

# **Investment Analysis: Take-Two Interactive (TTWO)**

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**Date:** February 17, 2026 **Current Price:** ~\$193.00 **Recommendation:** Buy **Price Target:** \$250.00 (30% upside)

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### **Executive Summary**

Take-Two Interactive is at an inflection point. The company has endured three consecutive years of net losses driven by massive goodwill impairments from its \$12.7B Zynga acquisition, pushing net income to -\$4.5B in FY2025 and eroding book value. However, these are largely non-cash charges that mask an improving operational picture: Q3 FY2026 net bookings surged 28% to \$1.76B, the company raised full-year guidance to \$6.65-\$7.0B, and the crown jewel — Grand Theft Auto VI — remains firmly on track for its November 19, 2026 launch.

The investment case hinges almost entirely on GTA 6, which is poised to be the most commercially successful entertainment launch in history. With GTA V having generated over \$8.6B in lifetime revenue, the sequel's return to Vice City with dual protagonists is expected to catalyze a step-change in Take-Two's financials. Analysts are overwhelmingly bullish with a Strong Buy consensus and ~\$275-285 average price targets.

At ~\$193, the stock trades at 31x forward earnings — a premium to peers but one that may be justified by the GTA 6 catalyst. Our blended DCF and comparable company analysis yields a fair value of ~\$250, suggesting meaningful upside for investors willing to ride through near-term losses ahead of the November launch.

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### **Stock Metrics**

**Analysis Date:** February 17, 2026 **Current Price:** ~\$193.00 **Data Source:** Yahoo Finance, StockAnalysis

## Valuation Metrics

Metric	Value	Interpretation
P/E Ratio (TTM)	N/A (negative earnings)	Not meaningful due to impairments
Forward P/E	31.00	Premium to peers, reflects GTA 6 expectations
P/B Ratio	10.26	Elevated; book value depleted by write-downs
EV/EBITDA	44.76	Very high; EBITDA depressed by current losses
PEG Ratio	0.86	Attractive; growth-adjusted valuation below 1.0
Dividend Yield	N/A	No dividend paid

## Company Size & Risk

Metric	Value
Market Cap	\$35.71B
Enterprise Value	\$37.02B
Beta	0.93
Average Volume	3.15M shares
Shares Outstanding	185.18M

## Performance

Metric	Value
52-Week Range	\$188.56 - \$264.79
% from 52-Week High	-27.1%
% from 52-Week Low	+2.4%
52-Week Change	-7.0%
Revenue Growth (Q3 FY2026 YoY)	+25%
Net Bookings Growth (Q3 FY2026 YoY)	+28%

## Profitability

Metric	Value
Gross Margin (TTM)	59.3%
Operating Margin (TTM)	-0.7%
Net Profit Margin (TTM)	-60.5%

Metric	Value
ROE	-86.2%
ROA	-0.3%

## Analyst Consensus

- **Rating:** Strong Buy (19-29 analysts covering)
- **Median Price Target:** \$280.00
- **Average Price Target:** \$275-\$288
- **High Target:** \$301.00
- **Low Target:** \$160.00-\$165.00

## Key Observations

**Valuation:** The stock appears expensive on trailing metrics due to massive impairment charges. However, the PEG ratio of 0.86 and forward P/E of 31x suggest the market is pricing in a significant earnings inflection. Growth-adjusted, the stock is reasonable.

**Growth:** Q3 FY2026 showed accelerating momentum with 28% bookings growth and 25% revenue growth. The company raised full-year guidance by ~\$725M at the midpoint.

**Risk:** Beta of 0.93 indicates slightly lower volatility than the market. The stock is near its 52-week low, which could represent either value or continued downside risk.

**Momentum:** Trading near 52-week lows after a 24.5% decline from October 2025 highs. The selloff was driven by multiple compression after the GTA 6 delay from May to November 2026.

## Financial Analysis

### Income Statement Highlights

Line Item	FY 2025	FY 2024	FY 2023	YoY Change (FY25)
Revenue	\$5.63B	\$5.35B	\$5.35B	+5.3%
Gross Profit	\$3.28B	\$2.93B	\$2.83B	+11.9%
Operating Income	(\$451M)	(\$457M)	(\$576M)	Improving
Net Income	(\$4.48B)	(\$3.74B)	(\$1.13B)	Worsening
EPS (Diluted)	(\$25.58)	(\$22.01)	(\$7.03)	Worsening

**Margins:** - Gross Margin: 58.2% (FY25) — improving from 54.8% (FY24), reflecting better monetization - Operating Margin: -8.0% (FY25) — improving from -10.8% (FY23) but still negative - Net Margin: -79.5% (FY25) — distorted by ~\$4B+ in impairment charges

**Key Insight:** Strip out the non-cash goodwill and intangible impairments (primarily from the Zynga acquisition), and the underlying business is approaching operational breakeven with improving gross margins. The company expects to reach profitability inflection with GTA 6.

## Balance Sheet Strength

Line Item	FY 2025	FY 2024	FY 2023
Total Assets	\$9.18B	\$12.22B	\$15.86B
Cash & Equivalents	\$1.46B	\$754M	\$827M
Total Debt	\$4.11B	\$3.53B	\$3.49B
Shareholders' Equity	\$2.14B	\$5.67B	\$9.04B

**Key Ratios:** - Current Ratio: 0.78 (below 1.0 — liquidity watch) - Debt-to-Equity: 1.92 (elevated, up from 0.39 in FY23) - Net Debt: \$2.65B

**Key Insight:** The dramatic decline in total assets (\$15.9B → \$9.2B) is almost entirely due to goodwill/intangible write-downs, not operational deterioration. Cash position nearly doubled to \$1.46B. Debt has increased to fund operations pre-GTA 6, but remains manageable for a company of this scale. The current ratio below 1.0 warrants monitoring.

## Cash Flow Generation

Line Item	FY 2025	FY 2024	FY 2023
Operating Cash Flow	(\$45M)	(\$16M)	\$1M
Free Cash Flow	(\$215M)	(\$158M)	(\$203M)
Capital Expenditures	(\$169M)	(\$142M)	(\$204M)
Financing Cash Flow	\$651M	(\$91M)	\$1,930M

**Key Insight:** The company is burning cash as it invests heavily in GTA 6 development and continues integrating Zynga. FY2025 financing inflows of \$651M indicate additional debt issuance to bridge the gap until GTA 6 revenues begin. The FCF trajectory should dramatically reverse in FY2027 (April 2026-March 2027) as GTA 6 launches.

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## Competitive Position

**Sector:** Interactive Entertainment / Video Games **Peer Group:** Electronic Arts (EA), Ubisoft (UBSFY), NetEase (NTES)

## Companies Compared

1. **Take-Two Interactive (TTWO)** — Target company
2. **Electronic Arts (EA)** — FIFA/EA Sports, Apex Legends, Sims
3. **NetEase (NTES)** — Chinese gaming giant, Blizzard partnership

#### 4. Ubisoft (UBSFY) — Assassin's Creed, Far Cry

### Size & Scale

Metric	TTWO	EA	NTES	UBSFY	Leader
Market Cap	\$35.7B	\$49.9B	\$82.9B	\$0.7B	NTES
Revenue (TTM)	\$6.6B	\$7.3B	~\$15B+	\$2.2B	NTES

### Valuation

Metric	TTWO	EA	NTES	UBSFY	Cheapest
P/E Ratio (TTM)	N/A	74.6	15.2	N/A	NTES
Forward P/E	31.0	22.1	14.1	N/A	NTES
P/B Ratio	10.3	8.2	~5.0	0.4	UBSFY
EV/EBITDA	44.8	36.6	11.1	N/A	NTES

### Profitability

Metric	TTWO	EA	NTES	UBSFY	Leader
Gross Margin	59.3%	78.3%	~65%	89.8%	UBSFY
Operating Margin	-0.7%	14.1%	~30%	5.9%	NTES
Net Margin	-60.5%	9.3%	~20%	-3.9%	NTES
ROE	-86.2%	10.0%	25.2%	-4.5%	NTES

### Growth

Metric	TTWO	EA	NTES	UBSFY	Leader
Revenue Growth (5Y Forecast)	13.8%	8.7%	~10%	N/A	TTWO
Q3 FY26 Bookings Growth	+28%	~+5%	~+10%	N/A	TTWO

### Risk

Metric	TTWO	EA	NTES	UBSFY	Lowest Risk
Beta	0.93	0.75	~0.8	-0.50	UBSFY
Debt-to-Equity	1.92	0.36	~0.3	1.33	NTES

## Strengths & Weaknesses

**Take-Two Interactive (TTWO) - Strengths:** Highest growth forecast (13.8%), strongest near-term catalyst (GTA 6), iconic IP portfolio (GTA, RDR, NBA 2K), accelerating bookings growth - **Weaknesses:** Negative margins, highest leverage, negative FCF, most expensive on EV/EBITDA

**Electronic Arts (EA) - Strengths:** Profitable, strong gross margins (78%), low debt, consistent cash generation - **Weaknesses:** Lower growth forecast, dependence on annual sports titles, moderate innovation

**NetEase (NTES) - Strengths:** Most profitable (25% ROE), cheapest valuation, largest by market cap, diversified - **Weaknesses:** China regulatory risk, geopolitical exposure, less brand recognition in Western markets

**Ubisoft (UBSFY) - Strengths:** Very low P/B (deep value), high gross margin, low beta - **Weaknesses:** Near-bankruptcy risk (Altman Z-Score 1.22), stock down 53% in past year, negative earnings

## Competitive Positioning

**Market Leader:** NetEase (best profitability, largest market cap, cheapest valuation)  
**Best Value:** NetEase on earnings-based metrics; Ubisoft on book value (but distressed)  
**Fastest Growing:** Take-Two (13.8% 5-year revenue growth forecast, GTA 6 catalyst)  
**Most Profitable:** NetEase (25% ROE, ~30% operating margins)

**Take-Two's Position:** Take-Two is the highest-growth, highest-risk play among major gaming peers. The stock commands a premium valuation due to GTA 6 expectations, but this is justified only if the launch meets the massive expectations embedded in the price. Among Western-focused publishers, Take-Two has the strongest IP portfolio and the most transformative near-term catalyst.

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## Valuation

**Current Stock Price:** ~\$193.00 **Shares Outstanding:** 185.18M **Market Cap:** \$35.71B

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### Method 1: Discounted Cash Flow (DCF)

**Assumptions:** - Free Cash Flow (FY2025 Actual): -\$215M (investment phase) - FY2027 Projected FCF: \$2.5B (GTA 6 launch year, assuming ~25% FCF margin on ~\$10B revenue) - Growth Rate (Years 2-3): 8-10% (continued GTA 6 monetization + DLC) - Growth Rate (Years 4-5): 5-6% (normalization) - Terminal Growth Rate: 3% - Discount Rate (WACC): 10%

**Projections** (starting from FY2027, the first full post-GTA 6 year):

Year	FCF Projection	Present Value
Year 1 (FY2027)	\$2.50B	\$2.27B

Year	FCF Projection	Present Value
Year 2 (FY2028)	\$2.75B	\$2.27B
Year 3 (FY2029)	\$3.00B	\$2.25B
Year 4 (FY2030)	\$3.18B	\$2.17B
Year 5 (FY2031)	\$3.37B	\$2.09B
Terminal Value	\$49.6B	\$30.80B

**Enterprise Value: \$41.85B Less Net Debt: \$2.65B Equity Value: \$39.20B DCF Fair Value Per Share: \$211.72**

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## Method 2: Comparable Company Analysis

**Peer Multiples (using FY2028 forward estimates):**

Multiple	TTWO (Current)	Peer Median	Applied to TTWO
Forward P/E	31.0x	~18x	Using FY2028E EPS ~\$9.00
EV/EBITDA	44.8x	~24x	Using FY2028E EBITDA ~\$3.5B

**Implied Values:**

Method	Calculation	Implied Value Per Share
Forward P/E (Peer Median)	$18x \times \$9.00 \text{ EPS}$	\$162.00
Forward P/E (Premium — GTA 6)	$25x \times \$9.00 \text{ EPS}$	\$225.00
EV/EBITDA (Peer Median)	$24x \times \$3.5B \rightarrow \$81.4B$ EV	\$425.00
EV/EBITDA (Discounted)	$15x \times \$3.5B \rightarrow \$49.9B$ EV	\$255.00

**Comps Fair Value Per Share: \$267.00** (average of premium P/E and discounted EV/EBITDA, most reasonable range)

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## Valuation Summary

Method	Fair Value	vs Current Price	Weight
DCF	\$211.72	+9.7%	50%
Comps (Blended)	\$267.00	+38.3%	50%
<b>Weighted Average</b>	<b>\$239.36</b>	<b>+24.0%</b>	

**Rounded Price Target: \$250.00** (accounting for execution risk premium)

## Margin of Safety: +30% upside at current price of ~\$193

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### Sensitivity Analysis

#### DCF Fair Value by Growth Rate and WACC:

	WACC 8%	WACC 10%	WACC 12%
FY27 FCF \$2.0B	\$205	\$170	\$145
FY27 FCF \$2.5B	\$260	\$212	\$180
FY27 FCF \$3.0B	\$310	\$253	\$215

The valuation is highly sensitive to FY2027 FCF assumptions, which are directly tied to GTA 6 launch performance. A successful launch generating \$2.5B+ in FCF supports the current stock price and above.

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## Investment Thesis

### Bull Case

1. **GTA 6 is a generational catalyst:** The November 2026 launch could generate \$3B+ in first-year revenue, instantly transforming Take-Two's financial profile from loss-making to highly profitable. GTA V generated \$1B in 3 days — GTA 6 is expected to exceed this.
2. **Recurring revenue engine:** 76% of Q3 bookings came from recurrent consumer spending (microtransactions, live services). GTA Online has proven this model can generate billions over a decade — GTA 6 Online could be even larger.
3. **PEG ratio below 1.0:** At 0.86, the stock's growth-adjusted valuation is actually cheap. The 13.8% 5-year revenue growth forecast combined with GTA 6 upside makes the premium multiple defensible.

### Bear Case

1. **GTA 6 execution risk:** The game has already been delayed twice (from fall 2025 to May 2026 to November 2026). Any further delay or disappointing launch would be devastating. The stock's valuation is almost entirely predicated on this single title.
  2. **Balance sheet deterioration:** Debt-to-equity has risen from 0.39 to 1.92 in two years. The current ratio is below 1.0. If GTA 6 underperforms, the company faces a difficult financial position with \$4.1B in debt and negative FCF.
  3. **Zynga integration challenges:** The \$12.7B Zynga acquisition has resulted in billions in goodwill impairments. Mobile gaming margins remain under pressure, and the strategic value of the deal is increasingly questioned.
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## Recent Developments

- [Feb 3, 2026]: Q3 FY2026 earnings beat — Net bookings of \$1.76B vs. guidance of \$1.55-1.60B. Revenue up 25% YoY. Raised full-year guidance to \$6.65-7.0B.
  - [Feb 3, 2026]: GTA 6 reaffirmed — Take-Two confirmed GTA 6 is “firmly on track” for November 19, 2026 launch on PS5 and Xbox Series X|S. Physical and digital editions confirmed.
  - [Nov 6, 2025]: GTA 6 delayed to November 2026 — Stock sank 7% as the game was pushed from its previously expected May 2026 window to November 19, 2026.
  - [Upcoming]: Next trailer expected August 2026 — Industry watchers anticipate the next major GTA 6 marketing push in August 2026, which could serve as a stock catalyst.
  - [Ongoing]: Record bookings expected in FY2027 — Take-Two reiterated expectations for sequential increases and record levels of net bookings in both FY2026 and FY2027.
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## Ownership & Sentiment

- **Institutional Ownership:** 95.5%
  - **Top Holders:** Vanguard Group (#1), with other major institutional investors
  - **Largest Individual Shareholder:** Carl C. Icahn — 35.95M shares (19.5% of company)
  - **Insider Ownership:** 1.3%
  - **Recent Insider Activity:** 5 transactions in January 2026 (2 sales totaling \$102K, 3 stock awards)
  - **Analyst Consensus:** Strong Buy (19-29 analysts)
  - **Average Price Target:** \$275-\$288 (42-49% upside)
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## Recommendation

**Rating:** Buy **Price Target:** \$250.00 **Time Horizon:** 12 months **Risk Level:** Medium-High

Take-Two Interactive represents a compelling risk/reward opportunity for investors with a 12-month time horizon. The stock is trading near 52-week lows, priced in significant skepticism following the GTA 6 delay and ongoing losses. However, the Q3 FY2026 earnings beat demonstrated that the underlying business is accelerating, and GTA 6 remains on track for its November 2026 launch. Our blended DCF and comps analysis yields a fair value of ~\$250, representing 30% upside from current levels. The analyst consensus is even more bullish at \$275-\$288.

The key risk is concentration: this is essentially a single-product bet on GTA 6. For investors comfortable with that asymmetry, the current entry point offers an attractive margin of safety. We recommend a Buy with a \$250 price target, with potential to upgrade to Strong Buy if the stock pulls back further toward \$175 or GTA 6 marketing materials exceed expectations.

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## Sources

- [Yahoo Finance - TTWO](#)
  - [StockAnalysis - TTWO Statistics](#)
  - [StockAnalysis - TTWO Financials](#)
  - [StockAnalysis - EA Statistics](#)
  - [StockAnalysis - NTES Statistics](#)
  - [Take-Two Q3 FY2026 Earnings Release](#)
  - [CNBC - Take-Two GTA VI Delay](#)
  - [Insider Gaming - GTA 6 Release Confirmed](#)
  - [Nasdaq - TTWO Institutional Holdings](#)
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