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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

Commission file number 001-34003

TAKE-TWO INTERACTIVE SOFTWARE, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**51-0350842**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
110 West 44th Street	**10036**
New York New York	(Zip Code)
(Address of principal executive offices)	

Registrant's Telephone Number, Including Area Code: **(646) 536-2842**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading symbol**	**Name of each exchange on which registered**
Common Stock, $0.01 par value	TTWO	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 29, 2024, there were 175,282,774 shares of the Registrant's Common Stock outstanding, net of treasury stock.

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(All other items in this report are inapplicable)

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TAKE-TWO INTERACTIVE SOFTWARE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except per share amounts)

	June 30, 2024 (Unaudited)	March 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,081.1	$ 754.0
Short-term investments	15.4	22.0
Restricted cash and cash equivalents	306.1	252.1
Accounts receivable, net of allowances of $1.2 and $1.2 at June 30, 2024 and March 31, 2024, respectively	594.2	679.7
Software development costs and licenses	62.7	88.3
Contract assets	80.7	85.0
Prepaid expenses and other	418.8	378.6
Total current assets	2,559.0	2,259.7
Fixed assets, net	422.0	411.1
Right-of-use assets	344.0	325.7
Software development costs and licenses, net of current portion	1,606.0	1,446.5
Goodwill	4,706.8	4,426.4
Other intangibles, net	3,005.9	3,060.6
Long-term restricted cash and cash equivalents	84.7	95.9
Other assets	216.2	191.0
Total assets	$ 12,944.6	$ 12,216.9
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 170.3	$ 195.9
Accrued expenses and other current liabilities	1,067.7	1,062.6
Deferred revenue	945.3	1,059.5
Lease liabilities	64.1	63.8
Short-term debt, net	598.9	24.6
Total current liabilities	2,846.3	2,406.4
Long-term debt, net	3,054.4	3,058.3
Non-current deferred revenue	38.2	42.9
Non-current lease liabilities	404.9	387.3
Non-current software development royalties	90.0	102.1
Deferred tax liabilities, net	311.1	340.9
Other long-term liabilities	208.2	211.1
Total liabilities	$ 6,953.1	$ 6,549.0
Commitments and contingencies (See Note 11)		
Stockholders' equity:		
Preferred stock, $0.01 par value, 5.0 shares authorized; no shares issued and outstanding at June 30, 2024 and March 31, 2024	—	—
Common stock, $0.01 par value, 300.0 and 300.0 shares authorized; 198.8 and 194.5 shares issued and 175.2 and 170.8 outstanding at June 30, 2024 and March 31, 2024, respectively	2.0	1.9
Additional paid-in capital	9,962.5	9,371.6
Treasury stock, at cost; 23.7 and 23.7 common shares at June 30, 2024 and March 31, 2024, respectively	(1,020.6)	(1,020.6)
Accumulated deficit	(2,841.9)	(2,579.9)
Accumulated other comprehensive loss	(110.5)	(105.1)
Total stockholders' equity	$ 5,991.5	$ 5,667.9
Total liabilities and stockholders' equity	$ 12,944.6	$ 12,216.9

See accompanying Notes.

TAKE-TWO INTERACTIVE SOFTWARE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(in millions, except per share amounts)

	Three Months Ended June 30,	
	2024	**2023**
Net revenue:		
Game	**$ 1,216.7**	$ 1,096.1
Advertising	**121.5**	188.6
Total net revenue	**1,338.2**	1,284.7
Cost of revenue	**567.1**	605.5
Gross profit	**771.1**	679.2
Selling and marketing	**431.4**	399.4
Research and development	**219.8**	238.6
General and administrative	**210.5**	197.9
Depreciation and amortization	**44.8**	40.4
Business reorganization	**49.5**	7.2
Total operating expenses	**956.0**	883.5
Loss from operations	**(184.9)**	(204.3)
Interest and other, net	**(24.2)**	(25.4)
(Loss) gain on fair value adjustments, net	**(3.1)**	0.8
Loss before income taxes	**(212.2)**	(228.9)
Provision for (benefit from) income taxes	**49.8**	(22.9)
Net loss	**$ (262.0)**	$ (206.0)
Loss per share:		
Basic and diluted loss per share	**$ (1.52)**	$ (1.22)

See accompanying Notes.

TAKE-TWO INTERACTIVE SOFTWARE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (Unaudited)

(in millions)

	Three Months Ended June 30,	
	2024	**2023**
Net loss	**$ (262.0)**	$ (206.0)
Other comprehensive (loss) income:		
Foreign currency translation adjustment	**(5.4)**	26.0
Change in fair value of available for sale securities	**—**	0.9
Other comprehensive (loss) income	**(5.4)**	26.9
Comprehensive loss	**$ (267.4)**	$ (179.1)

See accompanying Notes.

TAKE-TWO INTERACTIVE SOFTWARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(in millions)

	Three Months Ended June 30,	
	2024	**2023**
Operating activities:		
Net loss	**$ (262.0)**	$ (206.0)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Amortization and impairment of software development costs and licenses	**85.9**	69.0
Stock-based compensation	**75.3**	78.7
Noncash lease expense	**16.1**	15.0
Amortization and impairment of intangibles	**182.0**	249.6
Depreciation	**35.9**	31.5
Interest expense	**37.1**	36.8
Other, net	**5.5**	7.9
Changes in assets and liabilities, net of effect from purchases of businesses:		
Accounts receivable	**91.6**	141.3
Software development costs and licenses	**(197.9)**	(125.2)
Prepaid expenses and other current and other non-current assets	**49.0**	(14.4)
Deferred revenue	**(118.3)**	(87.4)
Accounts payable, accrued expenses and other liabilities	**(191.2)**	(191.8)
Net cash (used in) provided by operating activities	**(191.0)**	5.0
Investing activities:		
Change in bank time deposits	**6.6**	0.8
Sale and maturities of available-for-sale securities	**—**	78.0
Purchases of fixed assets	**(35.1)**	(31.5)
Purchases of long-term investments	**(11.1)**	(5.0)
Business acquisitions	**9.6**	(1.6)
Other	**(4.7)**	(2.6)
Net cash (used in) provided by investing activities	**(34.7)**	38.1
Financing activities:		
Tax payment related to net share settlements on restricted stock awards	**—**	(41.3)
Issuance of common stock	**23.3**	18.8
Payment for settlement of convertible notes	**(8.3)**	—
Proceeds from issuance of debt	**598.9**	999.3
Cost of debt	**(5.4)**	(7.5)
Repayment of debt	**—**	(989.6)
Payment of contingent earn-out consideration	**(12.0)**	(0.5)
Net cash provided by (used in) financing activities	**596.5**	(20.8)
Effects of foreign currency exchange rates on cash, cash equivalents, and restricted cash and cash equivalents	**(0.9)**	3.8
Net change in cash, cash equivalents, and restricted cash and cash equivalents	**369.9**	26.1
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year [(1)]	**1,102.0**	1,234.6
Cash, cash equivalents, and restricted cash and cash equivalents, end of period [(1)]	**$ 1,471.9**	$ 1,260.7

[(1)] Cash, cash equivalents and restricted cash and cash equivalents shown on our Condensed Consolidated Statements of Cash Flow includes amounts in the Cash and cash equivalents, Restricted cash and cash equivalents, and Long-term restricted cash and cash equivalents on our Condensed Consolidated Balance Sheet.

See accompanying Notes.

TAKE-TWO INTERACTIVE SOFTWARE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)

(in millions)

	Three Months Ended June 30, 2024							
	Common Stock		Additional Paid-in Capital	Treasury Stock		Retained Earnings/(Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Stockholder's Equity
	Shares	Amount		Shares	Amount			
Balance, March 31, 2024	194.5	$ 1.9	$ 9,371.6	(23.7)	$ (1,020.6)	$ (2,579.9)	$ (105.1)	$ 5,667.9
Net loss	—	—	—	—	—	(262.0)	—	(262.0)
Change in cumulative foreign currency translation adjustment	—	—	—	—	—	—	(5.4)	(5.4)
Stock-based compensation	—	—	97.2	—	—	—	—	97.2
Issuance of restricted stock, net of forfeitures and cancellations	1.2	—	—	—	—	—	—	—
Exercise of stock options	—	—	0.3	—	—	—	—	0.3
Issuance of shares related to Zynga convertible notes	0.1	—	16.0	—	—	—	—	16.0
Issuance of shares related to Gearbox acquisition	2.8	—	454.3	—	—	—	—	454.3
Employee share purchase plan settlement	0.2	—	23.0	—	—	—	—	23.0
Other changes, net	—	0.1	0.1	—	—	—	—	0.2
Balance, June 30, 2024	**198.8**	**$ 2.0**	**$ 9,962.5**	**(23.7)**	**$ (1,020.6)**	**$ (2,841.9)**	**$ (110.5)**	**$ 5,991.5**

	Three Months Ended June 30, 2023							
	Common Stock		Additional Paid-in Capital	Treasury Stock		Retained Earnings/Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Stockholder's Equity
	Shares	Amount		Shares	Amount			
Balance, March 31, 2023	192.6	$ 1.9	$ 9,010.2	(23.7)	$ (1,020.6)	$ 1,164.3	$ (113.3)	$ 9,042.5
Net loss	—	—	—	—	—	(206.0)	—	(206.0)
Change in cumulative foreign currency translation adjustment	—	—	—	—	—	—	26.0	26.0
Net unrealized loss on available-for-sale securities, net of taxes	—	—	—	—	—	—	0.9	0.9
Stock-based compensation	—	—	99.4	—	—	—	—	99.4
Issuance of restricted stock, net of forfeitures and cancellations	1.0	—	—	—	—	—	—	—
Net share settlement of restricted stock awards	(0.3)	—	(41.3)	—	—	—	—	(41.3)
Employee share purchase plan settlement	0.2	—	18.5	—	—	—	—	18.5
Exercise of stock options	—	—	0.2	—	—	—	—	0.2
Balance, June 30, 2023	193.5	$ 1.9	$ 9,087.0	(23.7)	$ (1,020.6)	$ 958.3	$ (86.4)	$ 8,940.2

See accompanying Notes.

TAKE-TWO INTERACTIVE SOFTWARE, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)

(in millions, except per share amounts)

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Take-Two Interactive Software, Inc. (the "Company," "we," "us," or similar pronouns) was incorporated in the state of Delaware in 1993. We are a leading developer, publisher, and marketer of interactive entertainment for consumers around the globe. We develop, operate, and publish products principally through Rockstar Games, 2K, Private Division, and Zynga. Our products are designed for console gaming systems, PC, and mobile, including smartphones and tablets. We deliver our products through physical retail, digital download, online platforms, and cloud streaming services.

Basis of Presentation

The accompanying Condensed Consolidated Financial Statements are unaudited and include the accounts of the Company and its wholly-owned subsidiaries and, in our opinion, reflect all normal and recurring adjustments necessary for the fair presentation of our financial position, results of operations, and cash flows. Interim results may not be indicative of the results that may be expected for the full fiscal year. All intercompany accounts and transactions have been eliminated in consolidation. The preparation of these Condensed Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") requires management to make estimates and assumptions that affect the amounts reported in these Condensed Consolidated Financial Statements and accompanying notes. As permitted under U.S. GAAP, interim accounting for certain expenses, including income taxes, is based on full year assumptions when appropriate. Actual results could differ materially from those estimates, which may affect economic conditions in a number of different ways and result in uncertainty and risk.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"), although we believe that the disclosures are adequate to make the information presented not misleading. These Condensed Consolidated Financial Statements and accompanying notes should be read in conjunction with our annual Consolidated Financial Statements and the notes thereto, included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2024.

Certain immaterial reclassifications have been made to prior period amounts to conform to the current period presentation.

Recent Accounting Pronouncements

Income Tax Disclosures

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which expands disclosures in an entity's income tax rate reconciliation table and regarding cash taxes paid both in the U.S. and foreign jurisdictions. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024 (April 1, 2025 for the Company). The amendments in this ASU are required to be applied on a prospective basis and retrospective adoption is permitted. We are currently evaluating the potential impact of adopting this guidance on our Consolidated Financial Statements and related disclosures.

Segment Reporting Disclosures

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures,* which updates reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023 (April 1, 2024 for the Company) and interim periods within fiscal years beginning after December 15, 2024 (April 1, 2025 for the Company). The amendments in this ASU must be applied on a retrospective basis to all prior periods presented in the financial statements. We are currently evaluating the potential impact of adopting this guidance on our Consolidated Financial Statements and related disclosures.

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue

Timing of recognition

Net revenue recognized at a point in time is primarily comprised of the portion of revenue from software products that is recognized when the customer takes control of the product (i.e. upon delivery of the software product).

Net revenue recognized over time is primarily comprised of revenue from our software products that include game related services, separate virtual currency transactions, and in-game purchases, which are recognized over an estimated service period. Net revenue recognized over time also includes in-game advertising, which is recognized over a contractual term.

Net revenue by timing of recognition was as follows:

	Three Months Ended June 30,	
	2024	**2023**
Net revenue recognized:		
Over time	**$ 1,127.6**	$ 1,079.8
Point in time	**210.6**	204.9
Total net revenue	**$ 1,338.2**	$ 1,284.7

Content

Recurrent consumer spending ("RCS") is generated from ongoing consumer engagement and includes revenue from virtual currency, add-on content, in-game purchases, and in-game advertising.

Full game and other revenue primarily includes the initial sale of full game software products, which may include offline and/or significant game related services.

Net revenue by content was as follows:

	Three Months Ended June 30,	
	2024	**2023**
Net revenue recognized:		
Recurrent consumer spending	**$ 1,097.7**	$ 1,068.4
Full game and other	**240.5**	216.3
Total net revenue	**$ 1,338.2**	$ 1,284.7

Geography

We attribute net revenue to geographic regions based on software product destination. Net revenue by geographic region was as follows:

	Three Months Ended June 30,	
	2024	**2023**
Net revenue recognized:		
United States	**$ 820.5**	$ 803.9
International	**517.7**	480.8
Total net revenue	**$ 1,338.2**	$ 1,284.7

Platform

Net revenue by platform was as follows:

	Three Months Ended June 30,	
	2024	2023
Net revenue recognized:		
Mobile	**$ 722.5**	$ 680.0
Console	**508.9**	504.3
PC and other	**106.8**	100.4
Total net revenue	**$ 1,338.2**	$ 1,284.7

Distribution Channel

Our products are delivered through digital online services (digital download, online platforms, and cloud streaming) and physical retail and other. Net revenue by distribution channel was as follows:

	Three Months Ended June 30,	
	2024	2023
Net revenue recognized:		
Digital online	**$ 1,295.5**	$ 1,240.0
Physical retail and other	**42.7**	44.7
Total net revenue	**$ 1,338.2**	$ 1,284.7

Deferred Revenue

We record deferred revenue when payments are due or received in advance of the fulfillment of our associated performance obligations. The balance of deferred revenue, including current and non-current balances as of June 30, 2024 and March 31, 2024 were $983.5 and $1,102.4, respectively. For the three months ended June 30, 2024, the additions to our deferred revenue balance were due primarily to cash payments received or due in advance of satisfying our performance obligations, while the reductions to our deferred revenue balance were due primarily to the recognition of revenue upon fulfillment of our performance obligations, both of which were in the ordinary course of business.

During the three months ended June 30, 2024 and 2023, $523.9 and $523.9, respectively, of revenue was recognized that was included in the deferred revenue balance at the beginning of the respective period. As of June 30, 2024, the aggregate amount of contract revenue allocated to unsatisfied performance obligations is $1,089.4, which includes our deferred revenue balances and amounts to be invoiced and recognized as revenue in future periods. We expect to recognize approximately $1,010.8 of this balance as revenue over the next 12 months, and the remainder thereafter. This balance does not include an estimate for variable consideration arising from sales-based royalty license revenue in excess of the contractual minimum guarantee.

As of June 30, 2024 and March 31, 2024, our contract asset balances were $80.7 and $85.0, respectively.

3. MANAGEMENT AGREEMENT

In May 2022, we entered into a management agreement (the "2022 Management Agreement") with ZelnickMedia Corporation ("ZelnickMedia") that replaced our previous agreement with ZelnickMedia and pursuant to which ZelnickMedia will continue to provide financial and management consulting services to the Company through March 31, 2029. The 2022 Management Agreement became effective May 23, 2022. On May 21, 2022, ZelnickMedia assigned substantially all of its rights and obligations and other liabilities under the 2022 Management Agreement to ZMC Advisors, L.P. ("ZMC Advisors"). References to "ZMC" herein shall mean either ZelnickMedia or ZMC Advisors, as appropriate. As part of the 2022 Management Agreement, Strauss Zelnick continues to serve as Executive Chairman and Chief Executive Officer of the Company, and Karl Slatoff continues to serve as President of the Company. The 2022 Management Agreement provides for an annual management fee of $3.3 over the term of the agreement and a maximum annual bonus opportunity of $13.2 over the term of the agreement, based on the Company achieving certain performance thresholds. In connection with the 2022 Management Agreement, we have granted and expect to grant time-based and performance-based restricted units to ZMC.

In consideration for ZMC's services, we recorded consulting expense in General and administrative expenses on our Condensed Consolidated Statements of Operations of $2.6 and $2.8 during the three months ended June 30, 2024 and 2023, respectively. We recorded stock-based compensation expense for restricted stock units granted to ZMC, which is also included in General and administrative expenses, of $12.4 and $11.2 during the three months ended June 30, 2024 and 2023, respectively.

In connection with the 2022 Management Agreement, we granted restricted stock units (in thousands) to ZMC as follows:

	Three Months Ended June 30,	
	2024	**2023**
Time-based	**102**	97
Market-based[(1)]	**311**	295
Performance-based[(1)]	**104**	98
Total Restricted Stock Units	**517**	490

(1) Represents the maximum of shares eligible to vest

Time-based restricted stock units granted pursuant to the 2022 Management Agreement in fiscal year 2025 will vest on June 1, 2025, June 1, 2026, and June 1, 2027, and those granted in fiscal year 2024, partially vested on June 1, 2024 and will also vest June 1, 2025 and June 1, 2026. Time-based restricted stock units granted in fiscal year 2023, partially vested on June 1, 2023 and June 1, 2024 and will also vest June 1, 2025.

Market-based restricted stock units granted pursuant to the 2022 Management Agreement in fiscal year 2025 are eligible to vest on June 1, 2027, those granted in fiscal year 2024 are eligible to vest on June 1, 2026, and those granted in fiscal year 2023 are eligible to vest on June 1, 2025. Market-based restricted stock units are eligible to vest based on the Company's Total Shareholder Return (as defined in the relevant grant agreement) relative to the Total Shareholder Return (as defined in the relevant grant agreement) of the companies that constitute the NASDAQ 100 index under the 2022 Management Agreement (as defined in the relevant grant agreement) as of the grant date measured over a three-year period, as applicable. To earn the target number of market-based restricted stock units (which represents 50% of the number of the market-based restricted stock units set forth in the table above), the Company must perform at the 50th percentile, with the maximum number of market-based restricted stock units earned if the Company performs at the 75th percentile.

Performance-based restricted stock units granted pursuant to the 2022 Management Agreement in fiscal year 2025 are eligible to vest on June 1, 2027, those granted in fiscal year 2024 are eligible to vest on June 1, 2026, and those granted in fiscal year 2023 are eligible to vest on June 1, 2025. The performance-based restricted stock units are tied to "RCS" (as defined in the relevant grant agreement) and are eligible to vest based on the Company's achievement of certain performance metrics (as defined in the relevant grant agreement) of "RCS" measured over a three-year period. The target number of performance-based restricted stock units that may be earned pursuant to these grants is equal to 50% of the grant amounts set forth in the above table (the numbers in the table represent the maximum number of performance-based restricted stock units that may be earned). At the end of each reporting period, we assess the probability of each performance metric and upon determination that certain thresholds are probable, we record expense for the unvested portion of the shares of performance-based restricted stock units.

The unvested portions of time-based, market-based and performance-based restricted stock units held by ZMC were 1.4 and 1.3 as of June 30, 2024 and March 31, 2024, respectively. During the three months ended June 30, 2024, 0.4 restricted stock units previously granted to ZMC vested, and 0.1 restricted stock units were forfeited by ZMC.

4. FAIR VALUE MEASUREMENTS

Recurring fair value measurements

The carrying amounts of our financial instruments, including cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, prepaid expenses and other, accounts payable, and accrued expenses and other current liabilities, approximate fair value because of their short maturities.

We follow a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of "observable inputs" and minimize the use of "unobservable inputs." The three levels of inputs used to measure fair value are as follows:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs other than quoted prices included in Level 1, such as quoted prices for markets that are not active or other inputs that are observable or can be corroborated by observable market data.

- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

The table below segregates all assets and liabilities that are measured at fair value on a recurring basis (which is measured at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date.

	June 30, 2024			
	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
Assets:				
Cash and cash equivalents:				
Money market funds	$ 489.0	$ —	$ —	$ 489.0
Bank-time deposits	247.8	—	—	247.8
Short-term investments:				
Bank-time deposits	15.4	—	—	15.4
Restricted cash and cash equivalents:				
Money market funds	291.3	—	—	291.3
Bank-time deposits	0.5	—	—	0.5
Restricted cash and cash equivalents, long term:				
Money market funds	84.7	—	—	84.7
Other assets:				
Private equity	—	—	25.6	25.6
Equity securities	7.9	—	—	7.9
Foreign currency forward contracts	—	0.1	—	0.1
Total financial assets	**$ 1,136.6**	**$ 0.1**	**$ 25.6**	**$ 1,162.3**
Liabilities:				
Accrued expenses and other current liabilities:				
Contingent earn-out consideration	$ —	$ —	$ 0.4	$ 0.4
Other-long term liabilities:				
Contingent earn-out consideration	—	—	0.7	0.7
Long-term debt, net:				
Convertible notes	—	25.9	—	25.9
Total financial liabilities	**$ —**	**$ 25.9**	**$ 1.1**	**$ 27.0**

	March 31, 2024			
	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
Assets:				
Cash and cash equivalents:				
Money market funds	$ 177.5	$ —	$ —	$ 177.5
Bank-time deposits	64.8	—	—	64.8
Short-term investments:				
Bank-time deposits	22.0	—	—	22.0
Restricted cash and cash equivalents:				
Money market funds	238.3	—	—	238.3
Bank-time deposits	0.5	—	—	0.5
Restricted cash and cash equivalents, long term:				
Money market funds	95.9	—	—	95.9
Other assets:				
Private equity	—	—	26.8	26.8
Total financial assets	$ 599.0	$ —	$ 26.8	$ 625.8
Liabilities:				
Accrued expenses and other current liabilities:				
Contingent earn-out consideration	$ —	$ —	$ 12.4	$ 12.4
Other long-term liabilities:				
Contingent earn-out consideration	—	—	0.7	0.7
Short-term debt, net:				
Convertible notes	—	24.6	—	24.6
Long-term debt, net:				
Convertible notes	—	25.9	—	25.9
Total financial liabilities	$ —	$ 50.5	$ 13.1	$ 63.6

We did not have any transfers between Level 1 and Level 2 fair value measurements, nor did we have any transfers into or out of Level 3 during the three months ended June 30, 2024.

Nonrecurring fair value measurements

We hold equity investments in certain unconsolidated entities without a readily determinable fair value. These strategic investments represent less than a 20% ownership interest in each of the privately-held affiliates, and we do not maintain significant influence over or control of the entities. We have elected the practical expedient in Topic 321, *Investments-Equity Securities*, to measure these investments at cost less any impairment, adjusted for observable price changes, if any. Based on these considerations, we estimate that the carrying value of the acquired shares represents the fair value of the investment. At June 30, 2024, and March 31, 2024, we held $8.0 and $8.0, respectively, of such investments in Other assets within our Condensed Consolidated Balance Sheet.

5. SHORT-TERM INVESTMENTS

Our Short-term investments consisted of the following:

	June 30, 2024							
			Gross Unrealized					
	Cost or Amortized Cost		Gains		Losses		Fair Value	
Short-term investments								
Bank time deposits	$	15.4	$	—	$	—	$	15.4
Total Short-term investments	**$**	**15.4**	**$**	**—**	**$**	**—**	**$**	**15.4**

	March 31, 2024							
			Gross Unrealized					
	Cost or Amortized Cost		Gains		Losses		Fair Value	
Short-term investments								
Bank time deposits	$	22.0	$	—	$	—	$	22.0
Total Short-term investments	$	22.0	$	—	$	—	$	22.0

The following table summarizes the contracted maturities of our short-term investments at June 30, 2024:

	June 30, 2024			
	Amortized Cost		Fair Value	
Short-term investments				
Due in 1 year or less	$	15.4	$	15.4
Total Short-term investments	**$**	**15.4**	**$**	**15.4**

6. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Our risk management strategy includes the use of derivative financial instruments to reduce the volatility associated with changes in foreign currency exchange rates on earnings, cash flows, and certain balance sheet amounts. We do not enter into derivative financial contracts for speculative or trading purposes. We recognize derivative instruments as either assets or liabilities on our Consolidated Balance Sheets, and we measure those instruments at fair value. We classify cash flows from derivative transactions as cash flows from operating activities in our Consolidated Statements of Cash Flows.

Foreign currency forward contracts

The following table shows the gross notional amounts of foreign currency forward contracts:

	June 30, 2024		March 31, 2024	
Forward contracts to sell foreign currencies	**$**	**247.2**	$	243.0
Forward contracts to purchase foreign currencies		**124.8**		72.2

For the three months ended June 30, 2024 and 2023, we recorded a gain of $3.5 and a gain of $3.8, respectively, related to foreign currency forward contracts in Interest and other, net on our Condensed Consolidated Statements of Operations. Our foreign currency exchange forward contracts are not designated as hedging instruments under hedge accounting and are used to reduce the impact of foreign currency on certain balance sheet exposures. These instruments are generally short-term in nature, with typical maturities of less than one year, and are subject to fluctuations in foreign exchange rates.

7. SOFTWARE DEVELOPMENT COSTS AND LICENSES

Details of our capitalized software development costs and licenses were as follows:

	June 30, 2024				March 31, 2024			
	Current		Non-current		Current		Non-current	
Software development costs, internally developed	$	**29.1**	$	**1,532.0**	$	53.4	$	1,237.0
Software development costs, externally developed		**14.2**		**62.1**		6.1		198.5
Licenses		**19.4**		**11.9**		28.8		11.0
Software development costs and licenses	$	**62.7**	$	**1,606.0**	$	88.3	$	1,446.5

During the three months ended June 30, 2024 and 2023, we recorded $23.3 and $18.2, respectively, of software development impairment charges (a component of Cost of revenue). During the three months ended June 30, 2024, the impairment charges related to our cost reduction program (refer to Note 15 - Business Reorganization). During the three months ended June 30, 2023, the impairment charges related to recognizing unamortized capitalized costs for the development of titles, which were anticipated to exceed the net realizable value of the asset at the time they were impaired.

8. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following:

	June 30, 2024		March 31, 2024	
Software development royalties	$	**430.8**	$	413.1
Compensation and benefits		**164.9**		227.3
Tax payable		**89.8**		32.4
Marketing and promotions		**84.8**		94.5
Licenses		**53.2**		64.4
Interest payable		**31.8**		29.4
Refund liability		**28.5**		34.5
Sales tax liability		**19.5**		19.3
Professional fees		**17.5**		16.7
Deferred acquisition payments		**8.4**		17.6
Other		**138.5**		113.4
Accrued expenses and other current liabilities	$	**1,067.7**	$	1,062.6

9. DEBT

The components of Long-term debt, net on our Condensed Consolidated Balance Sheet were as follows:

	Annual Interest Rate	Maturity Date	June 30, 2024		Fair Value (Level 2)	
2026 Notes	5.00%	March 28, 2026	$	**550.0**	$	546.3
2027 Notes	3.70%	April 14, 2027		**600.0**		577.1
2028 Notes	4.95%	March 28, 2028		**800.0**		792.3
2029 Notes	5.40%	June 12, 2029		**300.0**		302.1
2032 Notes	4.00%	April 14, 2032		**500.0**		455.4
2034 Notes	5.60%	June 12, 2034		**300.0**		300.2
2026 Convertible Notes	0.00%	December 15, 2026		**25.9**		25.9
Total			$	**3,075.9**	$	2,999.3
Unamortized discount and issuance costs				**(21.5)**		
Long-term debt, net			$	**3,054.4**		

	Annual Interest Rate	Maturity Date	March 31, 2024	Fair Value (Level 2)
2025 Notes	3.55%	April 14, 2025	$ 600.0	$ 588.9
2026 Notes	5.00%	March 28, 2026	550.0	547.6
2027 Notes	3.70%	April 14, 2027	600.0	576.5
2028 Notes	4.95%	March 28, 2028	800.0	797.8
2032 Notes	4.00%	April 14, 2032	500.0	462.9
2026 Convertible Notes	0.00%	December 15, 2026	25.9	25.9
Total			$ 3,075.9	$ 2,999.6
Unamortized discount and issuance costs			(17.6)	
Long-term debt, net			$ 3,058.3	

The components of Short-term debt, net on our Condensed Consolidated Balance Sheet were as follows:

	Annual Interest Rate	Maturity Date	June 30, 2024	Fair Value (Level 2)
2025 Notes	3.55%	April 14, 2025	**$ 600.0**	$ 590.5
Total			**$ 600.0**	$ 590.5
Unamortized discount and issuance costs			**(1.1)**	
Short-term debt, net			**$ 598.9**	

	Annual Interest Rate	Maturity Date	March 31, 2024	Fair Value (Level 2)
2024 Convertible Notes	0.25%	June 1, 2024	$ 24.6	$ 24.6
Total			$ 24.6	$ 24.6
Unamortized discount and issuance costs			—	
Short-term debt, net			$ 24.6	

The interest expense as it relates to our debt is recorded within Interest and other, net in our Condensed Consolidated Statements of Operations for the three months ended June 30, 2024, and 2023, respectively, and was as follows:

	Three Months Ended June 30,	
	2024	2023
2024 Notes	$ —	$ 6.5
2025 Notes	5.3	5.3
2026 Notes	6.9	5.3
2027 Notes	5.6	5.6
2028 Notes	9.9	5.3
2029 Notes	0.8	—
2032 Notes	5.0	5.0
2034 Notes	0.8	—
Term Loan	—	1.5
Total	**$ 34.3**	$ 34.5

The following table outlines the aggregate amount of maturities of our borrowings, as of June 30, 2024:

Fiscal Year Ending March 31,	Maturities
2025 (remaining)	$ —
2026	1,150.0
2027	29.4
2028	1,400.0
2029	—
Thereafter	1,100.0
Total	3,679.4
Fair value adjustments	(3.5)
Total face value	**$ 3,675.9**

Senior Notes

On June 12, 2024, we completed our offering and sale of $600.0 aggregate principal amount of our senior notes, consisting of $300.0 principal amount of our 5.400% Senior Notes due 2029 (the "2029 Notes") and $300.0 principal amount of our 5.600% Senior Notes due 2034 (the "2034 Notes"). The 2029 Notes and 2034 Notes (the "New Notes") were issued as additional notes under the existing Indenture. Debt issuance costs of $5.4 and original issuance discount of $1.1 were incurred in connection with the 2029 and 2034 Senior Notes. These debt issuance costs and original issuance discount are included as a reduction of the debt within Long-term debt, net on our Condensed Consolidated Balance Sheet and will be amortized into Interest and other, net in our Condensed Consolidated Statements of Operations over the contractual term of the Senior Notes.

On April 14, 2023, we completed our offering and sale of $1,000.0 aggregate principal amount of our senior notes, consisting of $500.0 principal amount of our 5.000% Senior Notes due 2026 (the "2026 Notes") and $500.0 principal amount of our 4.950% Senior Notes due 2028 (the "2028 Notes"). On January 8, 2024, we completed our add-on offering and sale of $350.0 aggregate principal amount of our senior notes, consisting of $50.0 principal amount of additional 2026 Notes and $300.0 principal amount of additional 2028 Notes (the "Add-On Offering Notes").

On April 14, 2022, we completed our offering and sale of $2,700.0 aggregate principal amount of our senior notes, consisting of $1,000.0 principal amount of our 3.300% Senior Notes due 2024 (the "2024 Notes"), $600.0 principal amount of our 3.550% Senior Notes due 2025 (the "2025 Notes"), $600.0 principal amount of our 3.700% Senior Notes due 2027 (the "2027 Notes"), and $500.0 principal amount of our 4.000% Senior Notes due 2032 (the "2032 Notes" and together with the 2024 Notes, 2025 Notes, 2026 Notes, 2027 Notes, 2028 Notes, 2029 Notes, and 2034 Notes, the "Senior Notes").

The Senior Notes were issued under an indenture, dated as of April 14, 2022 (the “Base Indenture”), between the Company and The Bank of New York Mellon, as trustee (the “Trustee”) and (i) a first supplemental indenture, with respect to the 2024 Notes, (ii) a second supplemental indenture, with respect to the 2025 Notes, (iii) a third supplemental indenture, with respect to the 2027 Notes, (iv) a fourth supplemental indenture, with respect to the 2032 Notes, (v) a fifth supplemental indenture, with respect to the 2026 Notes, (vi) a sixth supplemental indenture, with respect to the 2028 Notes, (vii) a seventh supplemental indenture, with respect to the 2029 Notes, and (viii) an eighth supplemental indenture, with respect to the 2034 Notes (collectively, the “Supplemental Indentures” and together with the Base Indenture, the “Indenture”), between the Company and the Trustee.

The Senior Notes are the Company’s senior unsecured obligations and rank equally with all of our other existing and future unsubordinated obligations. We will pay interest on the 2026 Notes and 2028 Notes semi-annually on March 28 and September 28 of each year, commencing September 28, 2023. We will pay interest on each of the 2025 Notes, 2027 Notes, and 2032 Notes semi-annually on April 14 and October 14 of each year, commencing October 14, 2022. We will pay interest on each of the 2029 Notes and 2034 Notes semi-annually on June 12 and December 12 of each year, commencing on December 12, 2024. During the three months ended June 30, 2024, we made interest payments of $31.8. The proceeds from the issuances of the Senior Notes in April 2022 were used to finance a portion of our acquisition of Zynga, and the proceeds from the subsequent issuance of Senior Notes were used, or are expected to be used, to repay certain of our debt or for general corporate purposes.

The Senior Notes are not entitled to any sinking fund payments. We may redeem each series of the Senior Notes at any time in whole or from time to time in part at the applicable redemption prices set forth in each Supplemental Indenture. Upon the occurrence of a Change of Control Repurchase Event (as defined in each of the Supplemental Indentures) with respect to a series of the Senior Notes, each holder of the Senior Notes of such series will have the right to require the Company to purchase that holder’s Notes of such series at a price equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest to, but excluding, the date of repurchase, unless the Company has exercised its option to redeem all the Senior Notes.

In the case of an event of default arising from certain events of bankruptcy or insolvency with respect to the Company, all outstanding Senior Notes will become due and payable immediately. If any other event of default specified in the Indenture occurs and is continuing with respect to any series of the Senior Notes, the Trustee or the holders of at least 25% in aggregate principal amount of that series of the outstanding Notes may declare the principal of such series of Senior Notes immediately due and payable.

The Indenture contains certain limitations on the ability of the Company and its subsidiaries to grant liens without equally securing the Senior Notes, or to enter into certain sale and lease-back transactions. These covenants are subject to a number of important exceptions and limitations, as further provided in the Indenture.

During the three months ended June 30, 2024 and 2023, we recognized $1.4 and $1.8, respectively, of amortization of debt issuance costs and $0.1 and $0.2, respectively, of amortization of the original issuance discount.

On June 5, 2023, pursuant to a tender offer, we purchased and retired $650.0 in aggregate principal amount of our 2024 Notes, with proceeds received from the 2026 Notes and 2028 Notes. We repaid the remaining principal amount of $350.0 on its maturity date on March 28, 2024, with proceeds received from the Add-On Offering Notes. During the three months ended June 30, 2023, we recognized a debt extinguishment gain of approximately $7.0, net of unamortized debt discount and debt issuance costs recorded within Interest and other, net in our Condensed Consolidated Statement of Operations.

Credit Agreement

On May 23, 2022, we entered into a new unsecured credit agreement (as amended, the "2022 Credit Agreement"), which replaced in its entirety the Company's prior credit agreement, dated as of February 8, 2019, which was paid off in full and terminated. The 2022 Credit Agreement provided for an unsecured five-year revolving credit facility with commitments of $500.0, including sublimits for (i) the issuance of letters of credit in an aggregate face amount of up to $100.0 and (ii) borrowings and letters of credit denominated in Pounds Sterling, Euros, and Canadian Dollars in an aggregate principal amount of up to $100.0. In addition, the 2022 Credit Agreement contained uncommitted incremental capacity permitting the incurrence of up to an additional amount not to exceed the greater of $250.0 and 35.0% of the Company's Consolidated Adjusted EBITDA (as defined in the 2022 Credit Agreement). On May 16, 2024, we increased the total commitments under the facility to $750.0 pursuant to the 2022 Credit Agreement's incremental provisions, leaving no further uncommitted incremental capacity.

Loans under the 2022 Credit Agreement will bear interest at a rate of (a) 0.000% to 0.625% above an alternate base rate (8.50% at June 30, 2024) or (b) 1.000% to 1.625% above Secured Overnight Financing Rate ("SOFR"), approximately 5.33% at June 30, 2024, which rates are determined by the Company's credit rating.

The 2022 Credit Agreement also includes, among other terms and conditions, a maximum leverage ratio covenant, as well as customary affirmative and negative covenants, including covenants that limit or restrict the Company and its subsidiaries' ability to, among other things, incur subsidiary indebtedness, grant liens, and dispose of all or substantially all assets, in each case subject to certain exceptions and baskets. In addition, the 2022 Credit Agreement provides for events of default customary for a credit facility of this size and type, including, among others, non-payment of principal and interest when due thereunder, breaches of representations and warranties, noncompliance with covenants, acts of insolvency, cross-defaults to material indebtedness, and material judgment defaults (subject to certain limitations and cure periods). On June 6, 2024, we amended the 2022 Credit Agreement in order to increase the maximum leverage ratio thresholds applicable to our financial covenant, which is measured on a quarterly basis.

Upon execution of the 2022 Credit Agreement, we incurred $3.5 of debt issuance costs that were capitalized within Other assets on our Condensed Consolidated Balance Sheet and will be amortized on a straight-line basis over the five-year term of the 2022 Credit Agreement, with the expense recorded within Interest and other, net in our Condensed Consolidated Statements of Operations. During the three months ended June 30, 2024, and 2023, we amortized $0.2 and $0.2, respectively, of these debt issuance costs.

As of June 30, 2024, there were no borrowings under the 2022 Credit Agreement, and we had approximately $747.8 available for additional borrowings.

Information related to availability on our 2022 Credit Agreement for each period was as follows:

	June 30, 2024	March 31, 2024
Available borrowings	**$ 747.8**	$ 497.7
Outstanding letters of credit	**2.2**	2.3

Term Loan

On June 22, 2022, we entered into an unsecured 364-Day Term Loan Credit Agreement ("Term Loan"). The Term Loan provided for an unsecured 364-day term loan credit facility in the aggregate principal amount of $350.0, maturing on June 21, 2023. We fully drew down on the Term Loan on June 22, 2022 at approximately 3.60%. The proceeds were used to finance a portion of the repurchase of the Convertible Notes (see below). A portion of the proceeds from the April 14, 2023 issuance of the 2026 Notes and 2028 Notes were used to fully repay the Term Loan on April 27, 2023.

Convertible Notes

In conjunction with the acquisition of Zynga on May 23, 2022, we entered into (a) the First Supplemental Indenture (the “2024 Supplemental Indenture”) to the Indenture, dated as of June 14, 2019 (the “2024 Indenture”), between Zynga and Computershare Trust Company, N.A. (as successor to Wells Fargo Bank, National Association) (the “Convertible Notes Trustee”), relating to Zynga's 0.25% Convertible Senior Notes due 2024 (the “2024 Convertible Notes”), and (b) the First Supplemental Indenture (the “2026 Supplemental Indenture” and, together with the 2024 Supplemental Indenture, the “Supplemental Indentures”) to the Indenture, dated as of December 17, 2020 (the “2026 Indenture” and, together with the 2024 Indenture, the “Indentures”), between Zynga and the Convertible Notes Trustee, relating to Zynga's 0.00% Convertible Senior Notes due 2026 (the “2026 Convertible Notes” and, together with the 2024 Convertible Notes, the “Convertible Notes”). As of the closing date of the acquisition, approximately $690.0 aggregate principal amount of the 2024 Convertible Notes was outstanding and approximately $874.5 aggregate principal amount of the 2026 Convertible Notes was outstanding.

Following the acquisition and according to the Supplemental Indentures, we assumed all of Zynga's rights and obligations under the Indentures, and the Company guaranteed the payment and other obligations of Zynga under the Convertible Notes. As a result of our acquisition of Zynga, the right to convert each one thousand dollar principal amount of such Convertible Notes into shares of Zynga common stock was changed into a right to convert such principal amount of such Convertible Notes into the number of units of Reference Property equal to the conversion rate in effect immediately prior to the closing, in each case pursuant to the terms and procedures set forth in the applicable Indenture. A unit of Reference Property is defined in each Indenture as 0.0406 shares of Take-Two common stock and $3.50 in cash, without interest, plus cash in lieu of any fractional shares of Take-Two common stock.

The acquisition of Zynga constituted a Fundamental Change, a Make-Whole Fundamental Change, and a Share Exchange Event (each as defined in the Indentures) under the Indentures. The effective date of the Fundamental Change, Make-Whole Fundamental Change and Share Exchange Event in respect of the Convertible Notes was May 23, 2022, and the related tender and conversion periods expired on June 22, 2022. As a result, each holder of Convertible Notes had the right to tender its Convertible Notes to the Company for cash or surrender its Convertible Notes for conversion into the Reference Property at the applicable conversion rate, in each case pursuant to the terms and procedures set forth in the applicable Indenture.

As of the expiration of the Fundamental Change, Make-Whole Fundamental Change, and Share Exchange Event, (a) $0.3 aggregate principal amount of the 2024 Convertible Notes and (b) $845.1 aggregate principal amount of the 2026 Convertible Notes were tendered for cash. In addition, (a) $668.3 aggregate principal amount of the 2024 Convertible Notes, and (b) no 2026 Convertible Notes were surrendered for conversion into the applicable Reference Property. In total, we paid $321.6 for the tendered or converted 2024 Convertible Notes, including interest, and $845.1 for the tendered 2026 Convertible Notes in cash, and we issued 3.7 shares of our common stock upon the conversion of the 2024 Convertible Notes. After settlement of all Convertible Notes tendered or surrendered for conversion, $21.4 aggregate principal amount of the 2024 Convertible Notes remained outstanding and $29.4 aggregate principal amount of the 2026 Convertible Notes remained outstanding.

The 2024 Convertible Notes and 2026 Convertible Notes constitute senior unsecured indebtedness of Zynga, ranking pari passu with all of our other existing and future senior unsecured unsubordinated obligations of Zynga. As a result, the 2024 Convertible Notes and 2026 Convertible Notes are structurally senior to the indebtedness of the Company as to Zynga, its subsidiaries, and their respective assets. As noted above, the Company also guaranteed the payment and other obligations of Zynga under the Convertible Notes. The Company's guarantees of the 2024 Convertible Notes and 2026 Convertible Notes are the Company's senior unsecured obligations and rank equally with all of the Company's other existing and future senior unsecured unsubordinated obligations.

Under the terms of the applicable Indentures, prior to the close of business on the business day immediately preceding September 15, 2026 with respect to the 2026 Convertible Notes, the Convertible Notes will be convertible only under the following circumstances:

- during any calendar quarter, if the value of a unit of Reference Property (based on the last reported sales price of our common stock), for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price of the applicable series of the 2026 Convertible Notes, on each applicable trading day;

- during the five business-day period after any five consecutive trading-day period in which the trading price per one thousand dollar principal amount of each applicable series of the 2026 Convertible Notes for such trading day was less than 98% of the product of the value of a unit of Reference Property (based on the last reported sale price of our common stock) and the conversion rate of the applicable series of the 2026 Convertible Notes, on each such trading day;

- if we call the 2026 Convertible Notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the respective redemption date; or

- upon the occurrence of specified corporate events described in the respective Indentures.

Upon any conversion, holders will receive either cash or a combination of cash and shares of Take-Two common stock, at our election. As of June 30, 2024, the conditions allowing holders of the 2026 Convertible Notes to convert their series of the Convertible Notes have not been met, and, therefore, they are not yet convertible.

We have elected to account for these Convertible Notes, which are considered derivatives, using the fair value option (Level 2) under ASC 825, as the Convertible Notes were initially recognized at fair value under the acquisition method of accounting in connection with the Zynga Acquisition and we do not expect significant fluctuations in fair value through maturity. We initially recorded $778.6 as the acquisition date fair value for the 2024 Convertible Notes and $874.5 for the 2026 Convertible Notes. The fair value was determined as the expected cash payment and value of shares to be issued to settle the Convertible Notes.

The 2024 Convertible Notes matured on June 1, 2024. During the three months ended June 30, 2024, we paid $8.3 for converted 2024 Convertible Notes, including interest, and we issued 0.1 shares of our common stock upon conversion of the 2024 Convertible Notes.

The 2026 Convertible Notes mature on December 15, 2026, unless earlier converted, redeemed, or repurchased in accordance with their terms, prior to the maturity date. The 2026 Convertible Notes do not bear regular interest, and the principal amount does not accrete. An aggregate principal amount of $29.4 of the 2026 Convertible Notes remained outstanding at June 30, 2024. We recorded $25.9 as the fair value of the remaining outstanding 2026 Convertible Notes, within Long-term debt, net, in our Condensed Consolidated Balance Sheet as of June 30, 2024. During the three months ended June 30, 2024 and 2023, we recognized a gain of $0.4 and a loss of $1.5, respectively, within (Loss) gain on fair value adjustments, net in our Condensed Consolidated Statements of Operations.

10. LOSS PER SHARE

The following table sets forth the computation of basic and diluted loss per share:

	Three Months Ended June 30,	
	2024	2023
Computation of Basic and diluted loss per share:		
Net loss	**$ (262.0)**	$ (206.0)
Weighted average shares outstanding—basic	**172.3**	169.4
Basic and diluted loss per share	**$ (1.52)**	$ (1.22)

We incurred a net loss for the three months ended June 30, 2024 and 2023; therefore, the diluted weighted average shares outstanding excludes the effect of unvested common stock equivalents because their effect would be antidilutive. For the three months ended June 30, 2024, we had 2.2 potentially dilutive shares from share-based awards and 0.1 of shares from Convertible Notes that are excluded due to the net loss for the period.

During the three months ended June 30, 2024, 1.2 restricted stock awards vested, we granted 1.9 unvested restricted stock awards, and 0.2 unvested restricted stock awards were forfeited.

11. COMMITMENTS AND CONTINGENCIES

We have entered into various agreements in the ordinary course of business that require substantial cash commitments over the next several years. Other than agreements entered into in the ordinary course of business and in addition to the agreements requiring known cash commitments as reported in Note 14 to the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended March 31, 2024, we did not have any significant changes to our commitments since March 31, 2024.

Legal and Other Proceedings

We are, or may become, subject to demands and claims (including intellectual property and employment related claims) and are involved in routine litigation in the ordinary course of business which we do not believe to be material to our business or financial condition or results of operations. We have appropriately accrued amounts related to certain of these claims and legal and other proceedings. While it is reasonably possible that a loss may be incurred in excess of the amounts accrued in our financial statements, we believe that such losses, unless otherwise disclosed, would not be material.

12. INCOME TAXES

The provision for income taxes for the three months ended June 30, 2024 is based on our projected annual effective tax rate for fiscal year 2025, adjusted for specific items that are required to be recognized in the period in which they are incurred. The provision for income taxes was $49.8 for the three months ended June 30, 2024, as compared to the benefit from income taxes of $22.9 for the prior year period.

When compared to the statutory rate of 21%, the effective tax rate of (23.5)% for the three months ended June 30, 2024 was due primarily to tax expense of $96.8 related to an increase in valuation allowance, tax expense of $8.2 related to geographic mix of earnings offset by benefits of $17.7 from tax credits.

The Inflation Reduction Act of 2022 (the “Inflation Reduction Act”) includes a new corporate alternative minimum tax (CAMT) of 15% on the adjusted financial statement income (AFSI) of corporations with an average AFSI exceeding $1.0 billion over a consecutive three-year period. The CAMT is effective for taxable year ending March 31, 2024. It is possible that the CAMT could result in an additional tax liability over the regular federal corporate tax liability in a particular year based on differences between book and taxable income. We estimate no tax liability relating to CAMT for the current fiscal year. We will continue to evaluate the potential impact the Inflation Reduction Act may have on our operations and Consolidated Financial Statements in future periods.

The Organization for Economic Co-operation and Development ("OECD") has proposed a global minimum tax of 15% of reported profits, referred to as Pillar Two. Many countries have already implemented or are taking steps to implement Pillar Two. Although the model rules provide a framework for applying the minimum tax, countries may enact Pillar Two slightly differently that the model rules and on different timelines. Many aspects of Pillar Two are effective for the fiscal year ending March 31, 2025. Pillar Two could result in additional tax liability over the regular corporate tax liability in a particular jurisdiction to the extent tax expense is less than 15% minimum rate. The impact of Pillar Two was not material to the tax provision for the three months ended June 30, 2024. We will continue to evaluate the impact Pillar Two may have on our operations.

We are regularly examined by domestic and foreign taxing authorities. Examinations may result in tax assessments in excess of amounts claimed and the payment of additional taxes. We believe our tax positions comply with applicable tax law, and that we have adequately provided for reasonably foreseeable tax assessments. It is possible that settlement of audits or the expiration of the statute of limitations may have an impact on our effective tax rate in future periods.

13. ACQUISITIONS

On June 11, 2024, we completed the purchase of 100% of the issued and outstanding capital stock of The Gearbox Entertainment Company, Inc. ("Gearbox"), from Embracer Group AB, for an initial consideration of 2.8 shares of our common stock.

We acquired Gearbox, a leading developer of console and PC games, as part of our ongoing strategy to strengthen our industry-leading creative talent and portfolio of owned intellectual property. The combination enhances the financial profile of our existing projects with Gearbox and unlocks the opportunities to drive increased long-term growth.

The acquisition-date fair value of the consideration totaled $440.7, which consisted of the following:

	Fair value of purchase consideration
Common stock (2.8 shares)	$ 454.3
Deferred payment	1.0
Settlement of pre-existing relationship	(14.6)
Total	$ 440.7

We used the acquisition method of accounting and recognized assets and liabilities at their fair value as of the date of acquisition, with the excess recorded to goodwill. As we finalize our estimation of the fair value of the assets acquired and liabilities assumed, additional adjustments may be recorded during the measurement period (a period not to exceed 12 months from the acquisition date). The initial accounting is incomplete as of June 30, 2024 for the acquired assets and assumed liabilities. Additional intangible assets may be recognized as the valuation is complete. The following table summarizes the preliminary acquisition date fair value of net tangible and intangible assets acquired, net of liabilities assumed from Gearbox:

	Fair Value	Weighted average useful life
Cash acquired	$ 9.6	N/A
Other tangible assets	152.4	N/A
Other liabilities assumed	(129.6)	N/A
Intangible Assets		
Developed game technology	84.1	4
Games in development	34.9	N/A
Branding and trade names	4.1	5
Goodwill	285.2	N/A
Total	$ 440.7	

Goodwill, which is not deductible for tax purposes, is primarily attributable to the assembled workforce of the acquired business and expected synergies at the time of the acquisition.

The amounts of revenue and earnings of Gearbox included in our Condensed Consolidated Statements of Operations from the acquisition date are as follows:

	Three Months Ended June 30, 2024
Net revenue	$ 1.6
Net loss	(4.5)

Supplemental pro-forma financial information has not been provided as the historical results of Gearbox were not material to us.

Transaction costs of $6.0 for the three months ended June 30, 2024 have been recorded within General and administrative expense in our Condensed Consolidated Statements of Operation.

14. GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill

The change in our goodwill balance is as follows:

		Total
Balance at March 31, 2024	**$**	**4,426.4**
Gearbox Acquisition		285.2
Currency translation adjustment		(4.8)
Balance at June 30, 2024	**$**	**4,706.8**

Intangibles

The following table sets forth the intangible assets that are subject to amortization:

	June 30, 2024			March 31, 2024			
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Weighted average useful life
Developed Game Technology	**$ 3,792.8**	**$ (1,444.2)**	**$ 2,348.6**	**$ 3,788.8**	**$ (1,301.4)**	**$ 2,487.4**	7 years
Branding and Trade Names	**399.1**	**(77.3)**	**321.8**	**395.1**	**(68.5)**	**326.6**	12 years
Game Engine Technology	**321.8**	**(165.4)**	**156.4**	**322.5**	**(147.3)**	**175.2**	4 years
User Base	**319.2**	**(319.2)**	**—**	**319.2**	**(319.2)**	**—**	0 years
Intellectual Property	**146.4**	**(25.5)**	**120.9**	**27.5**	**(23.1)**	**4.4**	5 years
Developer Relationships	**57.0**	**(30.0)**	**27.0**	**57.0**	**(26.5)**	**30.5**	5 years
Advertising Technology	**43.0**	**(30.2)**	**12.8**	**43.0**	**(26.6)**	**16.4**	3 years
Customer relationships	**31.0**	**(13.1)**	**17.9**	**31.0**	**(11.5)**	**19.5**	5 years
Analytics Technology	**29.7**	**(29.7)**	**—**	**30.1**	**(30.1)**	**—**	0 years
In Place Lease	**2.0**	**(1.5)**	**0.5**	**2.0**	**(1.4)**	**0.6**	4 years
Total intangible assets	**$ 5,142.0**	**$ (2,136.1)**	**$ 3,005.9**	**$ 5,016.2**	**$ (1,955.6)**	**$ 3,060.6**	

Amortization of intangible assets is included in our Condensed Consolidated Statements of Operations as follows:

	Three Months Ended June 30,	
	2024	2023
Cost of revenue	**$ 164.4**	$ 187.2
Selling and marketing	**1.6**	46.3
Research and development	**7.2**	7.1
Depreciation and amortization	**8.9**	8.9
Total amortization of intangible assets	**$ 182.1**	$ 249.5

Estimated future amortization of intangible assets that will be recorded in Cost of revenue and operating expenses are as follows:

Fiscal Year Ended March 31,	Amortization
2025 (remaining)	$ 552.5
2026	709.6
2027	634.1
2028	590.2
2029	243.6

15. BUSINESS REORGANIZATION

We have implemented a cost reduction program to identify efficiencies across our business (the "2024 Plan"), which includes eliminating several projects in development and streamlining our organizational structure. The 2024 Plan is expected to be largely completed by December 31, 2024. We estimate that we will incur approximately $160.0 to $200.0 in total charges in connection with the 2024 Plan, which consists of approximately $120.0 to $140.0 related to title cancellations, $25.0 to $35.0 associated with employee severance and employee-related costs, and approximately $15.0 to $25.0 related to office space reductions.

We incurred business reorganization expenses of $49.5 and $7.2 during the three months ended June 30, 2024, and 2023, respectively. In connection with the 2024 Plan, during the three months ended June 30, 2024, $23.8 was for employee-related costs, $23.3 related to title cancellations (refer to Note 7 - Software Development Costs and Licenses), $1.8 related to impairment loss for a right-of-use asset due to office closures, and $0.6 consisted of professional fees.

During the three months ended June 30, 2024, we paid $34.1 related to these reorganization activities and $8.1 remained accrued for in Accrued expenses and other current liabilities.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS

The statements contained herein, which are not historical facts, including statements relating to Take-Two Interactive Software, Inc.'s ("Take-Two," the "Company," "we," "us," or similar pronouns) outlook, are considered forward-looking statements under federal securities laws and may be identified by words such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "potential," "predicts," "projects," "seeks," "should," "will," or words of similar meaning and include, but are not limited to, statements regarding the outlook for our future business and financial performance. Such forward-looking statements are based on the current beliefs of our management as well as assumptions made by and information currently available to them, which are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict. Actual outcomes and results may vary materially from these forward-looking statements based on a variety of risks and uncertainties including risks relating to our combination with Zynga Inc. (the "Zynga Acquisition"); the risks of conducting business internationally, including as a result of unforeseen geopolitical events; the impact of changes in interest rates by the Federal Reserve and other central banks, including on our short-term investment portfolio; the impact of inflation; volatility in foreign currency exchange rates; our dependence on key management and product development personnel; our dependence on our NBA 2K and Grand Theft Auto products and our ability to develop other hit titles; our ability to leverage opportunities on PlayStation®5 and Xbox Series X|S; factors affecting our mobile business, such as player acquisition costs; the timely release and significant market acceptance of our games; the ability to maintain acceptable pricing levels on our games; and other risks included herein; as well as, but not limited to, the risks and uncertainties discussed under the heading "Risk Factors" included in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended March 31, 2024; and our other periodic filings with the Securities and Exchange Commission. All forward-looking statements are qualified by these cautionary statements and speak only as of the date they are made. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is provided in addition to the accompanying Condensed Consolidated Financial Statements and notes to assist readers in understanding our results of operations, financial condition, and cash flows. The following discussion should be read in conjunction with the MD&A and our annual Consolidated Financial Statements and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2024. All figures are in millions, except per share amounts or as otherwise noted.

Overview

Our Business

We are a leading developer, publisher, and marketer of interactive entertainment for consumers around the globe. We develop, operate, and publish products principally through Rockstar Games, 2K, Private Division, and Zynga. Our products are currently designed for console gaming systems, PC, and mobile, including smartphones and tablets. We deliver our products through physical retail, digital download, online platforms, and cloud streaming services.

Our strategy is to be the most creative, innovative, and efficient company in the evolving interactive entertainment industry. With our diverse portfolio that spans all key platforms and numerous genres, we strive to create the highest quality, most engaging interactive entertainment franchises that captivate our global audience. Most of our intellectual property is internally owned and developed, which we believe best positions us financially and competitively. We have established a portfolio of proprietary software content for the major hardware and mobile platforms in a wide range of genres, including action, adventure, family/casual, hyper-casual, role-playing, shooter, social casino, sports, and strategy, which we distribute worldwide. We believe that our player-first approach and commitment to creativity and innovation are distinguishing strengths, enabling us to differentiate our products in the marketplace by combining advanced technology with compelling storylines and characters that provide unique gameplay experiences for consumers. We have created, acquired, or licensed a group of highly recognizable brands to match the broad consumer demographics that we serve, ranging from adults to children and game enthusiasts to casual gamers. Another cornerstone of our strategy is to support the success of our products in the marketplace through innovative marketing programs and global distribution on platforms and through channels that are relevant to our target audience.

We derive substantially all of our revenue from the sale of our interactive entertainment content, which includes the sale of internally developed software titles and software titles developed by third parties, the sale of in-game virtual items and advertising, and live services on console, PC, and mobile. Operating margins are dependent in part upon our ability to release new, commercially successful software products and to manage effectively their development and marketing costs. We have internal development studios located in Australia, Canada, China, Czech Republic, Finland, Germany, Hungary, India, Serbia, South Korea, Spain, Turkey, the United Kingdom (U.K.), and the United States (U.S.).

Rockstar Games. Rockstar Games' strategy is to develop a limited number of titles that are known for their quality and longevity in the market for which they can create sequels and incremental revenue opportunities through virtual currency, add-on content, and in-game purchases. Software titles published by our Rockstar Games label are primarily internally developed. We expect Rockstar Games, our wholly-owned publisher of the *Grand Theft Auto*, *LA Noire*, *Max Payne*, *Midnight Club*, *Red Dead Redemption*, and other popular franchises, to continue to be a leader in the action/adventure product category and to create groundbreaking entertainment. We believe that Rockstar Games has established a uniquely original, popular, cultural phenomenon with its *Grand Theft Auto* series, which is the interactive entertainment industry's most iconic and critically acclaimed brand and has sold-in over 425 million units worldwide. Our most recent installment, *Grand Theft Auto V*, which was released in 2013, has sold-in over 200 million units worldwide and includes access to *Grand Theft Auto Online*. Rockstar Games offers its GTA+ membership program, which engages its player community with an array of rotating benefits, including access to classic Rockstar titles. Rockstar Games continues to invest in the franchise and plans to release *Grand Theft Auto VI* in the Fall of calendar 2025. The label released its first trailer for the title in December 2023 and will share more details over time. *Red Dead Redemption 2*, which has been a critical and commercial success that set numerous entertainment industry records, has sold-in more than 60 million units worldwide to date. Rockstar Games continues to expand on its established series by developing sequels, offering downloadable episodes, and providing additional content. Rockstar Games' titles are published across all key platforms, including mobile.

2K. Our 2K label has published a variety of popular entertainment properties across all key platforms and across a range of genres including shooter, action, role-playing, strategy, sports, and family/casual entertainment. In recent years, 2K has expanded its offerings to include several new franchises that are expected to enhance and diversify its slate of games and provide opportunities for sequels and additional content. We expect 2K to continue to develop new, successful franchises in the future. 2K's internally owned and developed franchises include the critically acclaimed, multi-million unit selling *BioShock*, *Mafia*, *Sid Meier's Civilization*, and *XCOM* franchises, as well as the *Borderlands* and *Tiny Tina's Wonderlands* franchises, which were added to its portfolio with our June 2024 acquisition of Gearbox. 2K's realistic sports simulation titles include our flagship *NBA 2K* series, which continues to be the top-ranked NBA basketball video game, the *WWE 2K* professional wrestling series, *PGA TOUR 2K*, and *TopSpin 2K*. 2K also publishes mobile titles, including *WWE SuperCard*. We expanded our relationship with the NBA through the *NBA 2K League*.

Private Division. Our Private Division label is dedicated to bringing titles from the industry's leading creative talent to market and is the publisher, developer, and owner of *Kerbal Space Program* and *OlliOlli World*.

Zynga. Our Zynga label publishes popular free-to-play mobile games that deliver high quality, deeply engaging entertainment experiences and generates revenue from in-game sales and in-game advertising. Zynga's strategy is to have numerous games in concept development and to determine which titles are best suited for soft launch and worldwide launch based on the achievement of various milestones and KPI thresholds. Zynga's diverse portfolio of popular game franchises has been downloaded more than six billion times, including *CSR Racing*, *Dragon City*, *Empires & Puzzles*, *FarmVille*, *Golf Rival*, *Harry Potter: Puzzles & Spells*, *Match Factory!*, *Merge Dragons!*, *Merge Magic!*, *Monster Legends*, *Toon Blast*, *Top Eleven*, *Top Troops*, *Toy Blast*, *Two Dots*, *Words With Friends*, *Zynga Poker*, and a high volume of hyper-casual mobile titles, including *Fill the Fridge!, Parking Jam 3D*, *Power Slap*, *Pull the Pin, Twisted Tangle, and Tangled Snakes*.

International Expansion

The global market for interactive entertainment continues to grow, and we seek to increase our presence internationally, particularly in Asia, the Middle East, and Latin America. We are continuing to execute on our growth initiatives in Asia, where our strategy is to build on our licensing relationships and also broaden the distribution of our existing products and expand our online gaming presence, especially in China. 2K has secured a multi-year license from the NBA to develop an online version of our NBA simulation game in China, Taiwan, Hong Kong, and Macau. Our first such title, *NBA 2K Online*, a free-to-play NBA simulation game based on the console edition of *NBA 2K*, which was co-developed by 2K and Tencent, is the top online PC sports game in China with over 60 million registered users. We have released two iterations of *NBA 2K Online* and continue to enhance the title with new features. While we retain title to all intellectual property, in some regions, local publishers, under license agreements, are responsible for localization of software content, distribution, and marketing of the products in their respective local markets.

Trends and Factors Affecting our Business

Product Release Schedule. Our financial results are affected by the timing of our product releases and the commercial success of our titles. Generally, a significant portion of our revenue has been derived from a few popular franchises, particularly around new releases within those franchises, some of which have annual or biennial releases. Additionally, our *Grand Theft Auto* products in particular have historically accounted for a significant portion of our revenue. Sales of *Grand Theft Auto* products generated 13.1% of our net revenue for the three months ended June 30, 2024. The timing of our *Grand Theft Auto* product releases may affect our financial performance on a quarterly and annual basis.

Economic Environment and Retailer Performance. We continue to monitor various macroeconomic and geopolitical factors that may affect our business in several areas, including consumer demand, inflation, pricing pressure on our products, credit quality of our receivables, and foreign currency exchange rates. For example, in response to the conflict in Ukraine, we suspended sales of our products in Russia and Belarus, which had a negative impact on our financial results. Actions taken to date and other potential actions could result in additional negative impact in future periods.

The economic environment has affected our customers in the past and may do so in the future. There has been increased consolidation in our industry, as larger, better capitalized competitors will be in a stronger position to withstand prolonged periods of economic downturn and sustain their business through the financial volatility. Also, bankruptcies or consolidations of our large retail customers could seriously hurt our business, due to uncollectible accounts receivable and the concentration of purchasing power among the remaining large retailers.

Hardware Platforms. We derive a substantial portion of our revenue from the sale of products made for video game consoles manufactured by third parties. Such console revenue comprised 38.0% of our net revenue for the three months ended June 30, 2024. The success of our business is dependent upon consumer acceptance of these platforms and the continued growth in the installed base of these platforms. When new hardware platforms are introduced, demand for interactive entertainment developed for older platforms typically declines, which may negatively affect our business during the market transition to the new consoles. The latest Sony and Microsoft consoles provide "backwards compatibility" (i.e., the ability to play games for the previous generation of consoles). The inclusion of such features on new consoles could mitigate the risk of such a decline. However, we cannot be certain how backwards compatibility will affect demand for our products. Further, events beyond our control may impact the availability of these new consoles, which may also affect demand. We manage our product delivery on each current and future platform in a manner we believe to be most effective to maximize our revenue opportunities and achieve the desired return on our investments in product development. Accordingly, our strategy for these platforms is to focus our development efforts on a select number of the highest quality titles.

Online Content and Digital Distribution. We provide a variety of online delivered products, including direct digital downloads of our titles, and access to additional offerings through virtual currency, add-on content, and in-game purchases, which drive ongoing engagement and incremental revenue from recurrent consumer spending on our titles. Net revenue from digital online channels comprised 96.8% of our net revenue for the three months ended June 30, 2024. We expect online delivery of games and game offerings to continue to be the primary part of our business over the long term.

A significant portion of our mobile titles are distributed, marketed, and promoted through third parties, primarily Apple's App Store and the Google Play Store. Virtual items for our mobile games are purchased through the payment processing systems of these platform providers. We generate a significant portion of our net revenue through the Apple and Google platforms and expect to continue to do so for the foreseeable future. Apple and Google generally have the discretion to set the amounts of their platform fees and change their platforms' terms of service and other policies with respect to us or other developers at their sole discretion, and those changes may be unfavorable to us. These platform fees are recorded as cost of revenue as incurred. Further, as a result of the platform fees associated with online game sales, our mobile net revenue generally generates a lower gross margin percentage than our Console or PC revenue. Accordingly, the overall product mix between mobile and other game sales may affect our gross margin percentage. We are also expanding our direct-to-consumer efforts more meaningfully across our mobile portfolio to enhance profitability.

In addition, we aim to drive ongoing engagement and incremental revenue from recurrent consumer spending on our titles through virtual currency, add-on content, in-game purchases, and in-game advertising, all of which are typically delivered digitally.

Player acquisition costs. Principally for our mobile titles, we use advertising and other forms of player acquisition and retention to grow and retain our player audience. These expenditures, which are recorded within Sales and marketing in our Condensed Consolidated Statements of Operations, generally relate to the promotion of new game launches and ongoing performance-based programs to drive new player acquisition and lapsed player reactivation. Over time, the effectiveness or cost of these acquisition and retention-related programs may change, affecting our operating results.

Content Release Highlights

During fiscal year 2025, 2K released *TopSpin 2K25*, Private Division released *No Rest for the Wicked* early access on PC, and Zynga released *Star Wars: Hunters* and *Game of Thrones: Legends RPG*.

To date we have announced that, during the remainder of fiscal year 2025, 2K will release *NBA 2K25* and Rockstar plans to release *Grand Theft Auto VI* in the Fall of calendar 2025

In addition, throughout the year, we expect to continue to deliver new content for our franchises. We will also continue to invest in opportunities that we believe will enhance and scale our business and have the potential to drive growth over the long term.

Critical Accounting Policies and Estimates

Our most critical accounting policies, which are those that require significant judgment, include revenue recognition; capitalization and recognition of software development costs and licenses; fair value estimates including valuation of goodwill and intangible assets; valuation and recognition of stock-based compensation; and income taxes. In-depth descriptions of our other critical accounting policies and estimates can be found in our Annual Report on Form 10-K for the fiscal year ended March 31, 2024.

Recently Adopted and Recently Issued Accounting Pronouncements

See Note 1 - Basis of Presentation and Significant Accounting Policies for further discussion.

Operating Metric

Net Bookings

We monitor Net Bookings as a key operating metric in evaluating the performance of our business. Net Bookings is defined as the net amount of products and services sold digitally or sold-in physically during the period and includes licensing fees, merchandise, in-game advertising, strategy guides, and publisher incentives. Net Bookings were as follows:

	Three Months Ended June 30,			
	2024	**2023**	**Increase/ (decrease)**	**% Increase/ (decrease)**
Net Bookings	**$ 1,218.1**	$ 1,201.5	$ 16.6	1.4 %

For the three months ended June 30, 2024, Net Bookings increased as compared to the prior year period. The increase was primarily due to an increase in Net Bookings from *Match Factory!*, which released in November 2023; *Toon Blast; TopSpin 2K25*, which released in April 2024; our *Red Dead Redemption* franchise; and *No Rest for the Wicked*, which released for early access in April 2024. These increases were partially offset by a decrease in Net Bookings from our *NBA 2K* franchise, our hyper-casual mobile portfolio, *LEGO 2K Drive,* which released in May 2023; *Empires & Puzzles*, and *Merge Dragons!*.

Results of Operations

The following tables set forth, for the periods indicated, our Condensed Consolidated Statements of Operations, net revenue by platform, net revenue by distribution channel, and net revenue by content type:

	Three Months Ended June 30,			
	2024		2023	
Total net revenue	$ **1,338.2**	**100.0 %**	$ 1,284.7	100.0 %
Cost of revenue	**567.1**	**42.4 %**	605.5	47.1 %
Gross profit	**771.1**	**57.6 %**	679.2	52.9 %
Selling and marketing	**431.4**	**32.2 %**	399.4	31.1 %
Research and development	**219.8**	**16.4 %**	238.6	18.6 %
General and administrative	**210.5**	**15.7 %**	197.9	15.4 %
Depreciation and amortization	**44.8**	**3.3 %**	40.4	3.1 %
Business reorganization	**49.5**	**3.7 %**	7.2	0.6 %
Total operating expenses	**956.0**	**71.3 %**	883.5	68.8 %
Loss from operations	**(184.9)**	**(13.7)%**	(204.3)	(15.9)%
Interest and other, net	**(24.2)**	**(1.8)%**	(25.4)	(2.0)%
(Loss) gain on fair value adjustments, net	**(3.1)**	**(0.2)%**	0.8	0.1 %
Loss before income taxes	**(212.2)**	**(15.7)%**	(228.9)	(17.8)%
Provision for (benefit from) income taxes	**49.8**	**3.7 %**	(22.9)	(1.8)%
Net loss	$ **(262.0)**	**(19.4)%**	$ (206.0)	(16.0)%

	Three Months Ended June 30,			
	2024		2023	
Net revenue by platform:				
Mobile	$ **722.5**	**54.0 %**	$ 680.0	52.9 %
Console	**508.9**	**38.0 %**	504.3	39.3 %
PC and other	**106.8**	**8.0 %**	100.4	7.8 %
Net revenue by distribution channel:				
Digital online	$ **1,295.5**	**96.8 %**	$ 1,240.0	96.5 %
Physical retail and other	**42.7**	**3.2 %**	44.7	3.5 %
Net revenue by content:				
Recurrent consumer spending	$ **1,097.7**	**82.0 %**	$ 1,068.4	83.2 %
Full game and other	**240.5**	**18.0 %**	216.3	16.8 %

Three Months Ended June 30, 2024 Compared to June 30, 2023

(millions of dollars)	2024	%	2023	%	Increase/ (decrease)	% Increase/ (decrease)
Total net revenue	$ **1,338.2**	**100.0 %**	$ 1,284.7	100.0 %	$ 53.5	4.2 %
Product costs	**203.3**	**15.2 %**	178.9	13.9 %	24.4	13.6 %
Game intangibles	**163.5**	**12.2 %**	186.9	14.5 %	(23.4)	(12.5) %
Software development costs and royalties (1)	**76.2**	**5.7 %**	115.7	9.0 %	(39.5)	(34.1) %
Internal royalties	**69.0**	**5.2 %**	72.6	5.7 %	(3.6)	(5.0) %
Licenses	**55.1**	**4.1 %**	51.4	4.0 %	3.7	7.2 %
Cost of revenue	**567.1**	**42.4 %**	605.5	47.1 %	(38.4)	(6.3) %
Gross profit	$ **771.1**	**57.6 %**	$ 679.2	52.9 %	$ 91.9	13.5 %

(1) Includes $2.9 and $6.7 of stock-based compensation expense in 2024 and 2023, respectively, in software development costs and royalties.

For the three months ended June 30, 2024, net revenue increased by $53.5 as compared to the prior year period. The increase was primarily due to an increase in net revenue of $63.2 from *Match Factory!,* which released in November 2023, and $31.6 from *Toon Blast.* These increases were partially offset by a decrease in net revenue of $21.2 from our hyper-casual mobile portfolio.

Net revenue from mobile increased by $42.5 and accounted for 54.0% of our total net revenue for three months ended June 30, 2024, as compared to 52.9% for the prior year period. The increase was primarily due to an increase in net revenue from *Match Factory!, Toon Blast*, and *Empires & Puzzles.* These increases were partially offset by a decrease in net revenue from our hyper-casual mobile portfolio. Net revenue from console games increased by $4.6 and accounted for 38.0% of our total net revenue for the three months ended June 30, 2024, as compared to 39.3% for the prior year period. The increase in net revenue from console games was due to an increase in net revenue from our *Red Dead Redemption* franchise and *TopSpin 2K25*, which released in April 2024. These increases were partially offset by a decrease in net revenue from our *NBA 2K* franchise, *LEGO 2K Drive,* which released in May 2023; and our *PGA TOUR 2K* and *Grand Theft Auto* franchises. Net revenue from PC and other increased by $6.4 and accounted for 8.0% of our total net revenue for the three months ended June 30, 2024, as compared to 7.8% for the prior year period. The increase in net revenue from PC and other was primarily due to an increase in net revenue from *No Rest for the Wicked*, which released for early access in April 2024, and our *Grand Theft Auto* franchise. These increases were partially offset by a decrease in net revenue from our *NBA 2K* franchise.

Recurrent consumer spending ("RCS") is generated from ongoing consumer engagement and includes revenue from virtual currency, add-on content, in-game purchases, and in-game advertising. Net revenue from RCS increased by $29.3 and accounted for 82.0% of net revenue for the three months ended June 30, 2024, as compared to 83.2% of net revenue for the prior year period. The increase in net revenue from RCS was primarily due to increases in net revenue from *Match Factory!*, *Toon Blast*, and *Empires & Puzzles*. These increases were partially offset by a decrease in net revenue from our hyper-causal mobile portfolio and our *Grand Theft Auto* franchise. Net revenue from full game and other increased by $24.2 and accounted for 18.0% of net revenue for the three months ended June 30, 2024 as compared to 16.8% of net revenue for the prior year period. The increase in net revenue from full game and other was due primarily to an increase in net revenue from our *Red Dead Redemption* franchise, *TopSpin 2K25*, and our *Grand Theft Auto* franchise. These increases were partially offset by a decrease in net revenue in our *NBA 2K* franchise and *LEGO 2K Drive*.

Net revenue from digital online channels increased by $55.5 and accounted for 96.8% of our total net revenue for the three months ended June 30, 2024, as compared to 96.5% for the prior year period. The increase was primarily due to increases in net revenue from *Match Factory!* and *Toon Blast.* These increases were partially offset by a decrease in net revenue in our hyper-casual mobile portfolio. Net revenue from physical retail and other channels decreased by $2.0 and accounted for 3.2% of our total net revenue for the three months ended June 30, 2024, as compared to 3.5% for the same period in the prior year period. The decrease in net revenue from physical retail and other channels was due primarily to a decrease in net revenue from *LEGO 2K Drive* and our *NBA 2K* and *PGA TOUR 2K* franchises. These decreases were partially offset by an increase in net revenue from physical retail and other channels from *TopSpin 2K25* and our *Red Dead Redemption* franchise.

Gross profit as a percentage of net revenue for the three months ended June 30, 2024 was 57.6% as compared to 52.9% for the prior year period. The increase in gross profit as a percentage of net revenue was primarily due to (i) lower development royalties due primarily to the timing of releases and (ii) lower amortization of intangibles assets due primarily to impairment charges in the prior year for acquisition-related intangible assets.

Changes in foreign currency exchange rates decreased net revenue by $1.3 and decreased gross profit by $0.6 for the three months ended June 30, 2024 as compared to the prior year period.

Operating Expenses

(millions of dollars)		2024	% of net revenue			2023	% of net revenue			Increase/ (decrease)	% Increase/ (decrease)	
Selling and marketing	**$**	**431.4**	**32.2**	**%**	$	399.4	31.1	%	$	32.0	8.0	%
Research and development		**219.8**	**16.4**	**%**		238.6	18.6	%		(18.8)	(7.9)	%
General and administrative		**210.5**	**15.7**	**%**		197.9	15.4	%		12.6	6.4	%
Depreciation and amortization		**44.8**	**3.3**	**%**		40.4	3.1	%		4.4	10.9	%
Business reorganization		**49.5**	**3.7**	**%**		7.2	0.6	%		42.3	587.5	%
Total operating expenses[(1)]	**$**	**956.0**	**71.3**	**%**	$	883.5	68.8	%	$	72.5	8.2	%

(1) Includes stock-based compensation expense, which was allocated as follows:

		2024		2023
Selling and marketing	**$**	**21.2**	$	24.3
Research and development		**23.2**		23.6
General and administrative		**28.0**		24.1

Changes in foreign currency exchange rates decreased total operating expenses by $2.0 for the three months ended June 30, 2024, as compared to the prior year period.

Selling and marketing

Selling and marketing expenses increased by $32.0 for the three months ended June 30, 2024, as compared to the prior year period, due primarily to higher overall marketing expenses for *Match Factory!,* with no corresponding expense in the prior fiscal year, partially offset by lower amortization related to intangible assets related to our Zynga acquisition.

Research and development

Research and development expenses decreased by $18.8 for the three months ended June 30, 2024, as compared to the prior year period, primarily due to the timing of tax related credits related to certain titles, partially offset by an increase in personnel expense due to increased headcount.

General and administrative

General and administrative expenses increased by $12.6 for the three months ended June 30, 2024, as compared to the prior year period, due primarily to increases in (i) professional fees related to our Gearbox acquisition (refer to Note 13 - Acquisitions), (ii) IT-related expenses for cloud-based services and IT infrastructure, and (iii) personnel expense due to increased headcount, partially offset by a reduction of expense in the current year as compared to the prior year related to updating the fair value of contingent earn-out liability for our acquisition of Popcore.

General and administrative expenses for the three months ended June 30, 2024 and 2023 included occupancy expense (primarily rent, utilities and office expenses) of $16.9 and $16.8, respectively, related to our development studios.

Depreciation and amortization

Depreciation and amortization expenses increased by $4.4 for the three months ended June 30, 2024, as compared to the prior year period, due primarily to an increase in IT infrastructure and leasehold improvements for office buildouts.

Business reorganization

Business reorganization increased by $42.3 for the three months ended June 30, 2024, as compared to the prior year period, due primarily to the cancellation of titles and employee-related costs as part of our approved cost reduction program (refer to Note 15 - Business Reorganization).

Interest and other, net

Interest and other, net was expense of $24.2 for the three months ended June 30, 2024, as compared to expense of $25.4 for the prior year period. The net decrease in expense was due primarily to a decrease in foreign currency losses, partially offset by a gain on debt extinguishment recognized in the prior year.

(Loss) gain on fair value adjustments, net

(Loss) gain on fair value adjustments, net was a loss of $3.1 for the three months ended June 30, 2024 as compared to a gain of $0.8 for the prior year period. The change was due primarily to changes in fair value based on the observable price changes of our long-term investments.

Provision for income taxes

The provision for income taxes for the three months ended June 30, 2024 is based on our projected annual effective tax rate for fiscal year 2025, adjusted for specific items that are required to be recognized in the period in which they are incurred. The provision for income taxes was $49.8 for the three months ended June 30, 2024, as compared to the benefit from income taxes of $22.9 for the prior year period.

When compared to the statutory rate of 21%, the effective tax rate of (23.5)% for the three months ended June 30, 2024 was due primarily to tax expense of $96.8 related to an increase in valuation allowance and tax expense of $8.2 related to geographic mix of earnings offset by benefits of $17.7 from tax credits.

In the prior year period, when compared to the statutory rate of 21.0%, the effective tax rate of 10.0% for the three months ended June 30, 2023 was due primarily to tax expense of $25.4 related to an increase in the U.S. valuation allowance, tax expense of $5.0 from employee stock-based compensation, and tax expense of $2.4 related to geographic mix of earnings offset by benefits of $20.4 from tax credits.

The change in the effective tax rate, when compared to the prior year period's effective tax rate, is due primarily to increased tax expense from changes in valuation allowance, increased expense related to geographic mix of earnings, and decreased benefits from tax credits, offset by increased benefits from employee stock-based compensation.

The accounting for share-based compensation will increase or decrease our effective tax rate based upon the difference between our share-based compensation expense and the deductions taken on our tax return, which depends on the stock price at the time of the employee award vesting.

We anticipate that additional excess tax benefits or shortfalls from employee stock compensation, tax credits, and changes in our geographic mix of earnings could have a significant impact on our effective tax rate in the future. In addition, we are regularly examined by domestic and foreign taxing authorities. Examinations may result in tax assessments in excess of amounts claimed and the payment of additional taxes. We believe our tax positions comply with applicable tax law, and that we have adequately provided for reasonably foreseeable tax assessments. It is possible that settlement of audits or the expiration of the statute of limitations could have an impact on our effective tax rate in future periods.

The American Rescue Plan Act of 2021 (the “ARPA”), among other things, includes provisions to expand the IRC Section 162(m) disallowance for deduction of certain compensation paid by publicly held corporations. Effective for tax years starting after December 31, 2026 (April 1, 2027 for the Company), the ARPA expands the limitation to cover the next five most highly compensated employees. The ARPA did not have a material impact on our Condensed Consolidated Financial Statements for the three months ended June 30, 2024. We continue to evaluate the potential impact the ARPA may have on our operations and Consolidated Financial Statements in future periods.

The Inflation Reduction Act of 2022 (the “Inflation Reduction Act”) includes a new corporate alternative minimum tax (CAMT) of 15% on the adjusted financial statement income (AFSI) of corporations with an average AFSI exceeding $1.0 billion over a consecutive three-year period. The CAMT is effective for taxable year ending March 31, 2024. It is possible that the CAMT could result in an additional tax liability over the regular federal corporate tax liability in a particular year based on differences between book and taxable income. We estimate no tax liability relating to CAMT for the current fiscal year. We will continue to evaluate the potential impact the Inflation Reduction Act may have on our operations and Consolidated Financial Statements in future periods.

The Organization for Economic Co-operation and Development ("OECD") has proposed a global minimum tax of 15% of reported profits, referred to as Pillar Two. Many countries have already implemented or are taking steps to implement Pillar Two. Although the model rules provide a framework for applying the minimum tax, countries may enact Pillar Two slightly differently that the model rules and on different timelines. Many aspects of Pillar Two are effective for the fiscal year ending March 31, 2025. Pillar Two could result in additional tax liability over the regular corporate tax liability in a particular jurisdiction to the extent tax expense is less than 15% minimum rate. The impact of Pillar Two was not material to the tax provision for the three months ended June 30, 2024. We will continue to evaluate the impact Pillar Two may have on our operations.

Net loss and Loss per share

For the three months ended June 30, 2024, net loss was $262.0, as compared to a net loss of $206.0 in the prior year period. Basic and diluted loss per share for the three months ended June 30, 2024 was $1.52, as compared to basic and diluted loss per share of $1.22 in the prior year period. Basic weighted average shares of 172.3 were 2.9 shares higher as compared to the prior year period basic weighted average shares, due primarily to normal stock compensation activity, including vests as well as grants and forfeitures in the prior year being fully outstanding in the current year, as well as stock issued as consideration for the acquisition of Gearbox. See Note 10 - Loss Per Share to our Condensed Consolidated Financial Statements for additional information.

Liquidity and Capital Resources

Our primary cash requirements are to fund (i) the development, manufacturing and marketing of our published products, (ii) working capital, (iii) capital expenditures, (iv) debt and interest payments, (v) tax payments, and (vi) acquisitions. We expect to rely on cash and cash equivalents as well as on short-term investments, funds provided by our operating activities, and our 2022 Credit Agreement to satisfy our working capital needs. Refer to Note 9 - Debt for additional discussion of our outstanding debt obligations.

Short-term investments

As of June 30, 2024, we had $15.4 of short-term investments, which primarily consisted of bank time deposits with maturities greater than 90 days. From time to time, we may make additional short-term investments depending on future market conditions and liquidity needs.

Senior Notes

As of June 30, 2024, we had $3,650.0 of Senior Notes outstanding.

Credit Agreement

As of June 30, 2024, there were no borrowings under the 2022 Credit Agreement, and we had approximately $747.8 available for additional borrowings.

Convertible Notes

The 2026 Convertible Notes mature on December 15, 2026, unless earlier converted, redeemed, or repurchased in accordance with their terms, prior to the maturity date. The 2026 Convertible Notes do not bear regular interest, and the principal amount does not accrete. An aggregate principal amount of $29.4 of the 2026 Convertible Notes remained outstanding at June 30, 2024.

Financial Condition

We are subject to credit risks, particularly if any of our receivables represent a limited number of customers or are concentrated in foreign markets. If we are unable to collect our accounts receivable as they become due, it could adversely affect our liquidity and working capital position.

Generally, we have been able to collect our accounts receivable in the ordinary course of business. We do not hold any collateral to secure payment from customers. We have trade credit insurance on the majority of our customers to mitigate accounts receivable risk.

A majority of our trade receivables are derived from sales to major retailers, including digital storefronts and platform partners, and distributors. Our five largest customers accounted for 83.1% and 79.9% of net revenue during the three months ended June 30, 2024 and 2023, respectively. As of June 30, 2024 and March 31, 2024, five customers accounted for 70.3% and 69.9% of our gross accounts receivable, respectively. Customers that individually accounted for more than 10% of our gross accounts receivable balance comprised 57.2% and 57.7% of such balances at June 30, 2024 and March 31, 2024, respectively. We had three customers who accounted for 23.0%, 22.7%, and 11.4% of our gross accounts receivable as of June 30, 2024, and three customers who accounted for 21.8%, 18.1%, and 16.9% of our gross accounts receivable as of March 31, 2024. We did not have any additional customers that exceeded 10% of our gross accounts receivable as of June 30, 2024, and March 31, 2024. Based upon performing ongoing credit evaluations, maintaining trade credit insurance on a majority of our customers who sell our physical products and our past collection experience, we believe that the receivable balances from these largest customers do not represent a significant credit risk, although we actively monitor each customer's creditworthiness and economic conditions that may affect our customers' business and access to capital. We are monitoring the current global economic conditions, including credit markets and other factors as it relates to our customers in order to manage the risk of uncollectible accounts receivable.

We believe that our current cash and cash equivalents, short-term investments, and projected cash flow from operations, along with availability under our 2022 Credit Agreement will provide us with sufficient liquidity to satisfy our cash requirements for working capital, capital expenditures, and commitments on both a short-term and long-term basis.

As of June 30, 2024, the amount of cash and cash equivalents held outside of the U.S. by our foreign subsidiaries was $669.6. These balances are dispersed across various locations around the world. We believe that such dispersion meets the business and liquidity needs of our foreign affiliates. In addition, we expect to have the ability to generate sufficient cash domestically to support ongoing operations for the foreseeable future.

Our Board of Directors has authorized the repurchase of up to 21.7 shares of our common stock. Under this program, we may purchase shares from time to time through a variety of methods, including in the open market or through privately negotiated transactions, in accordance with applicable securities laws. Repurchases are subject to the availability of stock, prevailing market conditions, the trading price of the stock, our financial performance and other conditions. The program does not require us to repurchase shares and may be suspended or discontinued at any time for any reason.

During the three months ended June 30, 2024, we did not repurchase shares of our common stock in the open market, as part of the program. We have repurchased a total of 11.7 shares of our common stock under the program, and as of June 30, 2024, 10.0 shares of our common stock remained available for repurchase under the share repurchase program.

Our changes in cash flows were as follows:

(millions of dollars)	Three Months Ended June 30, 2024	2023
Net cash (used in) provided by operating activities	**$ (191.0)**	$ 5.0
Net cash (used in) provided by investing activities	**(34.7)**	38.1
Net cash provided by (used in) financing activities	**596.5**	(20.8)
Effects of foreign currency exchange rates on cash, cash equivalents, and restricted cash and cash equivalents	**(0.9)**	3.8
Net change in cash, cash equivalents, and restricted cash and cash equivalents	**$ 369.9**	$ 26.1

At June 30, 2024, we had $1,471.9 of cash and cash equivalents and restricted cash and cash equivalents, compared to $1,102.0 at March 31, 2024. The increase was primarily due to Net cash provided by financing activities, primarily related to proceeds from the issuance of our 2029 Notes and 2034 Notes (refer to Note 9 - Debt). This increase was partially offset by the decrease in (i) Net cash used in operating activities, which was due primarily to investments in software development and licenses, partially offset by sales of our products and (ii) Net cash used in investing activities which was due primarily to the purchase of fixed assets and our immaterial investments.

Commitments

Refer to Note 11 - Commitments and Contingencies for disclosures regarding our commitments.

Capital Expenditures

In fiscal year 2025, we anticipate capital expenditures to be approximately $145.0. During the three months ended June 30, 2024, capital expenditures were $35.1.

International Operations

Net revenue earned outside of the United States is principally generated by our operations in Europe, Asia, Australia, Canada, and Latin America. For the three months ended June 30, 2024 and 2023, 38.7% and 37.4%, respectively, of our net revenue was earned outside the United States. We are subject to risks inherent in foreign trade, including increased credit risks, tariffs and duties, fluctuations in foreign currency exchange rates, shipping delays and international political, regulatory and economic developments, all of which can have a significant effect on our operating results.

Fluctuations in Quarterly Operating Results and Seasonality

We have experienced fluctuations in quarterly and annual operating results as a result of the timing of the introduction of new titles, variations in sales of titles developed for particular platforms, market acceptance of our titles, development and promotional expenses relating to the introduction of new titles, sequels or enhancements of existing titles, projected and actual changes in platforms, the timing and success of title introductions by our competitors, product returns, changes in pricing policies by us and our competitors, the accuracy of retailers' forecasts of consumer demand, the size and timing of acquisitions, the timing of orders from major customers, and order cancellations and delays in product shipment. Sales of our full game products are also seasonal, with peak demand typically occurring in the fourth calendar quarter during the holiday season. For certain of our software products with multiple performance obligations, we defer the recognition of our net revenue over an estimated service period which generally ranges from six to fifteen months. As a result, the quarter in which we generate the highest Net Bookings may be different from the quarter in which we recognize the highest amount of Net revenue. Quarterly comparisons of operating results are not necessarily indicative of future operating results.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential loss arising from fluctuations in market rates and prices. Our market risk exposures primarily include fluctuations in interest rates and foreign currency exchange rates.

Interest Rate Risk

Our exposure to fluctuations in interest rates relates primarily to our short-term investment portfolio and variable rate debt under the 2022 Credit Agreement.

We seek to manage our interest rate risk by maintaining a short-term investment portfolio that includes corporate bonds with high credit quality and maturities of less than two years. Since short-term investments mature relatively quickly and can be reinvested at the then-current market rates, interest income on a portfolio consisting of short-term securities is more subject to market fluctuations than a portfolio of longer-term maturities. However, the fair value of a short-term portfolio is less sensitive to market fluctuations than a portfolio of longer-term securities. We do not currently use derivative financial instruments in our short-term investment portfolio. Our investments are held for purposes other than trading.

As of June 30, 2024, we had $15.4 of short-term investments, which included $0.0 of available-for-sale securities. The available-for-sale securities were recorded at fair market value with unrealized gains or losses resulting from changes in fair value reported as a separate component of Accumulated other comprehensive loss, in Stockholders' equity. We also had $1,081.1 of cash and cash equivalents that are comprised primarily of money market funds and bank-time deposits. We determined that, based on the composition of our investment portfolio, there was no material interest rate risk exposure to our Condensed Consolidated Financial Statements or liquidity as of June 30, 2024.

Historically, fluctuations in interest rates have not had a significant effect on our operating results.

Under our 2022 Credit Agreement, loans will bear interest at a rate of (a) 0.000% to 0.625% above an alternate base rate (8.50% at June 30, 2024) or (b) 1.000% to 1.625% above SOFR, approximately 5.33% at June 30, 2024, which rates are determined by the Company's credit rating. At June 30, 2024, there were no borrowings under our 2022 Credit Agreement.

Foreign Currency Exchange Rate Risk

We transact business in foreign currencies and are exposed to risks resulting from fluctuations in foreign currency exchange rates. In particular, during the six months ended September 30, 2023, there was a significant devaluation of the Turkish Lira against the U.S. Dollar, which negatively affected our results. It is possible that further devaluations could occur, which would have a negative impact on our results. Accounts relating to foreign operations are translated into U.S. dollars using prevailing exchange rates at the relevant period end. Translation adjustments are included as a separate component of Stockholders' equity on our Condensed Consolidated Balance Sheets. For the three months ended June 30, 2024 and 2023, our foreign currency translation adjustment was a loss of $5.4 and a gain of $26.0, respectively, included in Interest and other, net in our Condensed Consolidated Statements of Operations. For the three months ended June 30, 2024 and 2023, our foreign currency translation adjustment was a loss of $2.8 and a loss of $13.8, respectively.

Balance Sheet Hedging Activities

We use foreign currency forward contracts to mitigate foreign currency exchange rate risk associated with non-functional currency denominated cash balances and intercompany funding loans, non-functional currency denominated accounts receivable and non-functional currency denominated accounts payable. These transactions are not designated as hedging instruments and are accounted for as derivatives whereby the fair value of the contracts is reported as either assets or liabilities on our Condensed Consolidated Balance Sheets, and gains and losses resulting from changes in the fair value are reported in Interest and other, net, in our Condensed Consolidated Statements of Operations. We do not enter into derivative financial contracts for speculative or trading purposes. At June 30, 2024, we had $247.2 of forward contracts outstanding to sell foreign currencies in exchange for U.S. dollars and $124.8 of forward contracts outstanding to buy foreign currencies in exchange for U.S. dollars, all of which have maturities of less than one year. At March 31, 2024, we had $243.0 of forward contracts outstanding to sell foreign currencies in exchange for U.S. dollars and $72.2 of forward contracts outstanding to buy foreign currencies in exchange for U.S. dollars, all of which had maturities of less than one year. For the three months ended June 30, 2024 and 2023, we recorded a gain of $3.5 and a gain of $3.8, respectively, related to foreign currency forward contracts in Interest and other, net on our Condensed Consolidated Statements of Operations. As of June 30, 2024 and March 31, 2024, the fair value of these outstanding forward contracts were immaterial and were included in Accrued expenses and other current liabilities. The fair value of these outstanding forward contracts is estimated based on the prevailing exchange rates of the various hedged currencies as of the end of the period.

Our hedging programs are designed to reduce, but do not entirely eliminate, the effect of currency exchange rate movements. We believe that the counterparties to these foreign currency forward contracts are creditworthy multinational commercial banks and that the risk of counterparty nonperformance is not material. Notwithstanding our efforts to mitigate some foreign currency exchange rate risks, there can be no assurance that our hedging activities will adequately protect us against the risks associated with foreign currency fluctuations, which may be more volatile as a result of the COVID-19 pandemic. For the three months ended June 30, 2024, 38.7% of our revenue was generated outside the United States. Using sensitivity analysis, a hypothetical 10% increase in the value of the U.S. dollar against all currencies would decrease revenues by 3.9%, while a hypothetical 10% decrease in the value of the U.S. dollar against all currencies would increase revenues by 3.9%. In our opinion, a substantial portion of this fluctuation would be offset by cost of revenue and operating expenses incurred in local currency.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Based on an evaluation under the supervision and with the participation of management, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures as defined in rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act") were effective as of the end of the period covered by this report to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2024, which were identified in connection with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

On June 11, 2024, we acquired Gearbox. Our management plans to exclude Gearbox from its assessment of and report on internal control over financial reporting for the fiscal year ending March 31, 2025. We are currently in the process of incorporating the internal controls and procedures for Gearbox into our internal control over financial reporting for purposes of our assessment of and report on internal control over financial reporting for the fiscal year ending March 31, 2026.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Inherent limitations to any system of disclosure controls and procedures include, but are not limited to, the possibility of human error and the circumvention or overriding of such controls by one or more persons. In addition, we have designed our system of controls based on certain assumptions, which we believe are reasonable, about the likelihood of future events, and our system of controls may therefore not achieve its desired objectives under all possible future events.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Refer to Note 11 - Commitments and Contingencies to our Condensed Consolidated Financial Statements for disclosures regarding legal proceedings.

Item 1A. Risk Factors

There have been no material changes to the Risk Factors disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended March 31, 2024.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Share Repurchase Program—Our Board of Directors previously authorized the repurchase of up to 21.7 shares of our common stock. The authorizations permit us to purchase shares from time to time through a variety of methods, including in the open market or through privately negotiated transactions, in accordance with applicable securities laws. Repurchases are subject to the availability of stock, prevailing market conditions, the trading price of the stock, our financial performance and other conditions. The program may be suspended or discontinued at any time for any reason.

During the three months ended June 30, 2024, we did not repurchase any shares of our common stock in the open market, as part of the program. As of June 30, 2024, we had repurchased a total of 11.7 shares of our common stock under this program, and 10.0 shares of common stock remained available for repurchase under our share repurchase program. The table below details the share repurchases made by us during the three months ended June 30, 2024:

Period	Shares purchased	Average price per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the repurchase program
April 1-30, 2024	—	$ —	—	10.0
May 1-31, 2024	—	$ —	—	10.0
June 1-30, 2024	—	$ —	—	10.0

Item 5. Other Information

Securities Trading Plans of Directors and Executive Officers

Our Section 16 officers and directors, as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934 (the “Exchange Act”), may from time to time enter into plans for the purchase or sale of our common stock that are intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act. During the quarter ended June 30, 2024, no Section 16 officer or director, as define in Rule 16a-1(f), adopted, modified, or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as defined in Item 408 of Regulation S-K.

Item 6. Exhibits

Exhibits:	
4.1	Seventh Supplemental Indenture, dated as of June 12, 2024, between the Company and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 12, 2024).
4.2	Eighth Supplemental Indenture, dated as of June 12, 2024, between the Company and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 12, 2024).
4.3	Form of Global Note representing 5.400% Senior Notes due 2029 (included as part of Exhibit 4.1) (incorporated by reference to Exhibit 4.3 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 12, 2024).
4.4	Form of Global Note representing 5.600% Senior Notes due 2034 (included as part of Exhibit 4.2) (incorporated by reference to Exhibit 4.4 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 12, 2024).
10.1	Restricted Unit Agreement, dated as of June 3, 2024, by and between Take-Two Interactive Software, Inc. and ZMC Advisors, L.P. (incorporated by reference to Exhibit 10.2 of the Company's Registration Statement on Form S-3 ASR filed with the Securities and Exchange Commission on June 3, 2024).
10.2	Amendment No. 1 to Credit Agreement, dated as of May 14, 2024, by and among Take-Two Interactive Software, Inc., and JPMorgan Chase Bank, N.A. (incorporated by reference to Exhibit 10.38 of the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on May 22, 2024).
10.3	Amendment No. 2 to Credit Agreement, dated as of June 6, 2024, by and among Take-Two Interactive Software, Inc., JPMorgan Chase Bank, N.A. and the Lender parties thereto.
31.1	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	The Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Document

Attached as Exhibit 101 to this report are the following formatted in Inline XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at June 30, 2024 (Unaudited) and March 31, 2024, (ii) Condensed Consolidated Statements of Operations for the three months ended June 30, 2024 and 2023 (Unaudited), (iii) Condensed Consolidated Statements of Comprehensive Loss for the three months ended June 30, 2024 and 2023 (Unaudited), (iv) Condensed Consolidated Statements of Cash Flows for the three months ended June 30, 2024 and 2023 (Unaudited), (v) Condensed Consolidated Statements of Equity for the three months ended June 30, 2024 and 2023 (Unaudited); and (vi) Notes to Condensed Consolidated Financial Statements (Unaudited).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TAKE-TWO INTERACTIVE SOFTWARE, INC.
(Registrant)

Date:	August 8, 2024	By:	/s/ STRAUSS ZELNICK
			Strauss Zelnick *Chairman and Chief Executive Officer* *(Principal Executive Officer)*
Date:	August 8, 2024	By:	/s/ LAINIE GOLDSTEIN
			Lainie Goldstein *Chief Financial Officer* *(Principal Financial Officer)*