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Changes	Previous	Current
Rating	--	Equal-Weight(Vol)
Target Price	--	\$130.00
Price:		\$140.51
Fully Diluted Shares Out (mil.):		113.94
52-Week High:		\$149.28
52-Week Low:		\$100.00
Market Cap (mil.):		\$16,010.1
Fiscal Year End:		Mar
Average Daily Volume:		2,233,802
Float:		98.9%
Debt/Cap:		6.5%
Cash/Shr:		\$22.33
Dividend/Yield:		\$0.00/0.0%
Book Value/Shr:		\$22.37

EPS	2020A	2021E	2022E
Jun	\$0.41A	\$0.95	\$0.45
Sep	\$0.63A	\$1.05	\$1.30
Dec	\$1.43A	\$1.35	\$1.26
Mar	<u>\$1.07A</u>	<u>\$0.72</u>	<u>\$0.60</u>
FY	\$3.54A	\$4.07	\$3.61
P/E	39.7x	34.5x	38.9x

Non-GAAP EPS	2020A	2021E	2022E
Jun	\$0.27A	\$1.53	\$0.67
Sep	\$1.93A	\$1.61	\$1.97
Dec	\$1.63A	\$0.67	\$1.37
Mar	<u>\$1.50A</u>	<u>\$0.43</u>	<u>\$0.67</u>
FY	\$5.32A	\$4.25	\$4.67
P/E	26.4x	33.1x	30.1x

**Rev.** \$2.99B \$2.91B \$2.97B

Take-Two Interactive Software, Inc. engages in the development, publishing, and marketing of interactive software games.

## Take-Two Interactive Software

TTWO – NASDAQ

### Equal-Weight (Volatile)

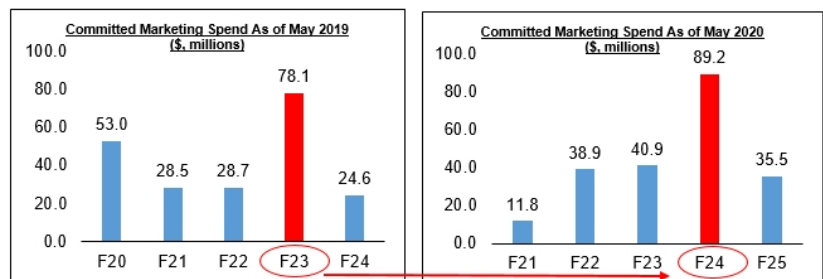
Reason for Report: Company Update

### Committed Marketing Footnote in 10-K Might Provide Insight Into GTA Timing

#### INVESTMENT CONCLUSION:

Each year TTWO's 10-K discloses minimum marketing commitments for the subsequent five fiscal years. In our [bull / bear note](#) in February we hypothesized that GTA VI was likely planned for F23 due to a spike in committed marketing spend for that year (see Figure 1). However, this year's 10-K seems to have shifted that spend from F23 to F24. We are not sure how much we should be reading into this shift, but we would note that this disclosure accurately predicted the launch of Red Dead Redemption 2 prior to that game's announcement. Management has spoken very confidently about the pipeline over the next five years and existing live services execution has been excellent. However, the timing of the next Grand Theft Auto remains top-of-mind for investors, particularly with the stock near all-time-highs.

Figure 1: TTWO Committed Marketing Spend by Fiscal Year



Source: Company Filings

See important disclosures and analyst certification on pages 2 - 3 of this report. To access current disclosures for other Stephens Inc. covered companies, clients may refer to <https://stephens2.bluematrix.com/sellside/Disclosures.action>.

## APPENDIX A

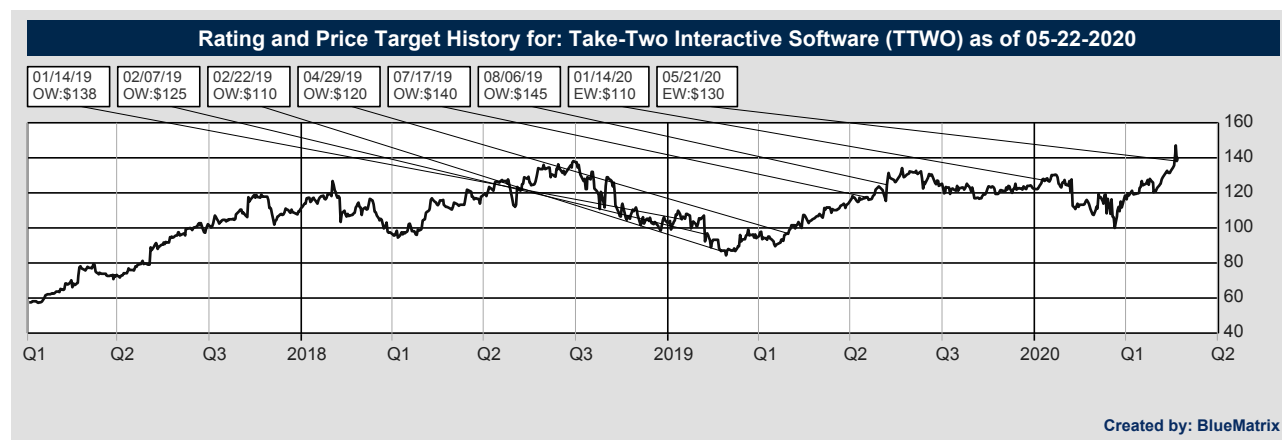
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The analyst primarily responsible for the preparation of the content of this report certifies that (i) all views expressed in this report accurately reflect the analyst's personal views about the subject company and securities, and (ii) no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the analyst in this report.

### REQUIRED DISCLOSURES

The research analyst principally responsible for preparation of this report has received compensation that is based on the firm's overall revenue which includes investment banking revenue.

Stephens Inc. maintains a market in the common stock of Take-Two Interactive Software as of the date of this report and may act as principal in these transactions.



### Valuation Methodology for Take-Two Interactive Software

In order to value the video game publishers we look at forward PE multiples. Our price target multiple reflects TTWO's strong franchises and improving underlying earnings power.

### Risks to Achievement of Target Price for Take-Two Interactive Software

**Franchise Concentration:** Despite the successful launch of Red Dead Redemption 2, Take-Two is still heavily dependent on Grand Theft Auto. In Fiscal 2018, over 90% of revenue came from TTWO's top 5 best-selling franchises.

**Economy:** Video gaming is a leisure activity and thus Take-Two relies on consumer discretionary spending for the majority of their revenues. In an economic downturn consumer spending will slow.

**Currency:** International sales make up ~40% of total sales, a substantial portion of which are denominated in local currencies. The majority of costs are in U.S. dollars thus the strengthening of the U.S. dollar will have an adverse effect on the business.

**Failure to develop new IP:** Take-Two has a stated goal of coming out with more new intellectual properties. This strategy increases risk due to the potential failure to gain popularity. Take-Two's track record with new IP is mixed (Evolve, Mafia, Battleborn underperformed while Borderlands, Bioshock and NBA 2K were hits).

**Competition:** The video game publishing market is highly competitive among a small number of large competitors. Additionally, new games such as Fortnite and PUBG can quickly rise to prominence and take engagement away from existing hits.

### Ratings Definitions

**OVERWEIGHT (O)** - The stock's total return is expected to be greater than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **EQUAL-WEIGHT (E)** - The stock's total return is expected to be equivalent to the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **UNDERWEIGHT (U)** - The stock's total return is expected to be less than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **VOLATILE (V)** - The stock's price volatility is potentially higher than that of the company's industry sector. The company stock ratings may reflect the analyst's subjective assessment of risk factors that could impact the company's business.

### Distribution of Stephens Inc. Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OW]	235	51.42	35	14.89
HOLD [EW]	210	45.95	35	16.67
SELL [UW]	12	2.63	3	25.00

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