

Take-Two Interactive

24FQ3 Preview: FY25 guide still the main focus; FY24 mobile starting to matter

Reiterate Rating: NEUTRAL | PO: 170.00 USD | Price: 168.02 USD

Pipeline unnoticed, like standing next to a super model

We reiterate our Neutral rating on TTWO, driven by our out-of-consensus view that FY25 guidance will be cut due to a later than implied launch of GTA 6. Topics other than GTA 6 were barely debated in investor conversations post our [7 December 2023 downgrade](#). The fanfare surrounding potential FY25 titles such as *Civilization VI*, *Judas*, and even *Borderlands 4* pale in comparison to GTA 6 (171mn trailer views to date, \$2.5bn FY26 revenues per BofA). With T2 Mobile (fka Zynga) driving almost all of our FY25 OCF model (\$575mn), we think scrutiny of upcoming launches will rise, with expectations for at least \$280mn (BofA est.) coming from new games.

FY24 lower on *Judas* pushout; Mobile, GTA backlog better

We see potential for a 3FQ beat because: 1) [BofA proprietary Card Data suggests +10% Y/Y in US household PC/Console game spend \(incl. hardware\)](#), well above Street expectations (-4% Y/Y), 2) several data points suggest rising GTA V sales since GTA VI's trailer drop, and 3) Mobile likely performed better than expected on contribution from new games & *GTA The Trilogy* licensing revenue (est. \$80mn/year). We lower FY24 Net Bookings forecast assuming a pushout of *Judas* (-\$120mn) into FY25.

FY25 guide could be reiterated thru Fall and still cut

It is not a foregone conclusion that TTWO will cut FY25 guidance, and we don't expect a cut on the 24FQ3 call. Using historical precedent as a guide, TTWO could reaffirm FY25 guidance as late as fall 2024, and still cut guidance: Rockstar announced the delay of *Red Dead Redemption 2*, only two months before its intended launch of "Spring of 2018." It had confirmed the Spring launch date only four months before it announced the delay on 1 Feb 2018. May or August are the most likely times for an announcement in our view.

Maintain Neutral on lack of near-term catalysts; PO 170

Our PO is based on 20x the average of FY25 & FY26 EPS of \$8.61 (unchanged). Our valuation is above large publisher peers given above-market earnings growth & FCF post GTA 6 launch. Moreover, we note that our SOTP valuation of T2 Mobile (7x F25 EBITDA) is above pure mobile gaming comps (6x avg), justified by a more robust game pipeline.

Estimates (Mar) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	5.17	3.50	3.05	4.94	12.30
GAAP EPS	3.58	(7.03)	(6.42)	(1.82)	5.64
EPS Change (YoY)	-25.5%	-32.3%	-12.9%	62.0%	149.0%
Consensus EPS (Bloomberg)			3.14	7.32	8.46
DPS	0	0	0	0	0
Valuation (Mar)					
P/E	32.5x	48.0x	55.1x	34.0x	13.7x
GAAP P/E	46.9x	NM	NM	NM	29.8x
EV / EBITDA*	33.8x	27.2x	29.0x	20.8x	8.5x
Free Cash Flow Yield*	0.3%	-0.7%	-0.2%	1.5%	6.1%

* For full definitions of *IQmethod*SM measures, see page 12.

30 January 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E Rev (m)	5,530.0	5,460.0
2025E Rev (m)	6,176.7	6,246.7
2024E EPS	3.07	3.05
2025E EPS	4.92	4.94

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Stock Data

Price	168.02 USD
Price Objective	170.00 USD
Date Established	17-Jul-2023
Investment Opinion	B-2-9
52-Week Range	104.13 USD - 169.56 USD
Mrkt Val (mn) / Shares Out (mn)	28,575 USD / 170.1
Free Float	98.6%
Average Daily Value (mn)	302.49 USD
BofA Ticker / Exchange	TTWO / NAS
Bloomberg / Reuters	TTWO US / TTWO.OQ
ROE (2024E)	6.0%
Net Dbt to Eqty (Mar-2023A)	10.0%

ESGMeterTM

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:

GTA: Grand Theft Auto

SOTP: Sum-of-the-Parts

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Refer to important disclosures on page 13 to 15. Analyst Certification on page 11. Price Objective Basis/Risk on page 11.

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Timestamp: 30 January 2024 05:00AM EST

iQprofileSM Take-Two Interactive

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	15.8%	8.2%	5.5%	8.0%	17.8%
Return on Equity	16.9%	8.7%	6.0%	10.4%	24.2%
Operating Margin	21.1%	15.1%	13.7%	18.9%	26.1%
Free Cash Flow	99	(203)	(43)	431	1,745

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.4x	0x	0.2x	0.7x	0.9x
Asset Replacement Ratio	0.7x	0.6x	0.4x	0.4x	0.3x
Tax Rate	10.2%	15.9%	10.8%	18.0%	18.0%
Net Debt-to-Equity Ratio	-45.5%	10.0%	24.1%	19.6%	-1.5%
Interest Cover	NM	5.6x	6.2x	9.2x	21.4x

Income Statement Data (Mar)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	3,408	5,284	5,460	6,247	10,681
% Change	-4.1%	55.0%	3.3%	14.4%	71.0%
Gross Profit	1,984	3,365	3,620	4,163	6,553
% Change	-2.5%	69.6%	7.6%	15.0%	57.4%
EBITDA	933	1,157	1,087	1,517	3,722
% Change	-18.7%	24.0%	-6.1%	39.6%	145.4%
Net Interest & Other Income	(1)	(173)	(122)	(128)	(130)
Net Income (Adjusted)	604	561	525	862	2,176
% Change	-24.8%	-7.2%	-6.4%	64.2%	152.6%

Free Cash Flow Data (Mar)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	418	(1,125)	(1,093)	(309)	960
Depreciation & Amortization	214	359	340	337	939
Change in Working Capital	(682)	(856)	(937)	(808)	(1,629)
Deferred Taxation Charge	8	(411)	0	0	0
Other Adjustments, Net	299	2,034	1,791	1,354	1,710
Capital Expenditure	(159)	(204)	(144)	(144)	(235)
Free Cash Flow	99	-203	-43	431	1,745
% Change	-88.2%	NM	78.8%	NM	304.8%
Share / Issue Repurchase	(181)	65	19	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	679	1,110	2,855
Trade Receivables	579	763	844	877	1,580
Other Current Assets	1,560	918	990	1,096	1,654
Property, Plant & Equipment	196	403	412	419	515
Other Non-Current Assets	2,433	12,951	12,075	11,613	9,846
Total Assets	6,501	15,862	15,000	15,115	16,450
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	2,105	3,852	2,970	3,023	2,955
Long-Term Debt	0	1,733	2,707	2,707	2,707
Other Non-Current Liabilities	632	1,235	920	1,220	970
Total Liabilities	2,737	6,820	6,598	6,950	6,632
Total Equity	3,810	9,043	8,402	8,165	9,818
Total Equity & Liabilities	6,546	15,862	15,000	15,115	16,450

* For full definitions of iQmethodSM measures, see page 12.

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 1,800,312

Quarterly Earnings Estimates

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

Summary of Estimate Changes

We lower FY24 Net Bookings forecast to \$5.46bn (from \$5.53bn), assuming a pushout of *Judas* into FY25, partially offset by stronger Mobile Game & GTA V backlog revenue (including GTA0). Our FY24 Net Bookings forecast is now below Street and at the low end of guidance. We model \$80mn/year licensing revenue from the Netflix licensing deal for GTA: *The Trilogy – The Definitive Edition*, and assume revenue from paid downloads (\$20/game) to be minimal. We expect the Mobile segment to be a growth driver again in FY25 driven by: 1) launch of *Star Wars Hunters* (est. \$100mn/year run rate), 2) *Match Factory* scaling to \$100mn/year run rate (\$60-70mn current run rate per Sensor Tower), 3) \$80mn/year licensing revenue from Netflix, and 4) launch of 5-6 other mobile games.

We now assume GTA 6 will launch in Fall 2025 which is later than implied by management's FY25 guidance ([see our December 6 downgrade note](#)). Our FY26 GTA 6 model is based on 35mn full game units sold in the fiscal year, and 26mn Monthly Active Users on GTA0 at \$27 per MAU.

Exhibit 1: 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 GTA0 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 + GTA0)	\$1,220	\$1,250	\$1,218	\$1,196	\$1,068
L	Total Expenses	\$1,321	\$781	\$601	\$493	\$342
	GTA0 Expenses	\$142	\$198	\$208	\$219	\$230
	of which RCS COGS	\$35	\$50	\$52	\$55	\$57
	of which OpEx	\$106	\$149	\$156	\$164	\$172
Z	GTA 6 Units S&M + R&D + G&A	\$380	\$190	\$95	\$48	\$13
	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 + GTA0)	\$2,540	\$2,030	\$1,820	\$1,689	\$1,410
H x I = J	Net Bookings RCS (GTA0)	\$709	\$992	\$1,042	\$1,094	\$1,149
I	Net Bookings RCS/MAU*	\$27.0	\$35.0	\$35.0	\$35.0	\$35.0
H	GTA0 MAUs	26.3	28.4	29.8	31.3	32.8
	GTA0 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

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Exhibit 2: BofA Forecasts vs Street, FY23A to FY26E

We lower FY24E estimates now assuming a pushout of Judas into FY25, partially offset by stronger Mobile & GTA backlog revenue

	2023	24FQ1	24FQ2	24FQ3E	24FQ4E	2024E	2025E	2026E
Net Bookings								
B of A (After)	5,284	1,202	1,445	1,365	1,449	5,460	6,247	10,681
B of A (Before)				1,340	1,544	5,530	6,177	10,681
STREET				1,334	1,532	5,510	7,925	8,155
Delta vs. STREET				2.3%	-5.5%	-0.9%	-21.2%	31.0%
GUIDE (Midpoint)				1,325	1,529	5,500	8,000	-
Net Bookings YoY Growth %								
B of A (After)	55.0%	17.2%	-4.0%	-1.3%	4.0%	3.3%	14.4%	71.0%
B of A (Before)				-3.1%	10.8%	4.7%	11.7%	72.9%
STREET				-3.5%	10.0%	4.3%	43.8%	2.9%
Delta vs. STREET				2.3%	-6.0%	-1.0%	-29.4%	68.1%
GUIDE (Midpoint)						4.1%		
Net Bookings - Full Game								
B of A (After)	1,182	192	325	290	314	1,121	1,429	4,640
B of A (Before)				291	429	1,237	1,359	4,640
STREET				303	418	1,242	3,142	2,455
Delta vs. STREET				-4.2%	-24.9%	-9.8%	-54.5%	89.0%
GUIDE (Midpoint)				340	337	1,235		
Net Bookings - Full Game YoY Growth %								
B of A (After)	-4.0%	-29.0%	8.1%	-4.7%	2.3%	-5.2%	27.5%	224.7%
B of A (Before)				-4.3%	39.8%	4.6%	9.9%	241.4%
STREET				-0.6%	36.2%	5.1%	152.9%	-21.9%
Delta vs. STREET				-4.1%	-33.9%	-10.2%	-125.4%	246.5%
GUIDE (Midpoint)						4.4%		
Net Bookings - RCS total								
B of A (After)	4,101	1,009	1,120	1,075	1,135	4,339	4,818	6,041
B of A (Before)				1,049	1,115	4,293	4,818	6,041
STREET				1,031	1,115	4,268	4,783	5,700
Delta vs. STREET				4.3%	1.8%	1.7%	0.7%	6.0%
GUIDE (Midpoint)				1,025	1,112	4,265		
Net Bookings - RCS YoY Growth %								
B of A (After)	88.4%	37.9%	-7.0%	-0.3%	4.4%	5.8%	11.0%	25.4%
B of A (Before)				-2.7%	2.6%	4.7%	12.2%	25.4%
STREET				-4.4%	2.6%	4.1%	12.1%	19.2%
Delta vs. STREET				4.1%	1.9%	1.7%	-1.0%	6.2%
GUIDE (Midpoint)						4.0%		
Net Bookings - RCS PC/Console								
B of A (After)	1,599	320	458	375	405	1,557	1,688	2,324
B of A (Before)				364	395	1,536	1,688	2,324
STREET				346	395	1,503	1,924	2,660
Delta vs. STREET				8.4%	2.4%	3.6%	-12.3%	-12.6%
GUIDE (Midpoint)				-	-	1,543		
Net Bookings - RCS PC/Console YoY Growth %								
B of A (After)	-9.8%	-11.7%	-6.8%	2.6%	6.4%	-2.6%	8.4%	37.7%
B of A (Before)				-0.4%	3.7%	-3.9%	9.9%	37.7%
STREET				-5.3%	3.9%	-6.0%	28.0%	38.2%
Delta vs. STREET				7.9%	2.5%	3.4%	-19.6%	-0.5%
GUIDE (Midpoint)						-3.5%		
Net Bookings - RCS Mobile Combined								
B of A (After)	2,502	690	662	700	730	2,782	3,130	3,717
B of A (Before)				685	720	2,757	3,130	3,717
STREET				685	719	2,765	2,859	3,041
Delta vs. STREET				2.2%	1.5%	0.6%	9.5%	22.2%
GUIDE (Midpoint)				-	-	2,723		

Exhibit 2: BofA Forecasts vs Street, FY23A to FY26E

We lower FY24E estimates now assuming a pushout of Judas into FY25, partially offset by stronger Mobile & GTA backlog revenue

	2023	24FQ1	24FQ2	24FQ3E	24FQ4E	2024E	2025E	2026E
Net Bookings - RCS Mobile YoY Growth %								
B of A (After)	518.5%	86.5%	-7.2%	-1.9%	3.4%	11.2%	12.5%	18.8%
B of A (Before)				-4.0%	2.0%	10.2%	13.5%	18.8%
STREET				-3.9%	1.9%	10.5%	3.4%	6.4%
Delta vs. STREET				2.1%	1.5%	0.7%	9.1%	12.4%
GUIDE (Midpoint)						8.8%		
Total OpEx								
B of A (After)	2,567	715	687	730	742	2,874	2,983	3,770
B of A (Before)				717	791	2,909	2,946	3,770
STREET				736	772	2,909	3,218	3,235
Delta vs. STREET				-0.7%	-3.9%	-1.2%	-7.3%	16.5%
GUIDE (Midpoint)				734	775	2,910		
Total OpEx Y/Y %								
B of A (After)	102.8%	44.2%	-0.1%	5.8%	7.0%	11.9%	3.8%	26.4%
B of A (Before)				3.9%	14.0%	13.3%	1.3%	28.0%
STREET				6.6%	11.3%	13.5%	10.6%	0.5%
Delta vs. STREET				-0.8%	-4.3%	-1.5%	-6.8%	25.8%
GUIDE (Midpoint)						13.4%		
EBIT Non-GAAP								
B of A (After)	798	72	282	186	207	747	1,179	2,783
B of A (Before)				183	213	750	1,175	2,783
STREET				177	227	758	1,672	1,928
Delta vs. STREET				5.2%	-8.9%	-1.6%	-29.5%	44.3%
GUIDE (Midpoint)						751		
EBIT Margin % Non-GAAP								
B of A (After)	15.1%	6.0%	19.5%	13.6%	14.3%	13.7%	18.9%	26.1%
B of A (Before)				13.7%	13.8%	13.6%	19.0%	26.1%
STREET				13.3%	14.8%	13.8%	21.1%	23.6%
Delta vs. STREET				0.4%	-0.5%	-0.1%	-2.2%	2.4%
GUIDE (Midpoint)						13.7%		
Diluted EPS Non-GAAP								
B of A (After)	\$3.00	\$0.27	\$1.23	\$0.73	\$0.81	\$3.05	\$4.94	\$12.30
B of A (Before)				\$0.72	\$0.84	\$3.07	\$4.92	\$12.30
STREET				\$0.71	\$0.95	\$3.17	\$7.23	\$8.77
Delta vs. STREET				3.8%	(14.3%)	(3.7%)	(31.6%)	40.2%
GUIDE (Midpoint)								
Operating Cash Flow								
B of A (After)	1	5	65	(70)	102	101	575	1,980
B of A (Before)				(76)	124	118	557	1,980
STREET				51	59	110	1,185	1,956
Delta vs. STREET				-237.5%	72.1%	-7.9%	-51.5%	1.2%
GUIDE (Midpoint)						90	-	-
Free Cash Flow								
B of A (After)	(203)	(27)	36	(111)	58	(43)	431	1,745
B of A (Before)				(116)	77	(29)	415	1,745
STREET				2	16	(41)	966	1,756
Delta vs. STREET				-5290.6%	273.9%	4.9%	-55.4%	-0.6%
GUIDE (Midpoint)								

Source: Company Reports, BofA Global Research, Visible Alpha

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BofA Take 2 & Zynga Standalone Models

Exhibit 3: TTWO Model Broken out by GTA 6, Other Titles, Zynga and Synergies, FY23 to FY26

We estimate \$3.1 EPS contribution from GTA 6 in FY26E; our FY25E estimates are now significantly below Street & guidance

	FY23	FY24	FY25	FY26	FY26 Notes/Assumptions
Non-GAAP EPS (Top Down)	\$3.00	\$3.05	\$4.94	\$12.30	Assume +5Mn net share dilution through FY26; Tax Rate 18%
Non-GAAP EPS (Bottom Up)		\$3.05	\$4.94	\$12.30	
GTA 6				\$3.11	5 other non-sports AAA releases assumed in FY26 ~15 new mobile titles to release in FY25 - FY26
Other Take Two Titles		\$0.87	\$2.20	\$5.50	
Zynga		\$1.90	\$2.50	\$3.22	
Revenue Synergies		\$0.07	\$0.14	\$0.38	
Cost Synergies		\$0.71	\$0.71	\$0.70	
Interest		(\$0.50)	(\$0.60)	(\$0.60)	Refunds \$1Bn/\$2.7Bn debt due 2024 at similar rates
	FY23	FY24	FY25	FY26	
EBIT Non-GAAP (Pro Forma, Top Down)	798	747	1,179	2,783	
EBIT Non-GAAP (Pro Forma, Bottom Up)	798	747	1,179	2,783	
GTA 6		-		671	\$400mn of OpEx; \$550mn of Software Amortization; \$250mn of COGS \$400mn of \$800mn incremental OpEx to other games ~27% ad expense/bookings, 15% Y/Y growth in R&D; 5% Y/Y G&A Growth Slight margin improvement vs published in March 2022 S-4 due to DTC \$50mn annual cost savings in addition to \$100mn synergy per S4
Other Take Two Titles	380	184	468	1,186	
Zynga	506	399	533	694	
Revenue Synergies		14	29	83	
Cost Synergies		150	150	150	
	FY23	FY24	FY25	FY26	
Bookings (Pro Forma, Top Down)	5,284	5,460	6,247	10,681	
Bookings (Pro Forma, Bottom Up)	5,284	5,460	6,247	10,681	
GTA 6		-	-	2,541	GTA 6: 35Mn Units, GTO: 26Mn MAUs; Launch: Fall 2025 FY25 AAA launches: Civ 7, Judas, 31st Union FTP; FY26 AAA launches: Borderlands, BioShock, Max Payne, Mafia, 2 FTPs low-to-mid single-digits organic growth Y/Y + synergy and new launches Rev synergies 70% lower than published in March 2022 S-4
Other Take Two Titles	3,141	3,019	3,412	4,733	
Zynga	2,532	2,381	2,735	3,157	
Revenue Synergies	-	60	100	250	
Cost Synergies					
	FY23	FY24	FY25	FY26	
EBIT Margin (Pro Forma, Top Down)	15%	14%	19%	26%	
EBIT Margin (Pro Forma, Bottom Up)	15%	14%	19%	26%	
GTA 6				26%	Prev. mgmt team stated 30% LT EBITDA margin goal
Other Take Two Titles	12%	6%	14%	25%	
Zynga	20%	17%	19%	22%	
Revenue Synergies		23%	29%	33%	
Cost Synergies					
	FY23	FY24	FY25	FY26	
Operating Cash Flow (Top Down)	1	101	575	1,980	
Operating Cash Flow (Bottom Up)	1	101	575	1,980	
GTA 6				1,099	\$550mn NOPAT, \$550mn software development amortization \$20mn CapEx 75% EBITDA to OCF conversion Assume 90% of Cost Synergy is cash expense
Other Take Two titles	(163)	(336)	26	171	
Zynga	197	319	420	541	
Revenue Synergies	-	10	22	62	
Cost Synergies	-	108	108	108	
	FY23	FY24	FY25	FY26	
FCF (Top Down)	(203)	(43)	431	1,745	
FCF (Bottom Up)	(203)	(43)	431	1,745	
Take Two	(347)	(461)	(98)	1,055	\$200mn CapEx 75% EBITDA to FCF conversion
Zynga	177	299	400	521	
Revenue Synergies	-	10	22	62	
Cost Synergies	-	108	108	108	

Source: Company Reports, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 4: 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	5,460	6,246	10,681
of which Full Game	1,121	1,429	4,640
of which Recurrent Consumer Spending	4,339	4,818	6,041
Rockstar (Bottom Up)	856	815	3,096
of which Full Game	300	215	2,187
of which Recurrent Consumer Spending	556	600	909
2K (Bottom Up)	1,846	2,403	3,960
of which Full Game	700	1,090	2,305
of which Recurrent Consumer Spending	1,146	1,313	1,655
T2 Mobile + Private Division (Bottom Up)	2,757	3,029	3,625
of Which Private Division Full Game	121	124	148
of Which T2 Mobile Games	2,637	2,905	3,477
PC/Console RCS	1,557	1,688	2,324
Total Mobile	2,782	3,130	3,717

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 5: 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	FY24E	FY25E	FY26E	Units (Mn)			ASP (\$)		
				FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Total Rockstar (Bottom Up)	856	815	3,096						
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	7.4	4.6	0.2	21.6	21.6	21.6
GTAO 5 VC (incl. GTA+)		1	376						
GTA 3P Deals		1	110						
RDR2 Purchase	1	55	20	2.5	0.9	0.9	21.6	21.6	21.6
RDO		1	20						
Other		135	175						
Of Which GTAOL 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)	1		90		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	80						
Of Which GTA Trilogy Mobile		1	20						

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 6: 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	R	C	Bookings (\$Mn)			Units (Mn)			ASP (\$)		
			FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Total 2K (Bottom Up)			1,846	2,403	3,960						
NBA 2K Purchase (Immersive)	1		475	520	515	12.0	12.7	12.6	39.7	40.8	40.8
NBA 2K VC		1	826	868	915						
NBA 2K Online		1	135	130	150						
NBA 2K 3P Deals		1	50	50	100						
Other			360	835	2,280						
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 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			125	145	160						
Of Which WWE Supercard Mobile		1	50	60	70						
Of Which NBA 2K Mobile		1	75	85	90						

Source: BofA Global Research

BofA GLOBAL RESEARCH

Comparable Company Analysis

Exhibit 7: 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)		
			CY22	CY23	CY24	CY22-CY24	CY22	CY23	CY24	CY22	CY23	CY24	CY22-CY24	CY22	CY23	CY24
Index			3.2x	3.1x	2.8x	8%	18.6x	15.6x	12.5x					15.7x	13.5x	10.8x
Take Two	TTWO US	\$167.39	6.2x	6.0x	4.1x	22%	40.8x	43.3x	19.7x	48.1x	53.1x	22.9x	45%	38.2x	37.4x	18.3x
Bandai Namco	7832 JP	¥3,151.00	1.7x	1.8x	1.7x	0%	14.5x	14.3x	12.8x	23.0x	21.9x	19.8x	8%	11.6x	11.9x	10.6x
Koei Tecmo	3635 JP	¥1,788.00	7.0x	6.7x	6.3x	5%	13.9x	17.7x	15.3x	18.2x	18.1x	17.6x	2%	13.4x	17.4x	14.8x
Square Enix	9684 JP	¥5,837.00	1.3x	1.4x	1.4x	(1%)	10.4x	11.0x	8.5x	14.2x	19.4x	16.6x	(8%)	9.0x	9.4x	7.5x
Netease Inc	9999 HK	HK\$157.40	3.6x	3.4x	3.1x	7%	17.5x	12.5x	11.2x	20.0x	14.5x	14.3x	18%	15.3x	11.6x	10.0x
Embracer	EMBRACB SS	21.77 kr	1.2x	1.0x	0.9x	12%	6.9x	5.9x	5.2x	5.4x	5.4x	5.5x	(1%)	4.6x	3.8x	3.5x
Median			2.6x	2.6x	2.4x	6%	14.2x	13.4x	12.0x	19.1x	18.8x	17.1x	5%	12.5x	11.8x	10.3x
Average			3.5x	3.4x	2.9x	8%	17.3x	17.4x	12.1x	21.5x	22.1x	16.1x	11%	15.3x	15.3x	10.8x

Source: Bloomberg, FactSet

BofA GLOBAL RESEARCH

Exhibit 8: Global PC/Console Video Game Publisher Comparable Company Analysis

Our comp set includes global PC/Console Video Game Publishers

			EV/Sales			Sales	EV/EBIT			EBIT	P/E			EPS
Company	Ticker	Price	(Consensus)			CAGR	(Consensus)			CAGR	(Consensus)			CAGR
			CY22	CY23	CY24	CY22-CY24	CY22	CY23	CY24	CY22-CY24	CY22	CY23	CY24	CY22-CY24
Index			3.9x	3.6x	3.4x	7%	19.7x	14.3x	12.8x	24%				
CD Projekt	CDR PW	PLN 105.15	11.3x	8.5x	12.9x	19%	28.4x	22.9x		42%	30.6x	24.9x	44.0x	43%
Remedy Entertainment Oy	REMEDY FH	€ 24.45	7.0x	9.5x	4.4x	27%	NA	NA			NA	NA	33.5x	
Paradox Interactive AB	PDX SS	199.20 kr	10.4x	7.8x	7.3x	19%	23.1x	28.5x	21.4x	4%	29.7x	34.9x	27.0x	5%
Capcom	9697 JP	¥5,505.0	7.5x	7.2x	6.5x	8%	18.6x	17.7x	15.4x	10%	31.5x	27.2x	24.0x	15%
PearlAbyss Corp.	263750 KS	₩33,600	4.1x	5.0x	3.1x	15%	96.3x	NA	14.7x	156%	NA	105.3x	18.3x	
Electronic Arts	EA US	\$139.42	5.2x	5.0x	4.8x	4%	17.3x	16.4x	15.1x	7%	22.0x	19.5x	17.9x	11%
DeNA Co., Ltd.	2432 JP	¥1,519.5	0.5x	0.5x	0.5x	0%	15.8x	15.0x	8.1x	39%	19.8x	24.5x	16.6x	9%
Nexon	3659 JP	¥2,378.0	3.4x	3.1x	2.8x	9%	11.4x	9.2x	8.2x	18%	20.7x	16.2x	15.8x	14%
Digital Bros S.p.A.	DIB IM	€ 10.51	1.6x	1.8x	1.6x	3%	6.1x	10.8x	10.6x	(24%)	5.6x	15.5x	12.5x	(33%)
Ubisoft	UBI FP	€ 20.48	2.1x	1.8x	1.6x	14%	NA	9.4x	8.5x		NA	12.8x	10.5x	
Sega Sammy Holdings Inc.	6460 JP	¥2,138.5	1.0x	0.9x	0.8x	9%	8.3x	6.8x	6.7x	12%	10.3x	13.1x	10.3x	(0%)
Median			4.1x	5.0x	3.1x	9%	17.3x	15.0x	10.6x	12%	21.4x	22.0x	17.9x	10%
Average			4.9x	4.6x	4.2x	12%	25.0x	15.2x	12.1x	29%	21.3x	29.4x	21.0x	8%

Source: Bloomberg, FactSet

BofA GLOBAL RESEARCH

Exhibit 9: Comparable Company Analysis - Mobile Game Publishers

Our comparator set includes global pure mobile game publishers

Company	Ticker	Price	EV/Sales			Sales CAGR CY22-CY24	EV/EBITDA			EBITDA CAGR CY22-CY24	EBITDA Margin		
			2022A	2024E	2025E		2022A	2024E	2025E		2022A	2024E	2025E
Index			1.7x	1.6x	1.5x	7%	6.9x	6.3x	5.7x	11%	25%	26%	27%
MAG Interactive	MAGI SS	10.78 kr	0.5x										
Netmarble	251270 KS	₩ 55,700	1.5x	1.3x	1.2x	10%	32.4x	14.4x	12.6x	60%	5%	9%	10%
Kakao Games	293490 KS	₩ 24,650	2.7x	2.3x	2.0x	18%	17.2x	12.2x	9.6x	33%	16%	19%	20%
PlayWay SA	PLW PW	PLN 313	6.1x	5.3x	4.9x	11%	10.2x	8.5x	7.8x	14%	60%	62%	63%
Krafton	259960 KS	₩ 210,500	3.4x	3.0x	2.7x	11%	7.5x	7.3x	6.5x	8%	45%	42%	42%
NCsoft	036570 KS	₩ 193,800	1.3x	1.2x	1.0x	13%	8.8x	7.3x	5.0x	33%	14%	16%	20%
11 Bit Studios SA	11B PW	PLN 585	27.8x	3.9x	4.1x	162%	312.9x	5.5x	6.3x	604%	9%	70%	64%
Ten Square Games SA	TEN PW	PLN 99	1.4x	1.4x	1.4x	(0%)	5.8x	5.2x	5.9x	(0%)	24%	27%	24%
Playtika	PLTK US	\$7.53	1.7x	1.7x	1.6x	3%	5.3x	5.1x	4.9x	4%	32%	32%	33%
G5 Entertainment	G5EN SS	164.60 kr	0.9x	1.0x	1.0x	(1%)	4.2x	4.3x	3.9x	4%	22%	22%	25%
Stillfront	SF SS	11.19 kr	1.4x	1.4x	1.3x	3%	3.9x	3.9x	3.6x	3%	37%	37%	37%
Huuuge	HUG PW	PLN 29	1.2x	1.3x	1.4x	(6%)	3.3x	3.8x	4.1x	(10%)	37%	34%	34%
Playstudios	MYPs US	\$2.26	0.7x	0.6x	0.6x	4%	3.4x	3.1x	2.9x	7%	19%	20%	20%
DoubleDown	DDI US	\$8.45	0.6x	0.6x	0.5x	6%	1.7x	1.6x	1.6x	2%	37%	35%	35%
Gungho	3765 JP	¥2,478.00	0.2x	0.3x	0.2x	(4%)	1.0x	1.1x	1.0x	(2%)	23%	24%	24%
Median			1.4x	1.3x	1.4x	5%	5.5x	5.2x	4.9x	5%	23%	30%	29%
Average			3.4x	1.8x	1.7x	16%	29.8x	5.9x	5.4x	54%	27%	32%	32%

Source: Factset, Bloomberg

BofA GLOBAL RESEARCH

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 are 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
	Expedia	EXPE	EXPE US	Justin Post
	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
	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
	Zillow	ZG	ZG US	Curtis Nagle, CFA



US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

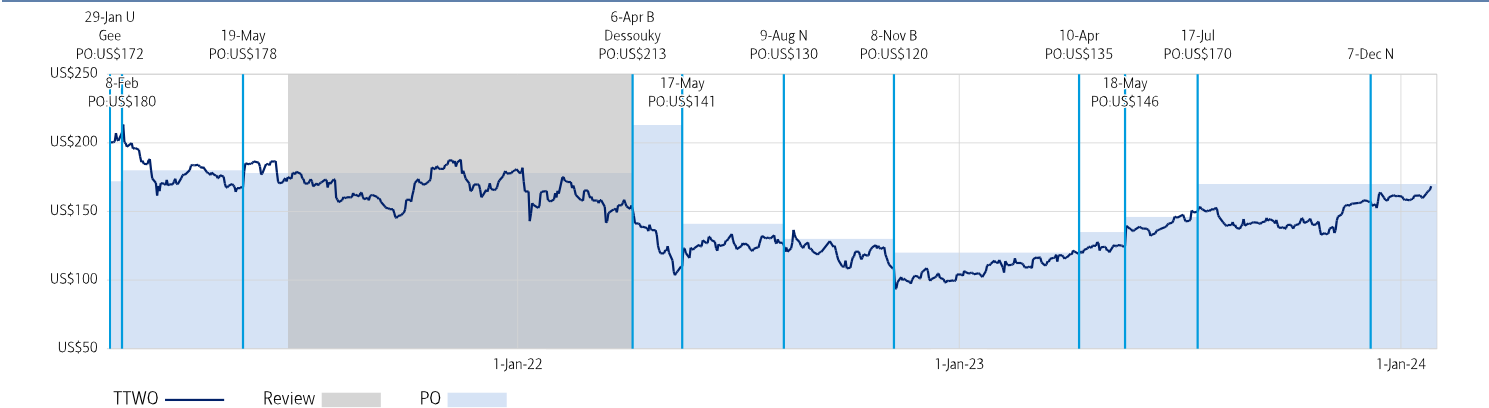
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Disclosures

Important Disclosures

Take-Two (TTWO) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

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%

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