	(43)	(17)	(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	(232)	(170)	281	(545)	(666)	170	(312)	(49)	661	471	363	0	0	0	363	0	0	0	0	0	
Investment in affiliates, other					0					0					0					0	
Acquisitions, net cash paid	(7)	(69)	(4)	8	(72)	(98)	(34)	(26)	(16)	(174)	(3,128)	0	0	0	(3,128)	0	0	0	0	0	
Cash paid for prior acquisitions					0			1	(0)	1					0					0	
Net cash used in investing activities	(247)	(255)	262	(566)	(807)	(14)	(370)	(96)	619	139	(2,807)	(17)	(17)	(17)	(2,858)	(17)	(17)	(17)	(17)	(68)	
Cash flows from financing activities:																					
Proceeds from private placement, net	7		8	(0)	14	9		10	(0)	0	11				0					0	
Net borrowings under lines of credit					0					0					0					0	
Proceeds from loan payable					0					0	3,249				3,249					0	
Repayments of loan payable					0		(0)	(0)	(12)	(12)	(1,189)				(1,189)					0	
Proceeds from notes payable					0					0					0					0	
Proceeds from minority interest					0					0					0					0	
Proceeds from the exercise of stock options	(39)	(10)	(12)	(11)	(72)	(48)	(5)	(6)	(5)	(64)	(54)				(54)					0	
Repayment of capital lease obligation					0					0					0					0	
Dividends to preferred stockholders					0					0					0					0	
Share buyback					0		(200)			(200)					0					0	
Tax benefit from exercise of stock options					0					0					0					0	
Net cash provided by financing activities	(32)	(10)	(5)	(11)	(57)	(39)	(205)	5	(17)	(257)	2,017	0	0	0	2,017	0	0	0	0	0	
Effect of foreign exchange rates	2	7	10	(0)	19	2	(3)	(2)	(3)	(5)	(15)				(15)					0	
Net Increase (Decrease) in Cash	168	(76)	428	(453)	67	97	(443)	(358)	838	135	(704)	17	13	410	(264)	89	382	(26)	661	1,107	
Cash at beginning of period	1,556	1,724	1,647	2,075	1,556	1,623	1,720	1,277	920	1,623	1,758	1,054	1,071	1,084	1,758	1,494	1,583	1,965	1,939	1,494	
Cash at end of period	1,724	1,647	2,075	1,623	1,623	1,720	1,277	920	1,758	1,758	1,054	1,071	1,084	1,494	1,494	1,583	1,965	1,939	2,600	2,600	

Source: Company reports and Ascendant Capital Markets estimates

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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	B	132.00
39	5/17/2018	B	128.00
40	8/3/2018	B	148.00
41	11/8/2018	B	150.00
42	2/7/2019	B	120.00
43	5/14/2019	B	123.00
44	8/6/2019	B	144.00
45	11/13/2019	B	146.00
46	2/9/2020	B	139.00
47	6/3/2020	B	154.00
48	8/10/2020	B	200.00
49	12/7/2020	B	220.00
50	2/21/2021	B	228.00
51	6/20/2021	B	216.00
52	9/13/2021	B	198.00
53	1/9/2022	B	191.00
54	4/13/2022	B	172.00
55	6/12/2022	B	160.00

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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 Rating System

Prior to January 31, 2014, ASCM used the following rating system:

Strong Buy: We expect the stock to provide a total return of 30% or more within a 12-month period.

Buy: We expect the stock to provide a total return of between 10% and 30% within a 12-month period.

Neutral: We expect the stock to provide a total return of between minus 10% and plus 10% within a 12-month period.

Sell: We expect the stock to provide a total return of minus 10% or worse within a 12-month period.

Speculative Buy: This rating is reserved for companies we believe have tremendous potential, but whose stocks are illiquid or whose equity market capitalizations are very small, often in the definition of a nano cap (below \$50 million in market cap). In general, for stocks ranked in this category, we expect the stock to provide a total return of 50% or more within a 12-month period. However, because of the illiquid nature of the stock's trading and/or the nano cap nature of the investment, we caution that these investments may not be suitable for all parties.

Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Distribution of Investment Ratings (as of July 14, 2022)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	41	98%	15	37%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	42	100%	15	36%

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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