

Take-Two Interactive

3FQ24 Results: Remain cautious due to lack of clarity on FY25 and FY26 pipeline

Reiterate Rating: NEUTRAL | PO: 170.00 USD | Price: 169.60 USD

3FQ a slight concern, but in line with Street & Guide

TTWO reported 3FQ Net Bookings of \$1.3bn, inline with Street/Guide but below BofA. GTA0, GTA 5, and Zynga IAP exceeded internal expectations, but overall RCS was -7% Y/Y (vs. -5% guide) because of weaker than expected NBA 2K in-game spending and a smaller installed base. This weakness is notable because TTWO guided to growth in NBA 2K, but management attribute it to old generation consoles. EBIT margin was inline.

FY24 cut a slight concern on further NBA 2K weakness

We already expected TTWO to push *Judas* out of FY25 (-\$150mn), but once again, weakness in *NBA 2K24* is a slight concern because TTWO now expects it to be in line with *NBA 2K23*, which is inconsistent with our assumption of consistent title-over-title growth in FY25 and beyond. GTA0 is expected to grow modestly. OpEx guidance rose slightly due an increased mobile advertising budget for *Match Factory!* a mobile game that has scaled to ~\$100mn annual bookings run rate in January.

FY25 guidance cut by ~\$1bn, BofA expects another cut

We doubt that TTWO will reaffirm its new guidance of “a little above \$7bn” (previously “not materially below \$8bn” and initially “at least \$8bn”) in May. We continue to believe that *GTA 6* will launch in Fall of 2025 (3FQ26), leaving a ~\$2bn hole in FY25 vs. the initial \$8bn guide, but our \$6.7bn top line forecast now includes a combination of *Borderlands 4* (+\$600mn), *Judas* (+\$150mn), and *Top Spin* (+\$100mn) and several smaller titles. Management was unable to talk about what games were in or out of the FY25 pipeline, and said it would give more details on its next results call, when it would discuss FY25, FY26, and FY27. Management maintained that FY26 bookings would exceed FY25, but did not confirm > \$8bn in FY26, deferring again to the May call.

Maintain PO, reiterate Neutral, do not buy the dip yet

Our PO is based on 20x EPS of \$8.62, the average of our FY25 & FY26 model. On [7 Dec 2023, we downgraded TTWO to Neutral, expecting a FY25 guidance cut](#). We advise uninvolved investors to wait until TTWO clarifies FY25 pipeline assumptions and FY26 Net Bookings expectation to engage. Without them, we think investors will be skeptical of mgmt’s FY25 & FY26 statements, and both [buyside and sell side estimates will become unanchored, as they were in November of 2022](#), thereby preventing a consensus from forming. We do not see significant downside risk from the after hours price of \$153.60, given that *GTA 6* has already been announced, and we thus remain Neutral.

Estimates (Mar) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	5.17	3.50	2.24	5.85	11.40
GAAP EPS	3.58	(7.03)	(6.39)	(0.95)	4.94
EPS Change (YoY)	-25.5%	-32.3%	-36.0%	161.2%	94.9%
Consensus EPS (Bloomberg)			3.13	7.34	8.46
DPS	0	0	0	0	0
Valuation (Mar)					
P/E	32.8x	48.5x	75.7x	29.0x	14.9x
GAAP P/E	47.4x	NM	NM	NM	34.3x
EV / EBITDA*	34.1x	27.5x	36.0x	17.9x	9.3x
Free Cash Flow Yield*	0.3%	-0.7%	-0.2%	1.2%	5.7%

* For full definitions of *IQmethod*SM measures, see page 13.

09 February 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E Rev (m)	5,460.0	5,274.2
2025E Rev (m)	6,246.7	6,766.7
2026E Rev (m)	10,680.9	9,930.9
2024E EPS	3.05	2.24
2025E EPS	4.94	5.85
2026E EPS	12.30	11.40

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Stock Data

Price	169.60 USD
Price Objective	170.00 USD
Date Established	17-Jul-2023
Investment Opinion	B-2-9
52-Week Range	107.92 USD - 171.59 USD
Mkrt Val (mn) / Shares Out (mn)	28,843 USD / 170.1
Free Float	98.6%
Average Daily Value (mn)	200.92 USD
BofA Ticker / Exchange	TTWO / NAS
Bloomberg / Reuters	TTWO US / TTWO.OQ
ROE (2024E)	4.4%
Net Dbt to Eqty (Mar-2023A)	10.0%
ESGMeter TM	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

Acronyms:

RCS: Recurrent Consumer Spending (aka In-Game spending)

IAP: In App Purchase

GTA: Grand Theft Auto

RDR: Red Dead Redemption

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Timestamp: 09 February 2024 06:43AM EST

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iQprofileSM Take-Two Interactive

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	15.8%	8.2%	4.0%	9.1%	16.4%
Return on Equity	16.9%	8.7%	4.4%	12.2%	22.1%
Operating Margin	21.1%	15.1%	10.6%	20.0%	25.9%
Free Cash Flow	99	(203)	(60)	340	1,634

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.4x	0x	0.2x	0.5x	0.9x
Asset Replacement Ratio	0.7x	0.6x	0.4x	0.4x	0.3x
Tax Rate	10.2%	15.9%	13.6%	18.0%	18.0%
Net Debt-to-Equity Ratio	-45.5%	10.0%	24.4%	20.6%	0.8%
Interest Cover	NM	5.6x	5.3x	12.5x	19.8x

Income Statement Data (Mar)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	3,408	5,284	5,274	6,767	9,931
% Change	-4.1%	55.0%	-0.2%	28.3%	46.8%
Gross Profit	1,984	3,365	3,483	4,447	6,093
% Change	-2.5%	69.6%	3.5%	27.7%	37.0%
EBITDA	933	1,157	884	1,778	3,404
% Change	-18.7%	24.0%	-23.6%	101.2%	91.4%
Net Interest & Other Income	(1)	(173)	(108)	(108)	(130)
Net Income (Adjusted)	604	561	386	1,020	2,005
% Change	-24.8%	-7.2%	-31.1%	164.3%	96.5%

Free Cash Flow Data (Mar)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	418	(1,125)	(1,087)	(161)	840
Depreciation & Amortization	214	359	325	426	829
Change in Working Capital	(682)	(856)	(1,008)	(1,116)	(1,465)
Deferred Taxation Charge	8	(411)	0	0	0
Other Adjustments, Net	299	2,034	1,844	1,347	1,648
Capital Expenditure	(159)	(204)	(134)	(156)	(218)
Free Cash Flow	99	-203	-60	340	1,634
% Change	-88.2%	NM	70.3%	NM	380.8%
Share / Issue Repurchase	(181)	65	38	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(12)	(1,367)	(990)	0	0

Balance Sheet Data (Mar)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	1,732	827	655	995	2,629
Trade Receivables	579	763	638	1,032	1,469
Other Current Assets	1,560	918	980	1,154	1,587
Property, Plant & Equipment	196	403	408	438	527
Other Non-Current Assets	2,433	12,951	12,184	11,631	9,982
Total Assets	6,501	15,862	14,865	15,249	16,194
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	2,105	3,852	2,820	2,991	2,697
Long-Term Debt	0	1,733	2,708	2,708	2,708
Other Non-Current Liabilities	632	1,235	912	1,212	962
Total Liabilities	2,737	6,820	6,440	6,911	6,366
Total Equity	3,810	9,043	8,425	8,338	9,828
Total Equity & Liabilities	6,546	15,862	14,865	15,249	16,194

* For full definitions of iQmethodSM measures, see page 13.

Company Sector

Interactive Media

Company Description

Take-Two is a publisher of video games for PC, Console, and Mobile platforms. It is headquartered in New York, with development studios located around the world. Key franchises include Grand Theft Auto, Red Dead, Civilization, Borderlands, Bioshock, and licensed sports products, such as NBA 2K. Zynga (acquired in May 2022) publishes numerous mobile games. Take Two operates through subsidiaries Rockstar Games, 2K Games, T2 Mobile, and Private Division.

Investment Rationale

TTWO is rolling out one of the largest PC/Console game pipelines in the history of video games. Its games each have 10s of millions of fans, and sales span multiple console generations, PC, and with the addition of Zynga (acquired in May 2022) potentially mobile phones. While the widely anticipated GTA 6 release should support multiple years of above market earnings growth & cash flow generation, a potential delay in the game's launch could keep the stock in holding pattern in the near term.

Stock Data

Average Daily Volume 1,184,661

Quarterly Earnings Estimates

	2023	2024
Q1	0.70A	NA
Q2	1.32A	NA
Q3	0.86A	NA
Q4	0.59A	NA

Results vs BofA Estimates

Exhibit 1: TTWO 24Q3 Results vs. BofA Estimates

Results vs. BofA Estimates

					Y/Y Growth			Q/Q Growth		
(\$Mn)	3Q24A	3Q24E	Variance (Abs.)	Variance %	Actual	Estimate	Variance %	Actual	Estimate	Variance %
Non-GAAP Income Statement										
Total Net Bookings	1,337.8	1,365.0	(27.2)	-2.0%	-3.3%	-1.3%	-2.0%	-7.4%	-5.5%	-1.9%
Cost of Revenue	451.6	448.6	3.1	0.7%	-7.3%	-7.9%	0.6%	-5.2%	-5.9%	0.6%
Gross Profit	886.2	916.5	(30.3)	-3.3%	-1.0%	2.3%	-3.4%	-8.5%	-5.4%	-3.1%
S&M	341.8	334.4	7.4	2.2%	-0.1%	-2.2%	2.2%	10.8%	8.4%	2.4%
R&D	197.1	204.8	(7.6)	-3.7%	-0.3%	3.6%	-3.9%	0.8%	4.7%	-3.9%
G&A	147.1	150.2	(3.0)	-2.0%	16.0%	18.4%	-2.4%	0.6%	2.7%	-2.1%
EBIT	167.9	186.2	(18.3)	-9.8%	-18.3%	-9.4%	-8.9%	-40.4%	-33.9%	-6.5%
EPS - Diluted	\$0.71	\$0.73	(\$0.02)	(\$0.03)	(\$0.18)	(\$0.15)	(\$0.03)	(\$0.42)	(\$0.40)	(\$0.02)
Segments										
Recurrent Consumer Spending	1,003.1	1,075.0	(71.9)	-6.7%	-7.0%	-0.3%	-6.7%	-10.4%	-4.0%	-6.4%
Full Game	334.7	290.0	44.7	15.4%	10.0%	-4.7%	14.7%	2.9%	-10.9%	13.7%
% of Revenue										
Gross Margin	66.2%	67.1%	-	-90 bps	1.5%	2.4%	-9 bps	-0.8%	0.1%	-9 bps
S&M	25.5%	24.5%	-	105 bps	0.8%	-0.2%	10 bps	4.2%	3.2%	10 bps
R&D	14.7%	15.0%	-	-27 bps	0.4%	0.7%	-3 bps	1.2%	1.5%	-3 bps
G&A	11.0%	11.0%	-	0 bps	1.8%	1.8%	0 bps	0.9%	0.9%	0 bps
EBIT	12.6%	13.6%	-	-109 bps	-2.3%	-1.2%	-11 bps	-7.0%	-5.9%	-11 bps

Source: BofA Global Research, Company Reports

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Exhibit 2: BofA Forecasts vs Street, FY23A to FY26E

We raise FY25 topline forecast to include Borderlands 4 & Top Spin, partially offset by some assumed softness in mobile advertising

	2023	24FQ1	24FQ2	24FQ3	24FQ4E	2024E	2025E	2026E
Net Bookings								
B of A (After)	5,284	1,202	1,445	1,338	1,290	5,274	6,767	9,931
B of A (Before)				1,365	1,449	5,460	6,247	10,681
STREET				1,334	1,525	5,507	7,912	8,226
Delta vs. STREET				0.3%	-15.4%	-4.2%	-14.5%	20.7%
GUIDE (Midpoint)				1,325	1,291	5,275	7,000	-
Net Bookings YoY Growth %								
B of A (After)	55.0%	17.2%	-4.0%	-3.3%	-7.4%	-0.2%	28.3%	46.8%
B of A (Before)				-1.3%	4.0%	3.3%	14.4%	71.0%
STREET				-3.5%	9.4%	4.2%	43.7%	4.0%
Delta vs. STREET				0.3%	-16.9%	-4.4%	-15.4%	42.8%
GUIDE (Midpoint)						(0.2%)	32.7%	
Net Bookings - Full Game								
B of A (After)	1,182	192	325	335	255	1,107	2,129	4,040
B of A (Before)				290	314	1,121	1,429	4,640
STREET				303	411	1,233	3,078	2,526
Delta vs. STREET				10.6%	-37.9%	-10.2%	-30.8%	60.0%
GUIDE (Midpoint)				313	255	1,108		
Net Bookings - Full Game YoY Growth %								
B of A (After)	-4.0%	-29.0%	8.1%	10.0%	-16.8%	-6.4%	92.3%	89.8%
B of A (Before)				-4.7%	2.3%	-5.2%	27.5%	224.7%
STREET				-0.6%	33.9%	4.2%	149.7%	-18.0%
Delta vs. STREET				10.6%	-50.7%	-10.6%	-57.5%	107.7%
GUIDE (Midpoint)						-6.3%		
Net Bookings - RCS total								
B of A (After)	4,101	1,009	1,120	1,003	1,035	4,167	4,638	5,891
B of A (Before)				1,075	1,135	4,339	4,818	6,041
STREET				1,031	1,115	4,274	4,833	5,700
Delta vs. STREET				-2.7%	-7.1%	-2.5%	-4.0%	3.3%
GUIDE (Midpoint)				1,025	1,035	4,167		
Net Bookings - RCS YoY Growth %								
B of A (After)	88.4%	37.9%	-7.0%	-7.0%	-4.8%	1.6%	11.3%	27.0%
B of A (Before)				-0.3%	4.4%	5.8%	11.0%	25.4%
STREET				-4.4%	2.6%	4.2%	13.1%	17.9%
Delta vs. STREET				-2.6%	-7.3%	-2.6%	-1.8%	9.1%
GUIDE (Midpoint)						1.6%		
Net Bookings - RCS PC/Console								
B of A (After)	1,599	320	458	305	375	1,458	1,688	2,324
B of A (Before)				375	405	1,557	1,688	2,324
STREET				349	391	1,511	1,974	2,660
Delta vs. STREET				-12.4%	-4.0%	-3.5%	-14.5%	-12.6%
GUIDE (Midpoint)				-	-	1,477		
Net Bookings - RCS PC/Console YoY Growth %								
B of A (After)	-9.8%	-11.7%	-6.8%	-16.5%	-1.5%	-8.9%	15.8%	37.7%
B of A (Before)				2.6%	6.4%	-2.6%	8.4%	37.7%
STREET				-4.6%	2.6%	-5.5%	30.7%	34.7%
Delta vs. STREET				-11.9%	-4.1%	-3.3%	-14.9%	3.0%
GUIDE (Midpoint)						-7.6%		
Net Bookings - RCS Mobile Combined								
B of A (After)	2,502	690	662	698	660	2,709	2,950	3,567
B of A (Before)				700	730	2,782	3,130	3,717
STREET				683	724	2,764	2,859	3,041
Delta vs. STREET				2.2%	-8.8%	-2.0%	3.2%	17.3%
GUIDE (Midpoint)				-	-	2,690		

Exhibit 2: BofA Forecasts vs Street, FY23A to FY26E

We raise FY25 topline forecast to include Borderlands 4 & Top Spin, partially offset by some assumed softness in mobile advertising

	2023	24FQ1	24FQ2	24FQ3	24FQ4E	2024E	2025E	2026E
Net Bookings - RCS Mobile YoY Growth %								
B of A (After)	518.5%	86.5%	-7.2%	-2.1%	-6.5%	8.3%	8.9%	20.9%
B of A (Before)				-1.9%	3.4%	11.2%	12.5%	18.8%
STREET				-4.3%	2.5%	10.5%	3.5%	6.4%
Delta vs. STREET				2.1%	-9.1%	-2.2%	5.4%	14.6%
GUIDE (Midpoint)						7.5%		
Total OpEx								
B of A (After)	2,567	715	687	718	805	2,925	3,095	3,518
B of A (Before)				730	742	2,874	2,983	3,770
STREET				736	769	2,907	3,218	3,235
Delta vs. STREET				-2.4%	4.7%	0.6%	-3.8%	8.8%
GUIDE (Midpoint)				734	805	2,926		
Total OpEx Y/Y %								
B of A (After)	102.8%	44.2%	-0.1%	4.1%	16.1%	13.9%	5.8%	13.7%
B of A (Before)				5.8%	7.0%	11.9%	3.8%	26.4%
STREET				6.6%	10.9%	13.4%	10.7%	0.5%
Delta vs. STREET				-2.5%	5.2%	0.6%	-4.9%	13.1%
GUIDE (Midpoint)						14.0%		
EBIT Non-GAAP								
B of A (After)	798	72	282	168	38	559	1,352	2,575
B of A (Before)				186	207	747	1,179	2,783
STREET				177	227	758	1,672	2,022
Delta vs. STREET				-5.0%	-83.5%	-26.3%	-19.1%	27.4%
GUIDE (Midpoint)						561		
EBIT Margin % Non-GAAP								
B of A (After)	15.1%	6.0%	19.5%	12.6%	2.9%	10.6%	20.0%	25.9%
B of A (Before)				13.6%	14.3%	13.7%	18.9%	26.1%
STREET				13.2%	14.9%	13.8%	21.1%	24.6%
Delta vs. STREET				-0.7%	-12.0%	-3.2%	-1.1%	1.3%
GUIDE (Midpoint)						10.6%		
Diluted EPS Non-GAAP								
B of A (After)	\$3.50	\$0.27	\$1.22	\$0.71	\$0.05	\$2.24	\$5.85	\$11.40
B of A (Before)				\$0.73	\$0.81	\$3.05	\$4.94	\$12.30
STREET				\$0.71	\$0.95	\$3.17	\$7.23	\$8.77
Delta vs. STREET				0.3%	(94.7%)	(29.3%)	(19.1%)	29.9%
GUIDE (Midpoint)								
Operating Cash Flow								
B of A (After)	1	5	65	(77)	81	74	495	1,853
B of A (Before)				(70)	102	101	575	1,980
STREET				51	59	109	1,220	1,956
Delta vs. STREET				-250.4%	37.1%	-32.2%	-59.4%	-5.3%
GUIDE (Midpoint)						90	-	-
Free Cash Flow								
B of A (After)	(203)	(27)	36	(113)	42	(60)	340	1,634
B of A (Before)				(111)	58	(43)	431	1,745
STREET				2	16	(41)	864	1,756
Delta vs. STREET				-5349.8%	171.8%	47.0%	-60.7%	-7.0%
GUIDE (Midpoint)								

Source: Company Reports, BofA Global Research, Visible Alpha

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Exhibit 3: Combined Entity Bookings Forecasts (BofA)

We expect growth in Zynga to be driven primarily by new games through FY25E, with Full Game growth driven by the launch of Borderlands 4, Judas, and Top Spin

	FY23	24FQ1	24FQ2	24FQ3	24FQ4	FY24E	FY25E	FY26E
Total Net Bookings	5,284	1,202	1,445	1,338	1,290	5,274	6,767	9,931
Of Which Combined RCS	4,101	1,009	1,120	1,003	1,035	4,167	4,638	5,891
Of Which Combined PC/Console	1,599	320	458	305	375	1,458	1,688	2,324
Of Which Combined Mobile	2,502	690	662	698	660	2,709	2,950	3,567
Of Which Advertising	614	189	180	158	150	677	670	750
Of Which IAP	1,888	501	482	540	510	2,033	2,280	2,817
Of Which Zynga IAP	1,529	412	400	415	410	1,637	1,820	2,167
Of Which TTWO legacy mobile	359	89	82	105	60	336	360	400
Of Which Revenue Synergies	-	-	-	20	40	60	100	250
Of Which Full Game	1,182	192	325	335	255	1,107	2,129	4,040
Total Net Bookings (Pro Forma) Y/Y %	-9%	-12%	-4%	-3%	-7%	-7%	28%	47%
Of Which Combined RCS Y/Y %	-10%	-7%	-7%	-7%	-5%	-7%	11%	27%
Of Which Combined PC/Console Y/Y %	-10%	-12%	-7%	-16%	-2%	-9%	16%	38%
Of Which Combined Mobile Y/Y %	-11%	-5%	-7%	-2%	-7%	-5%	9%	21%
Of Which Advertising Y/Y % (Zynga)	16%	11%	3%	-10%	-17%	-3%	-1%	12%
Of Which IAP Y/Y %	-17%	-10%	-10%	1%	-3%	-6%	12%	24%
Of Which Zynga IAP Y/Y %	-18%	-13%	-10%	-7%	-6%	-9%	11%	19%
Of Which TTWO legacy mobile Y/Y %	-11%	7%	-12%	15%	-34%	-7%	7%	11%
Of Which Revenue Synergies Y/Y %							67%	150%
Of Which Full Game Y/Y %	-4%	-29%	8%	10%	-17%	-6%	92%	90%
Total Net Bookings (Pro Forma) Mix %	100%	100%	100%	100%	100%	100%	100%	100%
Of Which Combined RCS Mix %	79%	84%	77%	75%	80%	79%	69%	59%
Of Which Combined PC/Console Mix %	28%	27%	32%	23%	29%	28%	25%	23%
Of Which Combined Mobile Mix %	51%	57%	46%	52%	51%	51%	44%	36%
Of Which Advertising Mix %	12%	16%	12%	12%	12%	13%	10%	8%
Of Which IAP Mix %	38%	42%	33%	40%	40%	39%	34%	28%
Of Which Zynga IAP Mix %	32%	34%	28%	31%	32%	31%	27%	22%
Of Which TTWO legacy mobile Mix %	6%	7%	6%	8%	5%	6%	5%	4%
Of Which Revenue Synergies Mix %	0%	0%	0%	1%	3%	1%	1%	3%
Of Which Full Game Mix %	21%	16%	23%	25%	20%	21%	31%	41%

Source: Company Reports, BofA Global Research, Visible Alpha

BofA GLOBAL RESEARCH

Exhibit 4: Grand Theft Auto 6 Revenue and Profit Forecasts, FY26E to FY30E

We forecast \$550Mn of incremental Net Income from GTA 6 in FY26, based on 35Mn units sold, 26Mn GTAO MAUs, and 45% Rockstar profit share

(figures in Millions, excl. *)		FY26E	FY27E	FY28E	FY29E	FY30E
Z + Q = R	Incremental Cash Flow	\$1,099	\$875	\$783	\$718	\$560
	Incremental EPS	\$3.1	\$3.2	\$3.1	\$3.1	\$2.7
	WA Diluted Shares Outstanding	176	176	176	176	176
O x (1-P) = Q	NOPAT	\$550	\$564	\$549	\$539	\$482
P	Effective Tax Rate	18.0%	18.0%	18.0%	18.0%	18.0%
M - N = O	TTWO Profit Share (est. 55%)	\$671	\$687	\$670	\$658	\$587
N	Rockstar Profit Share (est. 45%)	\$549	\$562	\$548	\$538	\$481
K - L = M	Profit (GTA VI + GTAO)	\$1,220	\$1,250	\$1,218	\$1,196	\$1,068
L	Total Expenses	\$1,321	\$781	\$601	\$493	\$342
	GTAO Expenses	\$142	\$198	\$208	\$219	\$230
	of which RCS COGS	\$35	\$50	\$52	\$55	\$57
	of which OpEx	\$106	\$149	\$156	\$164	\$172
	GTA 6 Units S&M + R&D + G&A	\$380	\$190	\$95	\$48	\$13
Z	GTA 6 Amortization	\$549	\$311	\$233	\$178	\$78
	GTA 6 COGS	\$250	\$81	\$65	\$48	\$21
	of which Product Cost Console Phys.	\$160	\$39	\$35	\$24	\$10
	of which Product Cost Console Digital	\$90	\$26	\$26	\$20	\$9
	of which Product Cost PC	\$0	\$16	\$4	\$3	\$1
J + F = K	Net Bookings (GTA VI + GTAO)	\$2,540	\$2,030	\$1,820	\$1,689	\$1,410
H x I = J	Net Bookings RCS (GTAO)	\$709	\$992	\$1,042	\$1,094	\$1,149
I	Net Bookings RCS/MAU*	\$27.0	\$35.0	\$35.0	\$35.0	\$35.0
H	GTAO MAUs	26.3	28.4	29.8	31.3	32.8
	GTAO MAU Attach Rate	75%	52%	43%	38%	35%
G x F	Net Bookings Per Year (GTA VI)	\$1,832	\$1,038	\$778	\$595	\$261
G	ASP	\$52.5	\$52.5	\$52.5	\$44.1	\$26.3
F	Units Per Year	35	20	15	13	10
C + D = E	Units Console + PC Lifetime	35	55	70	83	93
C x 25% = D	Units PC Lifetime	-	6	8	9	10
A x B = C	Units Console Lifetime	35	49	62	74	83
B	Penetration Lifetime (Gen 9 only)	29.4%	40.0%	50.0%	58.7%	64.7%
A	Xbox X/S + PS5 Installed Base	119.1	121.7	123.7	125.7	127.7

Source: BofA Global Research, Company Reports, IDC; Note: NOPAT = Net Operating Profit After Tax

BofA GLOBAL RESEARCH

Exhibit 5: BofA TTWO Bookings Assumptions by Label, FY24E to FY26E

Growth in FY25 will be driven by planned releases in 2K & Zynga

	Bookings (\$Mn)		
	FY24	FY25	FY26
Consolidated	FY24E	FY25E	FY26E
Consolidated Bookings Forecast	5,275	6,766	9,931
of which Full Game	1,107	2,129	4,040
of which Recurrent Consumer Spending	4,167	4,638	5,891
Rockstar (Bottom Up)	842	735	3,016
of which Full Game	300	215	2,187
of which Recurrent Consumer Spending	542	520	829
2K (Bottom Up)	1,758	3,103	3,360
of which Full Game	687	1,790	1,705
of which Recurrent Consumer Spending	1,071	1,313	1,655
T2 Mobile + Private Division (Bottom Up)	2,675	2,929	3,555
of Which Private Division Full Game	121	124	148
of Which T2 Mobile Games	2,554	2,805	3,407
PC/Console RCS	1,458	1,688	2,324
Total Mobile	2,709	2,950	3,567

Source: BofA Global Research

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Exhibit 6: BofA Rockstar Bookings Assumptions, FY24E to FY26E

GTA 6 is likely to launch in FY26, as well as Max Payne Remake, published by Remedy. We expect FY25 to be a light release year for Rockstar

Rockstar	FY24	FY25	Bookings (\$Mn)			Units (Mn)			ASP (\$)		
			FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Total Rockstar (Bottom Up)			842	735	3,016						
GTA 6 Purchase	1				1,832	-	-	34.9	21.6	52.5	52.5
GTAO 6 VC		1			709						
GTA 5 Purchase	1		160	100	5	7.4	4.6	0.2	21.6	21.6	21.6
GTAO 5 VC (incl. GTA+)		1	362	380							
GTA 3P Deals		1	110	120	100						
RDR2 Purchase	1		55	20	20	2.5	0.9	0.9	21.6	21.6	21.6
RDO		1	20	20	20						
Other			135	95	330						
Of Which GTAO Standalone (\$20)		1	30			2.0	-	-	15.0	15.0	15.0
Of Which GTA 5 Enhanced (iteration)	1		75	5		3.3	0.2	-	22.5	22.5	22.5
Of Which GTA San Andreas VR (iteration)				90	30		1.8	0.6		49.5	49.5
Of Which GTA 4 Remaster (iteration)	1					-	-	-	48.3	49.5	49.5
Of Which RDR1 Remaster (Immersive)	1		10			0.3	-	-	36.0	36.0	36.0
Of Which Max Payne Remake (Iteration)	1				300	-	-	6.1	48.3	49.5	49.5
Of Which LA Noire (NYA, Immersive)	1					-	-	-	48.3	49.5	49.5
Of Which Midnight Club (NYA, Immersive)	1					-	-	-	48.3	49.5	49.5
Of Which Unknown Immersive	1					-	-	-	48.3	49.5	49.5
Of Which Other RCS		1									
Of Which Other			20								
Of Which GTA Trilogy Mobile		1	20								

Source: BofA Global Research

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Exhibit 7: BofA 2K Bookings Assumptions, FY24E to FY26E

Many 2K titles are in development, but timing is unknown: Judas, BioShock 4, Mafia 4 and Civilization 7 were confirmed by 2K; Borderlands 4 is unconfirmed, but heavily implied by developer Gearbox CEO's comments

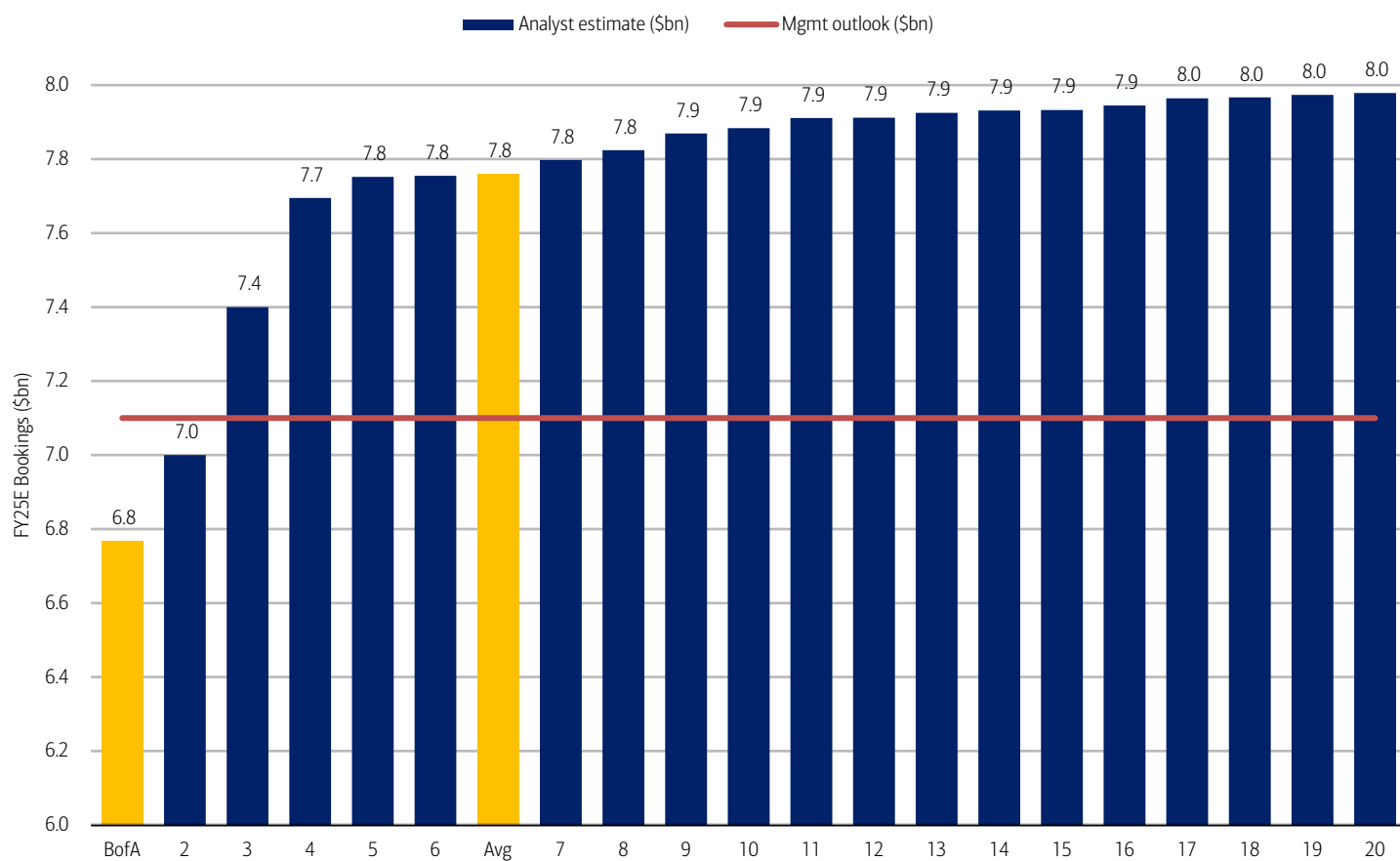
2K	PL	RC	Bookings (\$Mn)			Units (Mn)			ASP (\$)		
			FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Total 2K (Bottom Up)			1,758	3,103	3,360						
NBA 2K Purchase (Immersive)	1		462	520	515	11.6	12.7	12.6	39.7	40.8	40.8
NBA 2K VC		1	766	868	915						
NBA 2K Online		1	120	130	150						
NBA 2K 3P Deals		1	40	50	100						
Other			370	1,535	1,680						
Of Which Borderlands/Tiny Tina (Immersive)	1			600			12.1	-	48.3	49.5	49.5
Of Which Borderlands/Tiny Tina (DLC)		1									
Of Which Marvel's Midnight Suns (Immers)	1		-			-	-	-	26.7	27.9	27.9
Of Which The Quarry (Immers)	1		-			-	-	-	26.7	27.9	27.9
Of Which WWE2K (Immersive)	1		100	100	100	2.1	2.0	2.0	48.3	49.5	49.5
Of Which PGA Tour 2K (Immersive)	1		-	100	100	-	2.0	2.0	26.7	49.5	49.5
Of Which WWE Battlegrounds (arcade)	1		5	10	10	0.3	0.7	0.7	14.4	14.4	14.4
Of Which NBA Playgrounds 3 (arcade)	1				20	-	-	1.4	14.4	14.4	14.4
Of Which NFL 2K (Arcade)	1			20	40	-	1.4	2.8	14.4	14.4	14.4
Of Which Top Spin 2K	1			100			2.0	-		49.5	27.9
Of Which LEGO 2K Drive	1		120	40	10	2.9	1.4	0.4	41.8	27.9	27.9
Of Which LEGO 2K RCS		1	10	20	30						
Of Which Sid Meier Civilization (NYA, Immers)	1			150	100	-	3.0	3.6	48.3	49.5	27.9
Of Which Mafia 2K (Immersive)	1				400		-	8.1		49.5	49.5
Of Which BioShock 4 2K (NYA, Immers)	1				400		-	8.1		49.5	49.5
Of Which Judas (Immersive)	1			150	10	-	5.4	0.4	48.3	27.9	27.9
Of Which FTP 1 31st Union (Immersive)		1		100	100						
Of Which FTP 2 (Immersive)		1			100						
Of Which FTP 3		1			100						
Of Which Other			135	145	160						
Of Which WWE Supercard Mobile		1	50	60	70						
Of Which NBA 2K Mobile		1	85	85	90						

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 8: 20 Sell-side Analyst Estimates of FY25 Bookings

Street FY25 Bookings forecasts are due for a reset lower as almost every other sell-side analyst (except BofA) anchors their estimate on management's prior guidance of just under \$8bn



Source: FactSet, BofA Global Research

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Exhibit 9: Global Diversified (PC/Console + Mobile) Game Publisher Comparable Company Analysis

Our comp set includes global Diversified Video Game Publishers

			EV/Sales			Sales	EV/EBIT			P/E			EPS	EV/EBITDA	
Company	Ticker	Price	(Consensus)			CAGR	(Consensus)			(Consensus)			CAGR	(Consensus)	
			CY23	CY24	CY25	CY22-CY24	CY23	CY24	CY25	CY23	CY24	CY25	CY22-CY24	CY23	CY24
Index			3.2x	2.8x	2.6x	8%	15.9x	12.7x	11.2x					13.6x	11.0x
Square Enix	9684 JP	¥6,218.00	1.5x	1.5x	1.5x	(2%)	11.5x	9.2x	9.7x	20.7x	18.0x	19.2x	(8%)	9.7x	8.2x
Take Two	TTWO US	\$169.57	6.0x	4.2x	4.1x	22%	44.1x	20.0x	16.4x	53.8x	23.2x	18.7x	45%	37.8x	18.6x
Bandai Namco	7832 JP	¥3,026.00	1.7x	1.6x	1.6x	0%	13.7x	12.3x	11.5x	21.1x	19.2x	17.8x	7%	11.4x	10.1x
Koei Tecmo	3635 JP	¥1,796.50	6.6x	6.1x	5.9x	6%	17.6x	14.8x	13.9x	16.7x	17.8x	16.9x	1%	17.1x	14.5x
Netease Inc	9999 HK	HK\$163.40	3.6x	3.2x	2.9x	7%	13.1x	11.7x	10.2x	15.0x	14.7x	13.4x	19%	11.9x	10.4x
Embracer	EMBRACB SS	19.16 kr	0.9x	0.9x	0.8x	11%	5.4x	4.8x	4.5x	4.7x	4.7x	4.0x	0%	3.5x	3.2x
Median			2.6x	2.4x	2.3x	6%	13.4x	12.0x	10.8x	18.7x	17.9x	17.3x	4%	11.6x	10.3x
Average			3.4x	2.9x	2.8x	7%	17.6x	12.1x	11.0x	22.0x	16.3x	15.0x	11%	15.2x	10.8x

Source: Bloomberg, FactSet

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Price objective basis & risk

Take-Two Interactive (TTWO)

Our price objective of \$170, is based on 20x the average of FY25E & FY26E EPS estimates. Our target P/E multiple is above the weighted average P/E valuation of our comp set of large game publishers, justified by higher earnings growth potential & FCF generation in FY26 and beyond after the launch of GTA 6.

Upside risks to our price objective are: (1) confirmation of FY25 guidance through summer '24, (2) a gameplay trailer by Rockstar indicating an "early '25" launch, (3) media hype cycle drives retail and institutional FOMO-driven momentum rally, (4) Zynga performance suddenly accelerates. Downside risks to our price objective emanate mainly from a delay of GTA VI launch beyond FY26, re-degradation of mobile game performance, and the lack of new games launching, when we expect them to and in the revenue level we expect, as indicated in our research.

Analyst Certification

I, Omar Dessouky, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alphabet	GOOGL	GOOGL US	Justin Post
	Alphabet	GOOG	GOOG US	Justin Post
	Amazon.com	AMZN	AMZN US	Justin Post
	AppLovin	APP	APP US	Omar Dessouky, CFA
	DoorDash	DASH	DASH US	Michael McGovern
	DoubleVerify Holdings, Inc.	DV	DV US	Omar Dessouky, CFA
	Electronic Arts	EA	EA US	Omar Dessouky, CFA
	Integral Ad Science Holding Corp.	IAS	IAS US	Omar Dessouky, CFA
	LegalZoom	LZ	LZ US	Michael McGovern
	Match Group	MTCH	MTCH US	Curtis Nagle, CFA
	Meta Platforms Inc	META	META US	Justin Post
	Pinterest	PINS	PINS US	Justin Post
	RH	RH	RH US	Curtis Nagle, CFA
	Roblox Corp. Class A	RBLX	RBLX US	Omar Dessouky, CFA
	Squarespace, Inc.	SQSP	SQSP US	Michael McGovern
	Uber	UBER	UBER US	Justin Post
	Udemy Inc	UDMY	UDMY US	Curtis Nagle, CFA
	Vivid Seats	SEAT	SEAT US	Curtis Nagle, CFA
	Wayfair	W	W US	Curtis Nagle, CFA
	Wix.com	WIX	WIX US	Michael McGovern
NEUTRAL				
	ACV Auctions	ACVA	ACVA US	Curtis Nagle, CFA
	Airbnb	ABNB	ABNB US	Justin Post
	Beyond Inc	BYON	BYON US	Curtis Nagle, CFA
	Booking Holdings Inc	BKNG	BKNG US	Justin Post
	Bumble	BMBL	BMBL US	Curtis Nagle, CFA
	Digital Turbine, Inc	APPS	APPS US	Omar Dessouky, CFA
	Duolingo	DUOL	DUOL US	Curtis Nagle, CFA
	eBay	EBAY	EBAY US	Justin Post
	Etsy, Inc.	ETSY	ETSY US	Curtis Nagle, CFA
	Expedia	EXPE	EXPE US	Justin Post
	Instacart	CART	CART US	Justin Post
	Magnite, Inc.	MGNI	MGNI US	Omar Dessouky, CFA
	Snap	SNAP	SNAP US	Justin Post
	Take-Two Interactive	TTWO	TTWO US	Omar Dessouky, CFA

US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Zillow	ZG	ZG US	Curtis Nagle, CFA
	Zillow	Z	Z US	Curtis Nagle, CFA
UNDERPERFORM				
	Chewy Inc	CHWY	CHWY US	Curtis Nagle, CFA
	Lyft, Inc.	LYFT	LYFT US	Michael McGovern
	Opendoor Technologies	OPEN	OPEN US	Curtis Nagle, CFA
	Peloton	PTON	PTON US	Curtis Nagle, CFA
	Playtika	PLTK	PLTK US	Omar Dessouky, CFA
	Redfin Corp	RDFN	RDFN US	Curtis Nagle, CFA
	Shutterstock	SSTK	SSTK US	Curtis Nagle, CFA

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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Disclosures

Important Disclosures

Take-Two (TTWO) Price Chart



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Equity Investment Rating Distribution: Media & Entertainment Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	35	53.85%	Buy	15	42.86%
Hold	15	23.08%	Hold	8	53.33%
Sell	15	23.08%	Sell	7	46.67%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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