Take Two Interactive
NASDAQ: TTWO
Current Price: $239.79 *as of 31st August 2025*
Target Price: $267.88 *NTM*
Recommendation: BUY
Primary Industry: Interactive Home Entertainment

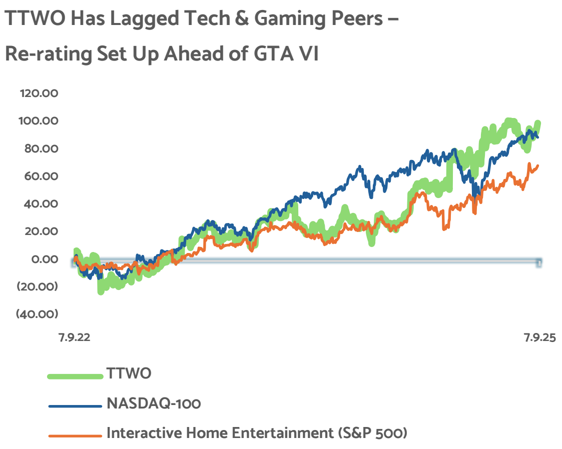
Executive Summary: Poised for a Breakout – Global Gaming Leader Positioned for Re-Rating

Figure 1: Investment Snapshot

Recommendation	BUY
Current Price (as of 31/08/2025)	$239.79
Target Price (TTM)	$267.88
Upside	14%
Market Cap	($m) 42766
Enterprise Value	($m) 44238
WACC	7.37%
Terminal Growth	3%
EV/Revenue	7.5x
EV/EBITDA	21.3x
P/E	42.9x

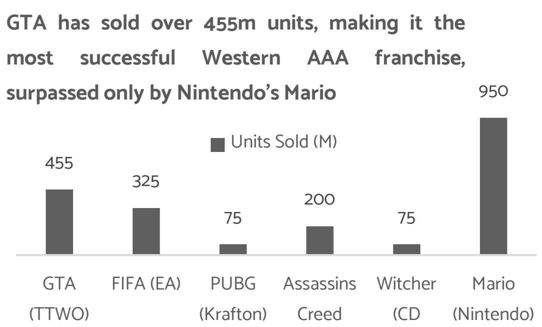
Source: Capital IQ; Bloomberg; Self Analysis

Figure 2: Indexed Share Price - TTWO vs. Benchmarks



Indexed to 100 (3Y to Sep 2025). Source: S&P Capital IQ

Figure 3: Franchise Units Sold vs Peers



Source: 10-K's; Self analysis

Recommendation & Valuation

BUY on Take Two Interactive (NASDAQ: TTWO) with a target price of $267.88 (+18% vs. $239.79). A blended DCF/RV framework supports the call, underpinned by (1) an IP moat led by Grand Theft Auto, (2) a high-margin digital model anchored in recurrent consumer spending, and (3) a clear catalyst path most notably GTA VI in May 2026. Management's FY26 guidance of $5.9–6.0bn Net Bookings highlights resilience ahead of launch.

Multi-Year, Multi-Platform Engine (Digital + Mobile)

TTWO has shifted from packaged sales to a digital and mobile led model (Appendix A). In FY25, digital channels accounted for ~96% of revenue and mobile ~51–52%. RCS represented ~80% of bookings, providing durable, high-margin cash flows across console, PC, and mobile (Figure23).

Accretive Acquisitions Built the Mobile Moat (Appendix E)

The $9.5bn Zynga acquisition (2022) and follow-ons such as Popcore diversified TTWO into mobile at scale. Today, TTWO controls 15 of the top 200 US grossing mobile games, establishing a growth channel which is independent of console cycles.

Portfolio Quality & Monetisation

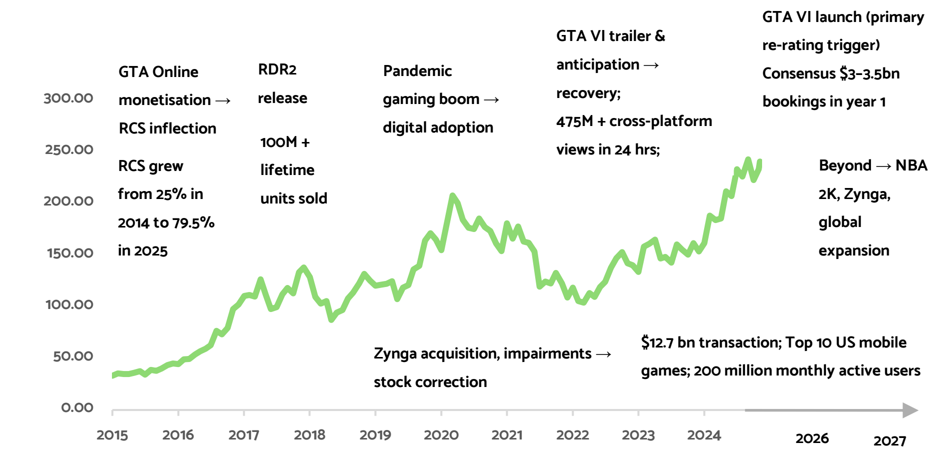
Beyond GTA, franchises including NBA 2K, Red Dead Redemption, and Borderlands provide recurring engagement. GTA Online pioneered large scale live services, lifting RCS to ~80% of bookings, a model repeatable through NBA 2K, Zynga live ops, and the forthcoming GTA Online 2.0.

GTA VI: A Cultural, Not Just Cyclical, Catalyst

Launching May 2026, GTA VI is expected to be the largest entertainment release in history, with consensus forecasting $3–3.5bn in first year bookings. Trailer 1 set a YouTube record (93M views in 24h), underscoring cultural reach and blockbuster potential.

Bottom line: TTWO combines category defining IP, a scaled digital/mobile flywheel, and a record-size catalyst in GTA VI. With underperformance vs. peers creating re-rating potential, the stock offers a compelling, risk adjusted opportunity for long term value creation.

Figure4: TTWO Stock Performance with Key Value Drivers (2015–2025)



Business Overview: evolving from console focused to mobile scaled recurring model

Take Two Interactive is a global leader in interactive entertainment, with over 17 studios and 11,000 employees across North America, Europe, and India. The U.S. remains the largest market at around 60% of revenues, while international operations provide scale and diversification (Fig. 8).

The business has been reshaped into a digital-first model (Fig 12). By FY25, 96% of revenues were digital, with mobile now the largest platform at 52%, ahead of console at 37% and PC/other at 11%. Content mix highlights this transition: Recurring Consumer Spending makes up roughly 79% of revenues versus 21% from full-game/IP sales (Fig. 5). A more detailed breakdown of monetisation streams is provided in Appendix B.

Take Two's operations can be understood as a player ecosystem. Entry starts with full game purchases, engagement continues through online play and mobile extensions, monetisation comes from in-game spending, advertising and licensing, and the cycle is reinforced by sequels, expansions and new IP (Fig. 6). This loop maximises player lifetime value.

Forward visibility is underpinned by the largest pipeline in company history. Between FY26 and FY28, more than 20 titles are expected, with GTA VI as the anchor, annual NBA 2K releases providing cadence, Zynga titles delivering steady mobile revenues, and other immersive franchises such as Civilization and Borderlands filling out the cycle (Fig. 7). This deliberate staggering smooths earnings across years. The roots of this model are traced in Appendix A, which shows the shift from packaged sales to digital first publishing.

The company's portfolio flywheel strengthens this resilience. Flagship franchises like GTA, NBA 2K, and Red Dead Redemption, combined with Zynga's mobile portfolio, generate large player bases that drive engagement and reinvestment (Fig. 9).

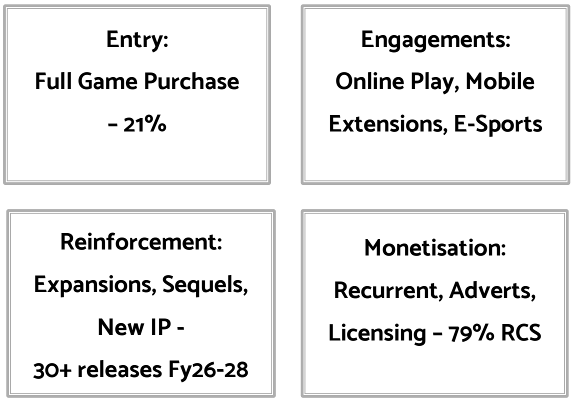
Together, the revenue mix (Fig. 5), ecosystem (Fig. 6), pipeline (Fig. 7), geographic spread (Fig. 8) and portfolio flywheel (Fig. 9) show how Take Two has evolved from a cyclical publisher into a platform business with stronger visibility, steadier cash flows, and a deeper growth runway.

Figure 5: TTWO Revenue Mix

Content Revenue Mix	
Recurring Consumer Spending	79.6 %
Full Game & Other	20.4%
Platform Revenue Mix	
Mobile	52.2%
Console	37.3%
PC & Other	10.5%
Distribution Channel Rev. Mix	
Digital/Online	96.4%
Physical/Retail & Others	3.6%

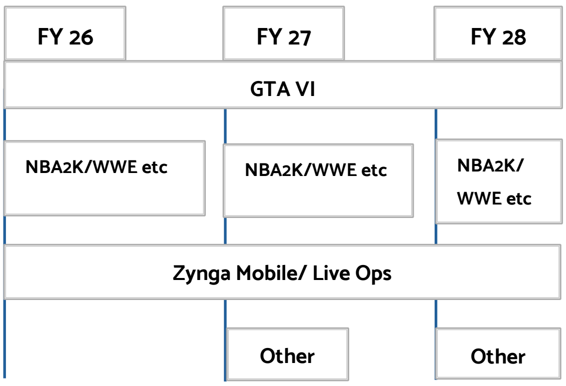
Source: 10-K filings; Investor Relations

Figure 6: Lifetime Value Creation & Player Ecosystem



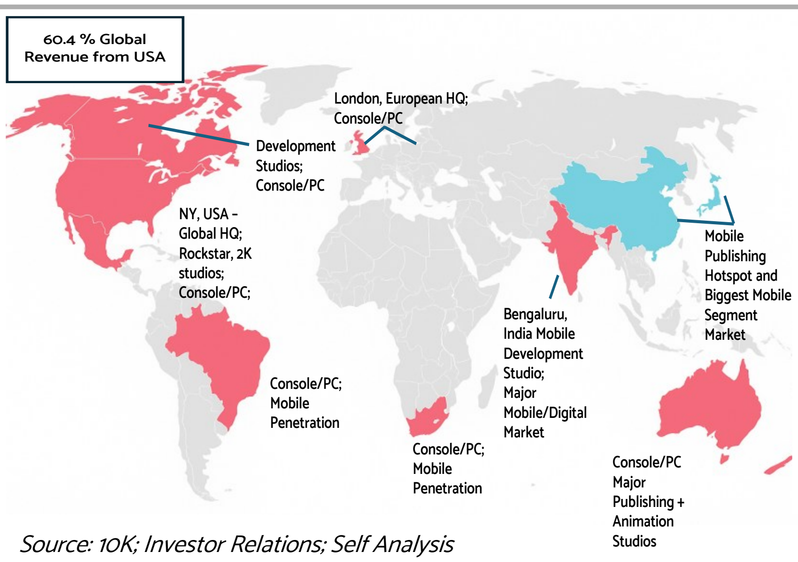
Source: Investor Relations; 10-K; Self Analysis

Figure 7: Pipeline Revenue Cycles



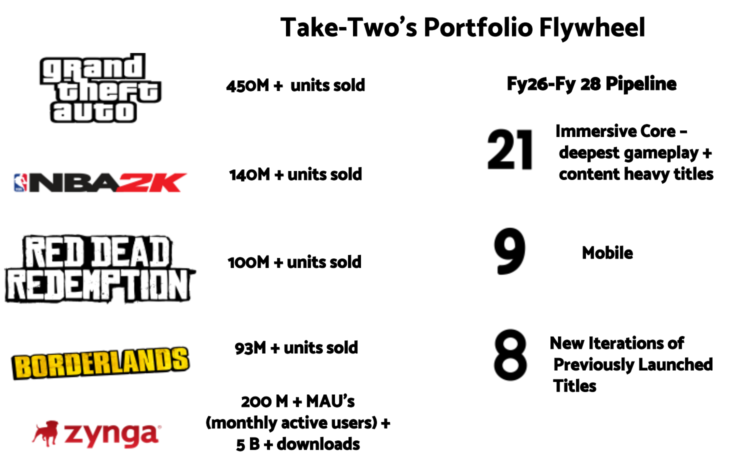
Source: 10K; Investor Relations; Self Analysis

Figure8: Geographic Revenue Distribution



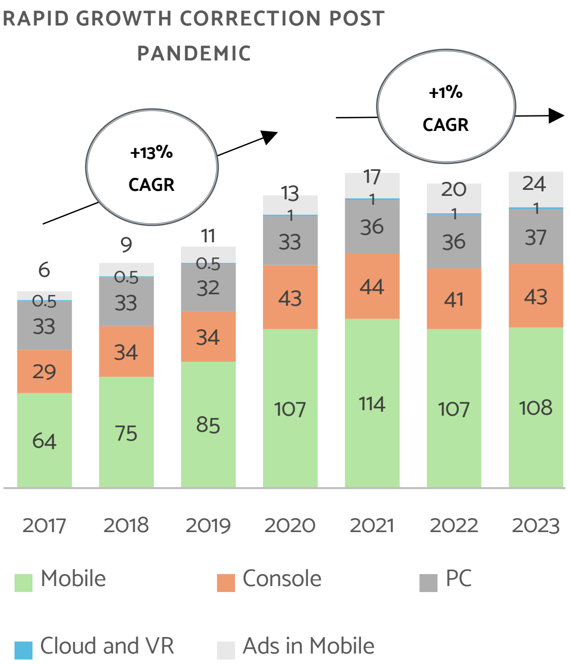
Source: 10K; Investor Relations; Self Analysis

Figure9: Portfolio Flywheel



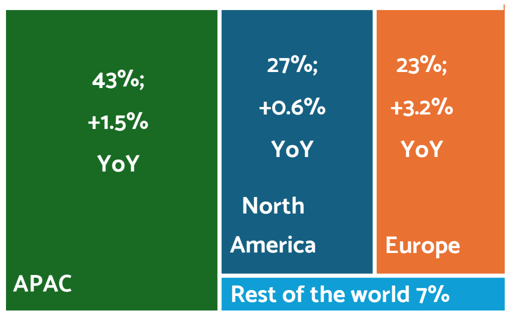
Source: 10K; Investor Relations; Self Analysis

Figure10: Global Gaming Revenue by Platform ($B)



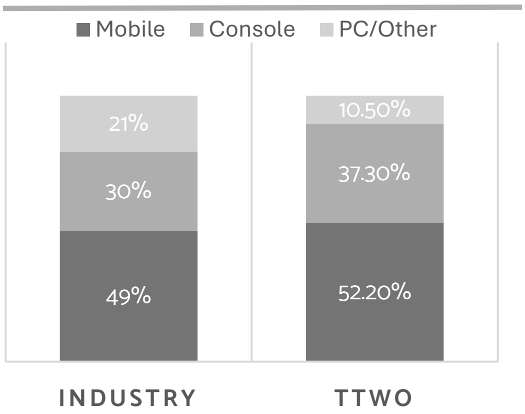
Source: Q4 FY25 Earnings Report; DFC Intelligence; 10K

Figure11: Global Gaming Revenue by Region



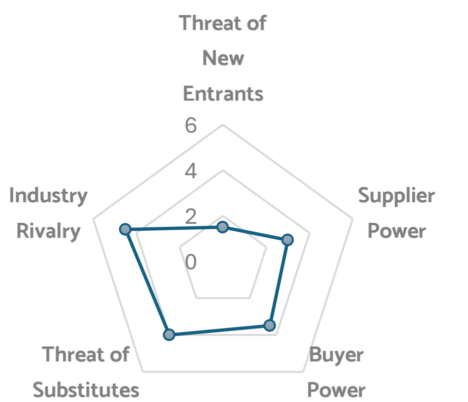
Source: Q4 FY25 Earnings Report; 10K

Figure12: Industry vs TTWO: Platform Mix



Source: Investor Relations; Self Analysis

Figure 13: Porter's Five Forces



FY2025-2030E industry CAGR: 3-5%; 2028E size: ~$266bn; steady long run growth range anchors our DCF terminal growth.

Global market outlook

The video games industry is a ~$221bn market in 2023 and is projected to expand to ~$266bn by 2028, a steady 5% CAGR. The past decade illustrates the cyclical nature of the sector. Between 2017 and 2021, revenues expanded at close to 13% per year, fuelled by mobile adoption and pandemic lockdown demand. Growth then slowed to ~1% in 2022-2024 as players absorbed content and release pipelines slipped (Fig. 10). Looking ahead, forecasts of 3-5% annual growth suggest a healthier, more sustainable phase supported by a larger installed console base, scaled live service monetisation, and a denser AAA release slate led by Grand Theft Auto VI. This 3-5% range also underpins our terminal growth assumption in the DCF valuation (Fig. 32).

Regional dynamics

Geographic contributions highlight the asymmetry between growth and profitability. Asia-Pacific now accounts for 43% of global revenues, reflecting its vast mobile first player base. North America contributes 27% and remains the most profitable market given higher spend per user, while Europe (23%) is smaller but has posted the fastest growth at over 3% annually as digital adoption deepens. The Rest of the World contributes 7% but offers upside as payments and infrastructure improve. Average revenue per user varies sharply across regions: North America exceeds $200 per player annually, while Europe averages around $70 and Asia nearer $65 (Fig. 14). The detailed ARPU calculations and assumptions are set out in Appendix C. This divide underlines a key point for investors: scale is concentrated in Asia, but cash generation is concentrated in the West (Fig. 11).

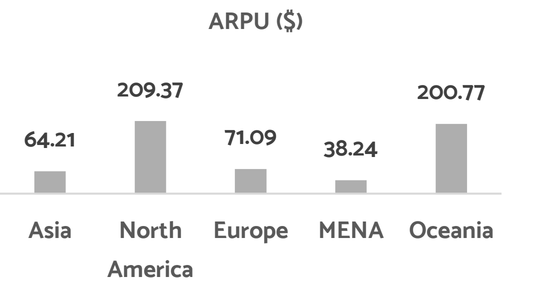
Platform mix

Industry revenues are well balanced across Mobile (49%), Console (30%) and PC (21%) (Fig. 12). Mobile provides unmatched reach but depends on a small share of paying users. Consoles anchor blockbuster franchises with high revenue per player and deliver operating leverage around major releases. PC supports esports, user generated content, and modding communities that extend franchise lifecycles. For investors, this balance matters: mobile drives volume, console delivers leverage, and PC supports innovation. Together, the mix reduces reliance on a single format and supports steadier cash flows through the cycle.

Industry forces

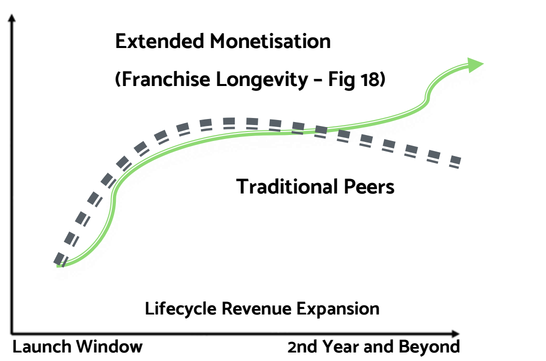
The structure of the sector creates persistent pressures. Rivalry is high: a handful of global publishers compete in a hit driven cycle where one successful franchise can reset market share. Substitutes are plentiful, as games compete directly with streaming, social media, and other entertainment for time and wallet share. Buyer power has risen as free-to-play and subscription models reduce switching costs and compress pricing power. Supplier influence is moderate: platform owners, middleware providers, and scarce senior development talent retain leverage, though scale publishers partially offset this. Barriers to entry remain steep, with AAA development budgets now often exceeding $200m and entrenched IP portfolios hard to replicate. These forces weigh on margins and increase execution risk even

Figure 14: Average Revenue Per User ($)



Source: Capital IQ; Earnings Report; Newzoo;

Figure15: TTWO's Revenue Curve (Moat)



as the overall market expands (Fig. 13).

Catalysts and risks

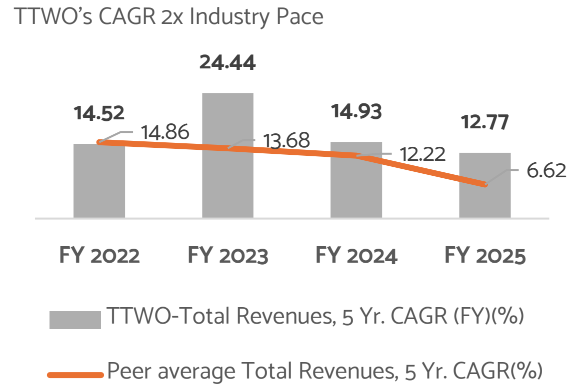
The next cycle is expected to be shaped by three drivers: the release of Grand Theft Auto VI in FY26, which is likely to reset global engagement; technology shifts including AI, AR/VR, and UGC platforms that expand creation but add costs; and emerging markets such as Latin America and MENA, which provide incremental growth as infrastructure improves. Balancing these drivers are risks: rising production budgets, regulatory scrutiny of monetisation models, and high sensitivity to consumer spending cycles.

Investor sentiment

Markets have begun to draw a sharper line between winners and underperformers. Broader gaming indices and peers such as EA and Ubisoft have softened on cautious guidance and execution risk. In contrast, TTWO has started to diverge positively, re-rating ahead of Grand Theft Auto VI. As shown in Fig. 2, the stock has outperformed both sector benchmarks and the S&P E Mini. Investors are concentrating value in publishers with durable IP pipelines, a pattern consistent with our blended valuation framework, where premium franchises justify stronger terminal growth and higher relative multiples.

Competitive Positioning

Figure16: TTWO vs Peer Total Rev. 5yr. CAGR (%)



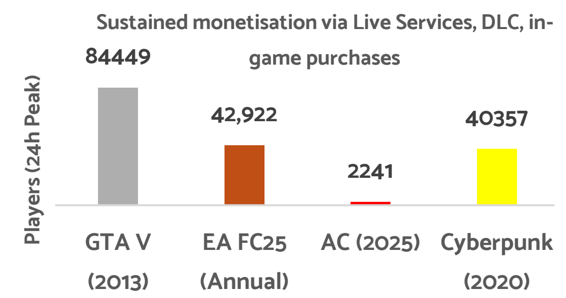
Source: Capital IQ

Figure17: Player Experience Index (Snap) (Appendix D)

Publisher	PXI	Metacritic Classification
Rockstar (TTWO)	93.1	Universal Acclaim
Nintendo	93.6	Universal Acclaim
CD Projekt	87.1	Generally Favourable
Ubisoft	74.3	Generally Favourable
EA Sports	51.3	Mixed / Average

Source: Metacritic;

Figure 18: Peak Concurrent Players on Steam 9/9/2025



Source: 3rd Party estimates – SteamDB, ActivePlayer

Take Two Interactive stands apart in the global publishing landscape because its products behave less like disposable entertainment and more like cultural milestones. The company's strength rests on three pillars: the quality of its experiences, the durability of its monetisation, and the breadth of its portfolio.

Player experience and brand trust

Player's trust TTWO's biggest franchises to deliver polished, meaningful experiences. That trust shows up in our Player Experience Index (Fig. 17; Appendix D): Rockstar sits in the Universal Acclaim band alongside Nintendo, while Ubisoft and CD Projekt cluster a tier lower and EA's flagship sports titles sit in Mixed/Average. Consistency in execution builds equity. Players expect Rockstar releases to be polished, innovative, and worth paying for, which strengthens willingness to re-engage across cycles. The PXI makes clear that TTWO belongs in a narrow peer group with Nintendo. This credibility underpins attach rates for recurrent spending, as players are more willing to spend inside franchises they trust.

Quality moat from long development cycles

Take Two's fewer but bigger release pattern creates durability. GTA V (2013) and RDR2 (2018) remain highly monetised in 2025, a rare feat in AAA gaming. Figure 15 illustrates this extended monetisation curve, where their revenues continue well beyond the launch window, unlike peers whose curves decay rapidly. This model explains the divergence in Figure 16, where Take Two's growth profile remains in double digits through FY25, while peers fall back to single digits.

TTWO does not brand its technology as visibly as some peers, but it remains central to its differentiation (Figure 19). Rockstar's RAGE engine supports expansive open worlds with advanced physics simulation and sophisticated AI systems, while performance capture in Red Dead Redemption 2 set a benchmark for realism in interactive storytelling. 2K has built robust live-operations and analytics platforms that sustain long

Figure19: TTWO Technology Stack - *Differentiators*

Engine and World Simulation – RAGE Proprietary RAGE engine • Expansive open worlds • Advanced physics & AI • Dense interactive ecosystem • Powered GTA V, RDR2 as industry benchmarks.
Cinematic Narration and Performance Capture Film grade motion capture and animation • Produce lifelike performances and cinematic storytelling • RRD2 set new industry benchmarks with unparallelled realism
Live-Ops and Analytics (2K) Telemetry driven gameplay balance • Seasonal Content Systems • Economy tuning engines • Market leading in sports segment ARPU from NBA 2K MyCareer/MyTeam
Online Ecosystems & User Generated Content Persistent online platforms (e.g. GTA Online) with UGC and event tooling extend franchise lifespans, while Rockstar Editor drives community generated content.

Source: Management Guidance; Newzoo; Investor Relations

Figure20: Cultural Badges

RDR2 "Landmark" for Film Like Realism

As a culture hub – in-game sneaker drops, music premieres, celebrity integration

IP as cultural text – GTA studied in academia for satire of American culture

GTA aesthetic replicated in streetwear and luxury collaborations

GTA VI anticipation described in press as "gaming's first AAAAA release

Source: Management Guidance; Newzoo; Investor Relations; Kotaku; Self Analysis

Figure21: Peer Digital/Mobile Mix

Company	Digital/Live Services (% of Net Bookings)	Mobile (% of Total Revenue)
TTWO	97	~53
Nintendo	~59	6
EA	73	15
Ubisoft	85.9	16
Krafton	+90(E)	~65

Source: Annual Reports; Self Analysis

term engagement in NBA 2K, and Zynga contributes scalable mobile infrastructure and user acquisition expertise. The strength lies not in a single engine label but in how Take Two integrates technology with narrative design to deliver immersive worlds that retain cultural relevance and monetise for years beyond release. GTA VI is being built on Rockstar's next generation RAGE engine with unprecedented real-time physics, AI and procedural systems supported by a development and marketing budget rumoured exceeding $1.5 billion, the largest in entertainment history. *(Source: Analysts' consensus, industry experts)*

Geography and economics

Where revenue is earned matters as much as how much. As shown in Figure 8, more than 60% of Take-Two's revenue comes from the United States, and the industry context in Figure 14 underlines why this matters: ARPU is structurally highest in North America and Oceania. This geographic skew means the company's existing monetisation models are leveraged in regions most capable of sustaining high spend per user.

Scale and cultural reach amplify economics

Scale is not only a revenue line, it's a distribution advantage. Fig. 3 places GTA as the largest Western AAA franchise by lifetime units (*Source: TTWO 10K Fy25)*, with NBA 2K, RDR, and Borderlands adding breadth. Cultural resonance around GTA (and to a different audience, RDR) keeps the IP in constant conversation across music, streaming, and social, which lowers acquisition costs for every update, expansion, and next entry. Few publishers outside Nintendo enjoy that kind of cultural gravity.

Relative growth outlook

TTWO is not solely a GTA story. the portfolio flywheel (Figure9) anchors the console and PC business, while Zynga adds 200m monthly actives and 5bn downloads on mobile. The forward pipeline (Figure9) through FY28 ensures that growth is not concentrated on one release, giving investors rare visibility into the medium-term trajectory.

Critical Observations

Dependence on blockbuster cycles - TTWO's model relies heavily on multi year flagships like GTA and RDR. Long gaps between launches expose the company to volatility if engagement in existing titles declines faster than expected. Execution risk in "bigger than ever" projects - GTA VI is marketed as the most ambitious title in industry history. With budgets projected above $1.5bn, any delay, quality shortfall, or controversy could create outsized downside relative to peers with more diversified release cadences.

Recurrent spending scrutiny - Although TTWO's monetisation has so far avoided the reputational damage seen at EA, NBA 2K's microtransactions have drawn criticism. Over-monetisation could erode the player trust reflected in PXI scores (Fig. 17). **Geographic concentration** - As shown in Figure 8, over 60% of TTWO's revenues are sourced from the U.S. This concentration is attractive in terms of ARPU (Fig. 14), but it limits exposure to faster growing Asian markets where competitors like Tencent, Krafton dominate.

Portfolio depth outside Rockstar/2K - Zynga adds scale, but culturally resonant AAA IP is still concentrated in Rockstar and 2K. Unlike Ubisoft or EA, TTWO lacks a broader deck of mid-tier franchises to smooth earnings between cycles.

Figure22: Consensus Estimates Total Rev. ($m)

FY25A	FY26E	FY27E	FY28E	FY29	5yr CAGR
5648	6146	9174	8646	9198	~13%

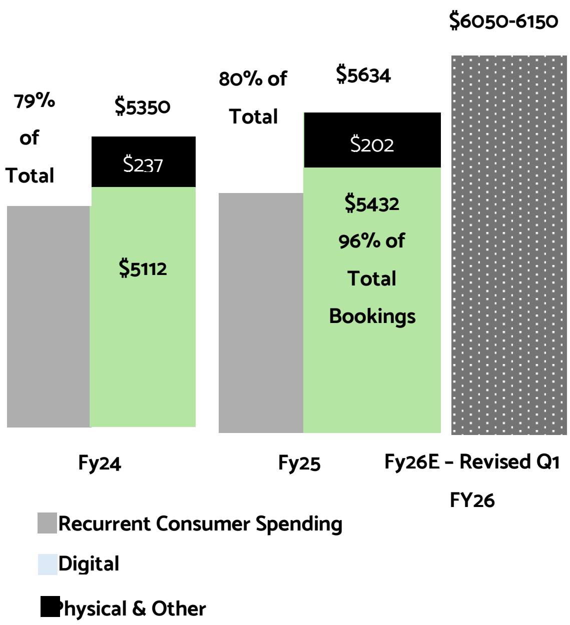
Source: Capital IQ; Self Analysis

Figure22A: Our Estimates for YOY Rev. % (Base)

Total Revenue YOY %	8.4	25.7	12.9	9.2	6.9

Source: Capital IQ; Self Analysis

Figure23: Net Bookings Breakdown by Source ($m)



Source: Q1 FY26 Earnings; 10K

Figure23: FY26 Guidance: Net Bookings & RCS

	FY26 Current Guidance ($m)	FY26 Prior Guidance ($m)
Net Bookings	$6050-$6150	$5900-$6000
RCS	+4% YOY	FLAT
	Q1 Actual ($m)	Q1 Guidance ($m)
Net Bookings	$1423	$1250 - $1300
RCS	+17% YOY	+7%

RCS Bridge

FY25 (A) - $4.48bn (79%)

FY26 (E) - $4.66 bn (+4% YOY)

**Recurring layer expanding even without GTA VI*

Source: Q1 FY26 Earnings; 10K

Thesis 1: GTA VI – A Structural Earnings Reset

Grand Theft Auto VI, launching in May 2026 (FY2027), is the most significant release in gaming history and the largest entertainment production ever, with a budget reportedly exceeding $1.5bn. Consensus expects $3-3.5bn in the first year bookings, and management has guided to $5.9-6.0bn Net Bookings in FY2026 ahead of launch. GTA VI drives consensus FY2027 revenues to $9.2bn, almost +60% above FY2025 ($5.65bn), structurally resetting TTWO's earnings base and serving as one of the key anchors to their pipeline for FY26-FY28 (Figure 7). Projections show a similar pattern, with yoy revenue growth of +25.7% in FY27, moderating to +12.9% in FY28 and high single digits thereafter (Figure 22A). While revenues plateau beyond FY27 (Figure 22), this occurs at a materially higher baseline versus pre launch years, demonstrating that GTA VI redefines TTWO's long term earnings capacity rather than delivering only a one off spike. GTA V's history underscores this dynamic: the title has already generated over $10bn in lifetime sales and remains monetised over a decade after release. GTA VI enters a stronger ecosystem, with Recurring Consumer Spending (RCS) contributing ~80% of bookings, supported by GTA Online 2.0 and GTA+, ensuring the release functions as a live service platform rather than a standalone title. Cultural anticipation is unprecedented as the first trailer set records with +475m across platforms in the first 24 hours of its release in 2023. GTA VI is not only a blockbuster catalyst but also the anchor of TTWO's ecosystem, providing visibility into multi-year growth and supporting multiple expansion (Figure7).

Thesis 2: Recurring Digital Ecosystem Driving High Margin Growth

TTWO has shifted from relying on packaged unit sales to a digital first model (by FY25, ~80% of Net Bookings came from RCS and ~96% were delivered digitally (Figure 23). Management's FY26 guidance of $6.05-6.15bn (Figure 24) shows that RCS alone is expected to rise by about $180m YoY to $4.66bn, even before GTA VI launches. This highlights that their earnings base is being sustained by live services, subscriptions, and ongoing digital content rather than one off title sales (Figure 21). Mobile is now the largest part of the mix, accounting for 52.2% of Net Bookings (Figure 5), positioning Take Two where the industry is growing fastest (Figure 10) and at a heavier tilt towards mobile than the wider market (Figure 12). This strengthens the company's ability to monetise globally and build longer term engagement, particularly as peers in Asia have already proven the scale of mobile first ecosystems. This model directly lifts profitability. Digital and mobile revenues carry lower costs and smoother cash conversion. In our forecasts, EBIT margins expand from 16% in FY26 to 25% by FY29 (Fig. 28), with upside if mobile and RCS penetration beat expectations. GTA VI will provide the near-term catalyst, but it is the recurring and mobile led ecosystem that compounds growth, turning cyclical spikes into durable, high-margin cash flows and supporting valuation re-rating. With the launch of GTA VI and GTA Online 2.0, it is expected that RCS is going to outperform and reach new highs.

Thesis 3: World Class IP Moat and Robust Pipeline Securing Durable Growth

TTWO's moat rests on its portfolio of enduring IP and its ability to monetise franchises long after launch. Beyond Grand Theft Auto, the company's portfolio spans NBA 2K, Red Dead Redemption, Borderlands, and Zynga's mobile franchises, each contributing significant recurring engagement and revenues (Figure 9). Unlike peers, TTWO's model

Figure23A: Analyst Commentary

Positives

Earnings reset in sight - "Normalized EPS steps up from FY27 as GTA VI lifts the base, narrowing the gap with peers and sustaining at a higher run rate (Fig. 29)."

Cash flow resilience – FCF margins dip through FY22–FY25 but normalise in the low- to mid-20s from FY26E, aligning with a bookings-led digital model (Fig. 28).

Negatives / Neutrals

Pipeline investment drag – Elevated R&D depresses EBIT margins in the short term, but underpins future content breadth (Fig. 30).

Balance-sheet optics to monitor - Leverage elevated post Zynga and tangible book negative after impairments; deleveraging relies on execution and cash discipline. *GTA V defies typical gaming lifecycles with daily engagement still above 100,000 12 years later, a durability even the company never expected – Developer, Rockstar Games*

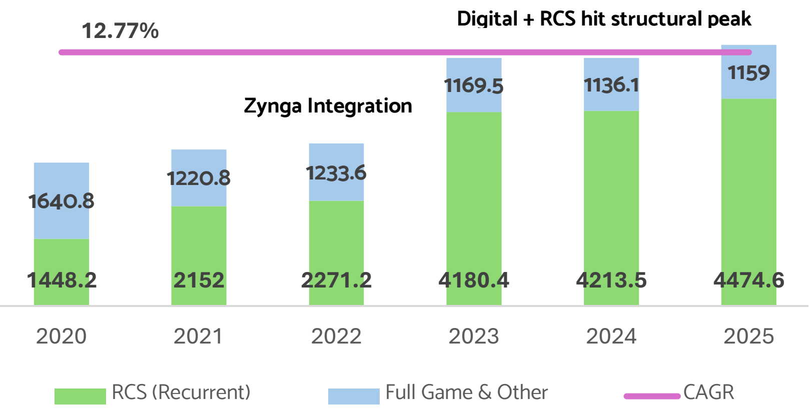
is structurally built for multi year revenue cycles, reinforced by a robust FY26–FY28 pipeline of 30+ releases across immersive core, mobile, and new iterations (Figure 7). What differentiates TTWO is not just IP breadth but extended monetisation capability. GTA Online still sustains ~84k peak concurrent PC players in 2025, twelve years post launch, while EA FC resets annually and Ubisoft's Assassin's Creed or CD Projekt's Cyberpunk fade shortly after release (Figure 18). This durability is captured in TTWO's revenue curve (Figure 15), which illustrates how TTWO extends lifecycle revenues through live services, DLC, and recurrent consumer spending. Strategic acquisitions further cement this moat. The Zynga deal repositioned TTWO into a mobile first with over half of bookings (Figure 5), while smaller studio acquisitions ensure a constant refresh of the pipeline (Appendix E). These moves ensure that TTWO's franchises remain relevant across genres, platforms, and demographics. The result is a higher margin ecosystem as ~80% of bookings are now recurrent, structurally lowering their earnings volatility and underpinning the EBIT margin expansion in the base case. Compared to peers reliant on hit driven cycles, TTWO's ability to extract value long after launch supports their premium valuation multiple.

Financial Analysis

Figure24 A: 5 Year Revenue (Absolute $M) and Mix (%)

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Total Revenue	3089	3372.8	3504.8	5349.9	5349.6	5633.6
Net Revenue by Content (%)						
RCS	46.9	63.8	64.8	78.1	78.8	79.4
Full Game and Other	53.1	36.2	35.2	21.9	21.2	20.6
Net Revenue by Platform (%)						
Mobile	6	8.1	11.5	47.5	51.4	52.2
Console	74.7	74.6	72.2	43	40.5	37.3
PC & Other	19.2	17.2	16.3	9.5	8.1	10.5
Net Revenue by Distribution Ch. (%)						
Digital online	77.9	88.1	89.8	95.1	95.6	96.4
Physical retail & other	22.1	11.9	10.2	4.9	4.4	3.6

Figure24 B: 5-Year Revenue by Segment (Absolute $M)



Revenue Trends

1. Growth Path: FY2020–FY2025 to FY2030

Revenues rose from $3.1bn in FY2020 to $5.6bn in FY2025, a five year CAGR of 12.8% (Fig. 24B). Growth was step wise: pandemic engagement in FY21, Zynga consolidation in FY23, and digital scale in FY25. Each of these events lifted the baseline rather than fading. Projections take revenues to $9.4bn by FY29 (~12.4% CAGR, Fig. 25), with GTA VI in FY27 driving the sharp uplift. Beyond FY27, growth moderates but revenues stabilise at a materially higher level (Fig. 25). The lower CAGR reflects a larger base, but absolute revenues remain elevated because new releases from pipeline add to the active player pool and sustain engagement.

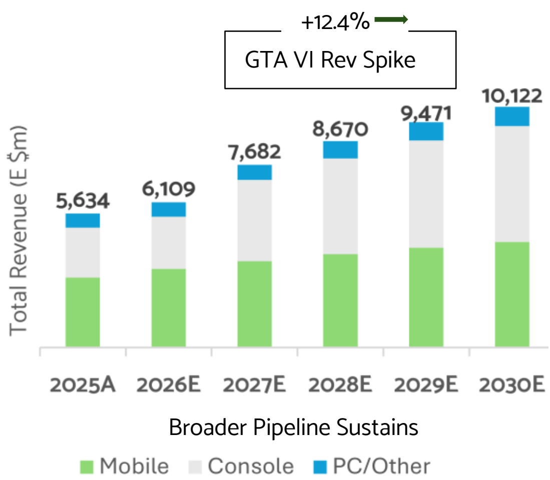
2. Engagement Driven Revenues

By FY2025, nearly four-fifths of sales came from ongoing in game activity, up from less than half in FY2020 (Fig. 24A). This shift is structural: each major release expands the pool of paying users who continue spending across cycles. The result is revenues that are less dependent on launch windows and more supported by steady participation.

3. Mobile as a Growth Engine (+500% growth YOY in FY2023)

Mobile revenues surged more than 500% year-on-year in FY2023 with the integration of Zynga, and by FY2025 made up over half of group sales (Fig. 24A). This was not just incremental growth but a structural transformation. Zynga's portfolio is superior in scale and design, with leading casual and social titles built around daily engagement and proven in-app monetisation. The impact is twofold: the business now reaches far beyond its traditional console

Figure25: Revenue Projections ($m)



Forecast Revenues FY2025-FY2030: GTA VI Catalyst Resets Baseline, Mobile Dominance Sustains Growth

Source: 10K; Self Analysis; Capital IQ

audience, and revenues have become steadier, driven by thousands of microtransactions rather than one-off launches. This marked a clear shift in TTWO's model from a console led publisher dependent on release cycles to a diversified, multi-platform operator with mobile as its single largest and most stabilising revenue stream.

4. Digital Penetration

Digital accounted for 96% of revenues by FY2025, up from 78% in FY2020 (Fig. 24A). This matters because digital channels keep a larger share of every dollar in house, reduce reliance on retailers, and allow faster monetisation of new content. The outcome is a smoother, more reliable revenue line.

5. Regional Mix

Over 60% of revenues come from North America (Fig. 8). Higher per player spending in this market (Fig. 14) magnifies the benefit of deeper engagement, while Zynga extends reach in Europe and Asia. The mix provides both depth in premium markets and breadth in growth regions.

6. Pipeline as Catalyst

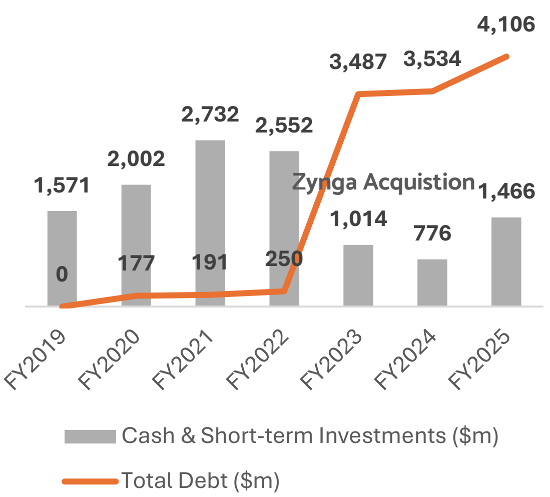
Large launches remain central but their role has changed. GTA VI will drive a peak in FY27, but its real importance lies in expanding the base of engaged players and lifting revenues to a new plateau. Blockbusters now act as catalysts that permanently reset the earnings floor rather than one-off spikes.

Figure 26: DuPont Analysis

	Margins & Profitability								Cash Flow		
Year	Net Margin	Asset Turnover	Equity Multiplier	ROE	Gross Margin	EBITDA Margin	EBIT Margin	ROA	OCF Margin	FCF Margin	Net Debt/EBITDA
	(%)	(x)	(x)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(x)
FY20	19.7	0.6	1.9	23.9	56.9	24.0	22.4	13.2	22.2	20.5	-3.4
FY21	24.6	0.6	1.8	24.9	57.3	29.7	28.1	10.7	27.0	25.0	-3.3
FY22	18.0	0.5	1.7	16.6	52.4	21.9	20.2	6.7	7.4	2.8	-3.3
FY23	10.6	0.3	1.8	6.3	60.9	16.7	15.0	-10.0	0.0	-3.8	2.0
FY24	8.9	0.4	2.1	8.4	65.9	13.6	11.1	-26.7	-0.3	-2.9	2.8
FY25	9.6	0.6	4.3	25.2	68.8	13.7	10.9	-41.9	-0.8	-3.8	2.8
FY26E	8.7	0.6	3.7	19.8	67.6	14.7	16.0	4.3	2.3	21.2	2.1
FY27E	21.8	0.6	2.9	38.6	63.6	28.3	21.0	11.8	27.2	27.1	0.0
FY28E	22.7	0.6	2.2	31.2	66.5	28.6	23.0	11.0	27.0	24.2	-0.6
FY29E	22.1	0.6	1.8	24.9	67.4	31.3	25.0	9.1	28.1	25.2	-1.2
FY30E	20.7	0.6	1.6	19.9	67.4	29.2	26.0	10.8	31.4	26.7	-2.0

Source: 10K; Self Analysis; Capital IQ

Figure 27: TTWO's Cash vs Debt (FY20- FY25)

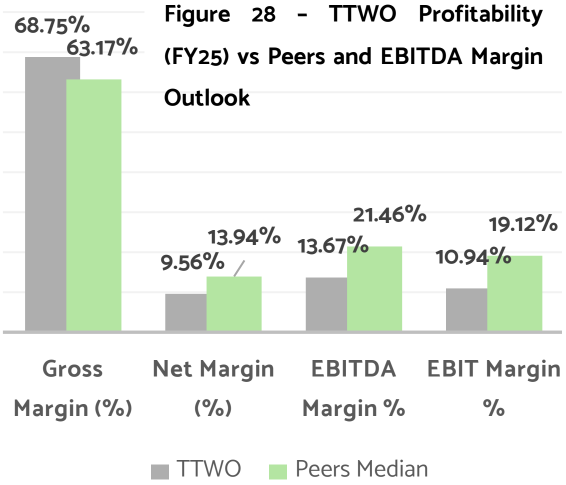


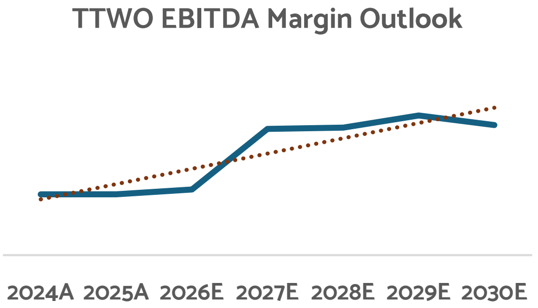
Source: Capital IQ

Margins & Profitability: *Margins compress in the build up, reset with GTA VI, and are lifted by the digital mix*

Figure 26 shows that TTWO's gross margins remain structurally high at around 65 percent, reflecting the benefits of digital distribution over physical retail. The decline in FY22 was driven by Zynga's lower-margin mobile portfolio, but the more material pressure in FY23 to FY25 came from amortisation and elevated spending ahead of GTA VI. This cycle captures Thesis 1: profitability weakens in investment years and then resets upwards once a blockbuster is released. Projections show EBITDA margins rebounding to the high twenties in FY27–FY28, levels consistent with a GTA VI driven earnings reset. Equally important is the revenue mix. A rising share of digital sales and recurrent consumer spending, now the majority of bookings, acts as a structural margin tailwind. Unlike packaged sales, RCS carries minimal distribution costs and steadier monetisation, pushing both EBITDA and net margins higher and smoothing volatility between release cycles. This is the essence of Thesis 2: the digital ecosystem does not just stabilise cash

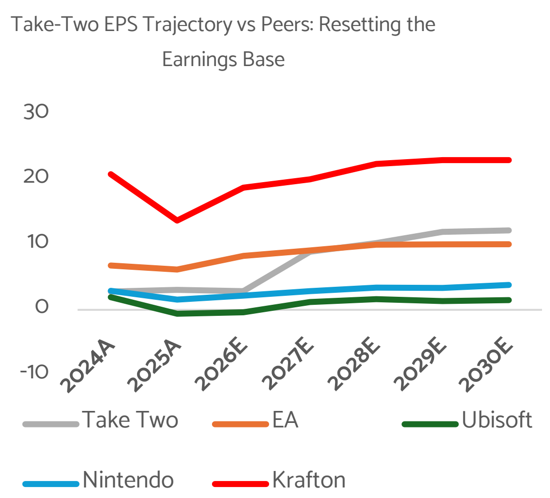
Figure 28 - TTWO Profitability (FY25) vs Peers and EBITDA Margin Outlook





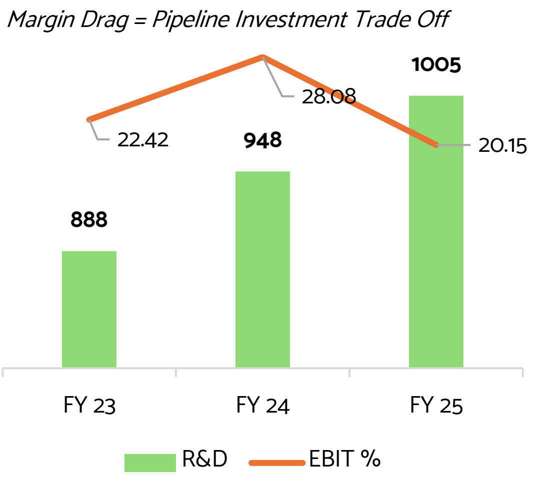
Source: Capital IQ; Self Analysis

Figure 29 - Normalised EPS Outlook: Take-Two vs Global Publishers



Source: Capital IQ; Self Analysis

Figure 30: EBIT vs Pipeline Spend Overlay



Source: Capital IQ; 10K; Self Analysis

flows, it locks in a higher level of profitability. The combination of GTA VI scale and the digital mix means margins are not only restored but sustained at stronger levels in the out years.

DuPont Analysis: *ROE moves with profitability, not leverage*

The DuPont breakdown shows clearly that ROE at TTWO is margin driven. Asset turnover remains low, in the 0.3 to 0.6 times range, which is typical for a publisher with significant cash balances and heavy intangibles in accounting. Financial leverage is equally modest, with the equity multiplier steady around 1.6 to 2.0 times, underscoring the their conservative balance sheet. With these components stable, the movement in ROE mirrors the margin cycle. The trough in FY23 to FY25 coincides with compressed net margins, while the projected rebound to above 30 percent by FY27 reflects the profitability uplift from GTA VI. This reinforces Thesis 1 by showing how returns to equity holders reset in line with blockbuster content, and it connects to Thesis 2 by demonstrating that higher digital and recurring revenues are the long-term foundation for sustaining those returns.

Cash Flow: *Digital model translates directly into cash*

Cash flow metrics provide a different lens on the same story. As Figure 26 shows, operating cash flow margins remain between 20 and 30 percent, even in years where GAAP profitability looks weak. The reason is straightforward: bookings generate cash upfront, while revenue is recognised gradually under accounting rules. Free cash flow tracks closely behind OCF given minimal capital expenditure, confirming near full cash conversion. This dynamic is central to Thesis 2: the transition to digital and recurring consumer spending ensures smoother, higher-quality cash flows compared with reliance on packaged unit sales. Importantly, Net Debt to EBITDA remains negative throughout the period, confirming Take-Two's net cash position. This balance sheet flexibility supports Thesis 3, allowing the company to continue investing in its IP portfolio, fund live services, and pursue acquisitions without financial strain.

Balance Sheet Position

Figure 27 shows Take-Two's cash balances and debt over FY2019–FY2025. The company operated with a net cash balance sheet prior to the Zynga acquisition, which introduced $3.5–4.0bn of debt in FY2023. Importantly, cash and short-term investments have remained substantial at $1.5bn in FY2025, while leverage metrics such as Net Debt to EBITDA (see Figure 26) stayed well within conservative ranges. This highlights that, despite a goodwill-heavy balance sheet post-Zynga, Take-Two retains strong liquidity and financial flexibility. The balance sheet therefore presents limited risk and supports continued investment in content, acquisitions, and potential shareholder returns.

Performance Review and Outlook

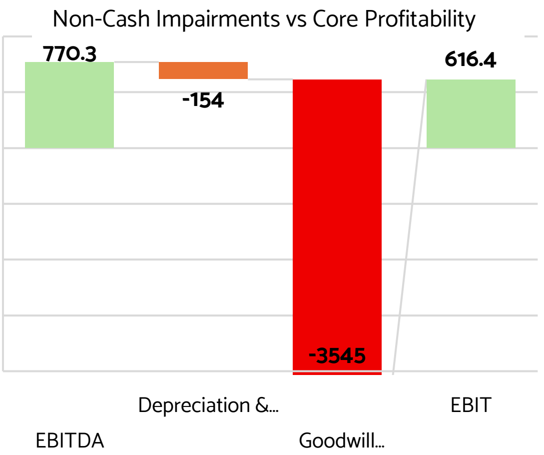
1. Historic Performance vs Expectations

TTWO's results highlight the cyclicality of a hit driven publisher. Revenues rose steadily into FY22, supported by pandemic engagement and Zynga's mobile scale, but profitability fell short of expectations. Elevated amortisation, goodwill impairments, and heavier R&D spend distorted reported earnings. EBIT and net income turned deeply negative, though much of this weakness was non-cash, with core EBITDA remaining positive (Figure 31).

2. Forecasts Aligned with Historic Cycles

The projections align with TTWO's historic reset pattern. Profitability typically compresses in development heavy years before rebounding on major launches. This

Figure 31: EBITDA to EBIT Bridge



Source: Capital IQ; 10K; Self Analysis

cycle is reflected in the forecasts, with EBITDA margins projected to recover into high 20's by FY27, which echo prior post release resets (Figure 28). Returns on equity track margins rather than leverage, confirming that TTWO's earnings base is fundamentally margin driven (Figure 26).

3. Cash Flow Resilience

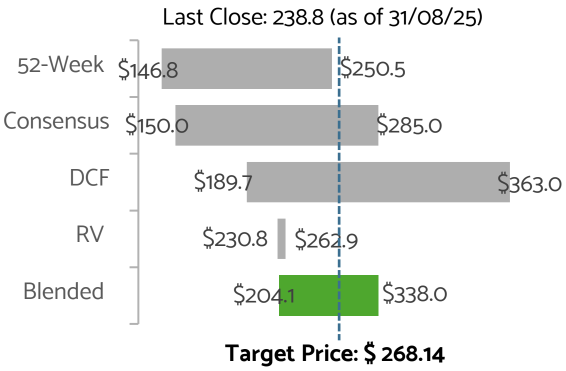
Cash flow performance softens the impact of P&L volatility. Despite headline GAAP losses in FY23–FY25, free cash flow exceeded $1bn across the period. Operating cash margins fell to low single digits at the trough but are projected to rebuild toward 20–30% as digital bookings translate more directly into cash generation. This underlines cash flow resilience as a more reliable measure of strength than reported net income (Figure 30).

4. Forward Earnings Power

Normalised EPS provides the clearest lens on long-term value creation. TTWO lags peers today, but projections show a structural reset in FY27–FY28, closing the gap to global publishers' median levels. This shift reflects the impact of GTA VI and the recurring ecosystem surrounding it, which extends beyond one off releases to drive durable earnings growth (Figure 29).

Valuation

Figure 32: Football Field Valuation – TTWO ($/share)



Source: Self Analysis; Capital IQ

Figure 33: DCF Scenarios

Scenario	WACC (%)	TGR (%)	Target Price ($)	Upside vs. Last Close (%)
Bear	7.46%	2.80%	189.62	-20.6%
Base	7.37%	3.00%	275.09	15.2%
Bull	7.18%	3.20%	362.79	51.2%

Source: Self Analysis; Capital IQ

Figure 34: Sensitivity Analysis – WACC vs TG

Terminal Growth ↓ / WACC→	6.50%	7.00%	7.50%	8.00%	8.50%
2.00%	275.39	245.91	221.92	202.04	185.32
2.50%	307.24	270.91	242	218.46	198.96
3.00%	348.18	302.17	266.54	238.17	215.08
3.50%	402.77	342.35	297.21	262.26	234.43
4.00%	479.19	395.92	336.65	292.37	258.08

Bear **Base** **Bull**

Source: Self Analysis; Capital IQ

Blended Valuation – Methodology & Rationale

Approach:

The target price is based on a blended framework that combines a Discounted Cash Flow (DCF) model with a Relative Valuation (RV) cross check. DCF reflects the company's long term fundamentals, especially the uplift expected from GTA VI and ongoing live services growth, while RV keeps the analysis anchored to how peers are currently priced in the market. Using both helps avoid the bias of relying on a single method.

Scenario Weightings:

Weightings are adjusted to mirror how investors typically balance fundamentals and market sentiment across conditions. In the Base case, 75% is assigned to DCF and 25% to RV, with fundamentals taking precedence in shaping long term value. The Bull case keeps the same mix, as peer multiples often lag upside catalysts and understate growth optionality. In the Bear case, RV's contribution rises to 35% since multiples tend to compress more quickly than long term cash flow forecasts when sentiment turns. This adjustment makes the blended approach more reflective of how downside risk would likely be priced.

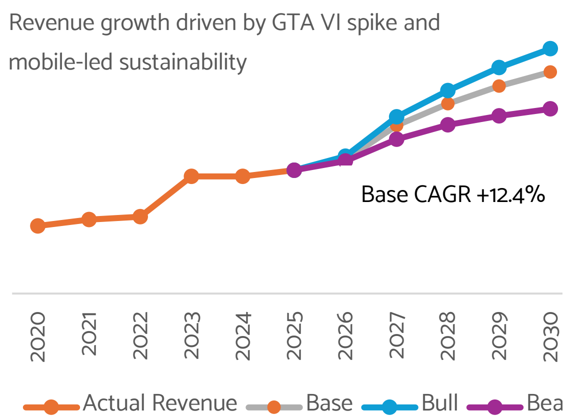
Results and Cross Checks:

The football field chart (Figure 32) pulls the methods together alongside external anchors such as the 52-week trading range and broker consensus. The Base case blended value is $264.14 per share, around +14% above the last close of $231.83 (31 August 2025). The Bear case suggests ~$204, while the Bull case indicates ~$338. The convergence of outputs across approaches and scenarios provides confidence that the final estimate is both robust and defensible.

Discounted Cash Flow (DCF)

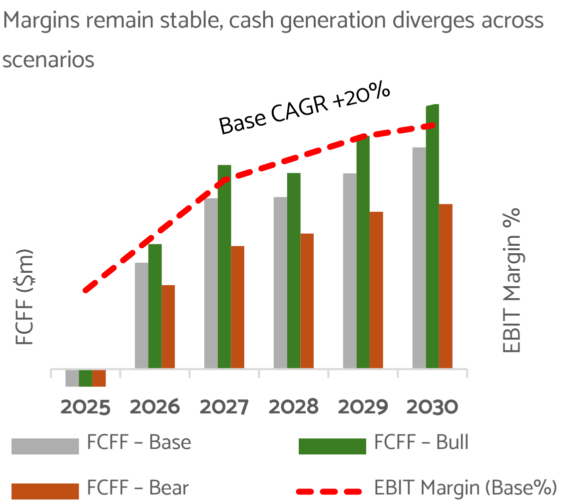
The DCF provides the foundation of the valuation, capturing TTWO's long-term cash generating capacity under Base, Bull, and Bear scenarios. Revenues, margins, and reinvestment needs were forecast using historical back calculation as a baseline, then

Figure 35: Revenue Growth across Scenarios



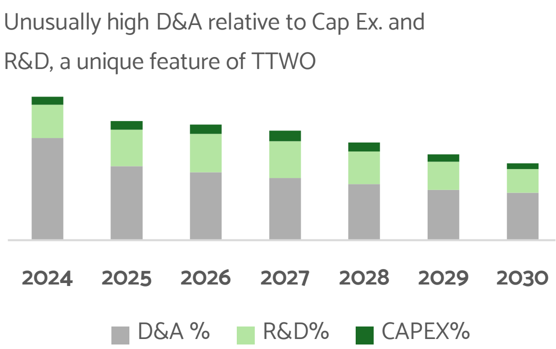
Source: Self Analysis; Capital IQ

Figure 36: Operating Margin and FCFF Forecast



Source: Self Analysis; Capital IQ

Figure 37: D&A vs Reinvestment



Source: Self Analysis; Capital IQ

Figure 38: WACC Breakdown

Component	Base	Bull	Bear
Equity Weight	91%	95%	83%
Debt Weight	9%	5%	17%
Tax Rate	18%	18%	18%
Cost of Equity	7.70%	7.40%	8.20%
Cost of Debt	4.50%	4.00%	5.00%
After-Tax CoD	3.70%	3.30%	4.10%
WACC	**7.37%**	**7.18%**	**7.46%**

Source: Self Analysis; Capital IQ

adjusted to reflect management guidance and the outlook on GTA VI, mobile growth, and the broader pipeline. As shown in Figure 35, operating margins remain within a narrow 4% band across scenarios, yet free cash flow to the firm (FCFF) diverges meaningfully (Figure 36). This outcome reflects the terminal value's sensitivity to modest changes in WACC and terminal growth rather than volatility in near-term revenues. In effect, TTWO will generate strong cash flows under any scenario, the difference lies in whether GTA VI and the pipeline justify a valuation closer to 200 dollars per share or 330 dollars per share.

Cash Conversion and FCFF

Take-Two's reported EBIT understates its cash flow capacity. Depreciation and amortisation consistently exceed 25 percent of revenues, reflecting amortisation of capitalised development costs. In contrast, Cap Ex. and capitalised R&D remain light at 12 to 15 percent of revenues (Figure 37). The result is structurally high cash conversion as FCFF grows from roughly $1.5bn in FY26 to more than $2bn by FY30 (Figure 36). This dynamic of high non cash amortisation relative to actual reinvestment is commonly seen in gaming publisher models and underpins the resilience of TTWO's DCF, even when reported margins appear modest.

Weighted Average Cost of Capital (WACC)

The discount rate is built on CAPM inputs (Figure 38) anchored in widely used market references. The risk-free rate is taken as 4.38 percent, reflecting the yield on the US 10-year Treasury, the standard proxy for dollar cash flows of this horizon. The equity risk premium is set at 4.3 percent, consistent with Professor Aswath Damodaran's forward looking US market estimate rather than relying solely on long run historical averages. No size or country risk premium is applied since TTWO is a large cap US company with operations and listing in a mature market.

For beta, a bottom up approach is applied. Peer group betas for EA, Ubisoft, Roblox, and Krafton are unlevered, averaged, and then relevered to Take-Two's capital structure. This method avoids distortions from TTWO's own share price, which has been volatile around blockbuster release cycles, and thus, instead anchors on industry comparables. The resulting levered beta is 0.72 in the Base case, flexed to 0.67 in Bull (to capture benefits of digital scale and margin expansion) and 0.75 in Bear (to reflect downside execution risks).

The cost of debt is benchmarked to US corporates rated between BB and BBB, in line with TTWO's balance sheet strength and sector norms. This gives a pre-tax cost of 4.5 percent in Base, flexed between 4.0 and 5.0 percent in Bull and Bear. Applying TTWO's effective tax rate of 18 % (per recent filings) results in an after-tax cost of debt between 3.3 and 4.1 %.

Given that equity funds more than 80 % of the capital structure, WACC remains tightly bound between 7.18 and 7.46% across scenarios. This narrow range underscores that our valuation is primarily driven by Take-Two's operating cash flows and game pipeline, rather than changes in discount rate assumptions.

Terminal Growth Rate

The terminal growth rate was anchored to long-term US nominal GDP (Figure 34), set at 3.0 percent in the Base case, flexed to 3.2 percent in Bull and 2.8 percent in Bear. While Take-Two may outgrow GDP in the medium term through GTA VI, live services, and mobile expansion, a perpetuity assumption above the economy's growth ceiling would not be defensible. Benchmarking to GDP ensures the valuation reflects durability without

Figure39: Trading Multiples

Ticker	EV / Revenue 26E	EV / EBITDA 26E	P / E 26E
TTWO	7.2	49.2	80.9
UBI	1.3	3.6	-23.9
EA	5.5	15.5	20.4
Krafton	2.9	6.7	12.0
Nintendo	6.0	33.2	42.2
CDR	28.8	64.3	96.2
Mean	8.9	24.6	42.7
Median	5.5	15.5	31.3

Source: Self Analysis; Capital IQ

Figure40: Implied Sh. Price (Premium Adjusted)

	Peer Median	Base (37% Premium)	Bull (56% Premium)
EV/Revenue	5.5x	7.5x	8.6x
EV/EBITDA	15.5x	21.3x	24.1x
P/E	31.3x	42.9x	48.7x
EV/Rev Implied Price		$246	$280
EV/EBITDA Implied Price		$97	$112
P/E Implied Price		$123	$139
RV Blended Price *(90% Rev / 10% EBITDA)*		**$231**	**$263**

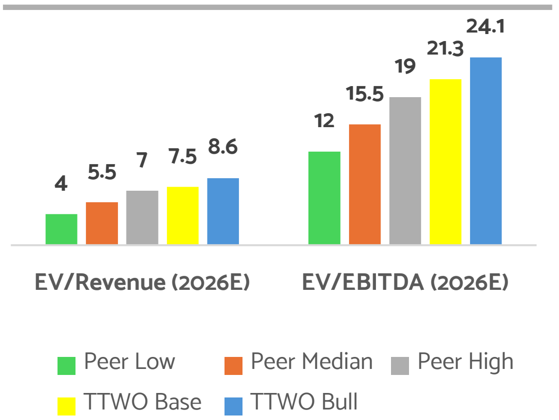
Source: Self Analysis; Capital IQ

Figure41: Implied Share Price Sensitivity to Growth Premium

Premium	EV/Revenue Price	EV/EBITDA Price	Blended Price (90% Rev / 10% EBITDA)
30%	$232	$92	$218
35%	$242	$96	$227
37%	$245	$97	$231
40%	$251	$100	$236
45%	$260	$103	$244
50%	$269	$107	$253
56%	$280	$112	$263

Source: Self Analysis; Capital IQ

Figure42: Take-Two Premium vs Peer Trading Range



Source: Self Analysis; Capital IQ

overstating long term potential.

Terminal Value, Enterprise Value, and Equity Bridge

The DCF shows that more than 80 percent of enterprise value is derived from the terminal value, not the explicit forecast years (Appendix G). This reflects the nature of Take Two's model: free cash flows in the near term are steady but relatively modest compared to the long tail of monetisation expected once GTA VI resets the revenue baseline and mobile/live services provide recurring earnings. In the Base case, around $8.4bn of present value comes from forecast free cash flows, versus $44.6bn from the terminal value. Together, they yield an enterprise value of $52.9 billion, which after adjusting for cash and debt results in an equity value of $50.3bn, or $ 275/share. The comparison with the current market capitalisation of $43.7bn shows that upside depends not on near term spikes, but on sustaining a higher cash conversion baseline into perpetuity.

Scenario and Sensitivity Analysis

Figures 33 and 34 show how valuation flexes under different assumptions. In the Base case, the implied equity value is $ 275/share, around 15 percent above the last close. The Bull case rises to $363/share, or more than 50% upside, while the Bear case falls to $190/ share, implying downside of around 20%. Importantly, revenues and EBIT margins do not vary widely across scenarios; instead, it is the compounding of free cash flow and the weight of the terminal value that drive the spread. The sensitivity heatmap (Figure 34) illustrates this further. Small changes in WACC and terminal growth lead to large swings in equity value: tightening the WACC to 6.5% and lifting growth to 4.0% pushes valuation close to $ 480/share, while higher discounting and lower growth compress value below $190. This underlines that investor confidence in TTWO's pipeline durability and recurring monetisation is as critical as the GTA VI launch itself.

Relative Valuation

The relative valuation is anchored on 2026E consensus, the first full GTA VI year and the reset point for earnings. EV/Revenue and EV/EBITDA are the main anchors, with revenue given 90% of the weight. The investment case turns more on the scale and durability of bookings than on one year of margins. EBITDA is kept in at 10% as a cross check since FY26 still carries launch costs. P/E is shown in Figure 39 for transparency but is not blended. Publisher EPS is too volatile around blockbuster cycles to provide a reliable anchor.

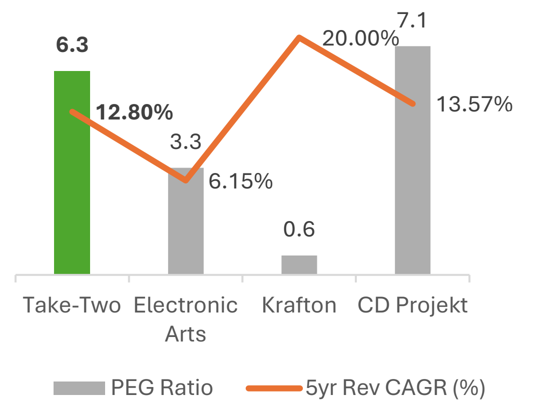
Multiples, weighting and blend

Two enterprise anchors are used: EV/Revenue and EV/EBITDA. EV/Revenue receives the heavier weight (90%) because the investment case turns on scale and durability of monetisation in the first full year; EBITDA in 2026E remains partially burdened by launch costs and is retained at 10% as a profitability cross-check. P/E is shown for completeness but not blended: GAAP EPS for publishers is noisy around mega-releases and, in this set, includes distortions such as negative EPS for Ubisoft (Figure 39). Implied prices from each route and the 90/10 blend are reported in Figure 40. Enterprise values are converted to equity using latest reported net debt and divided by diluted shares.

Peer set

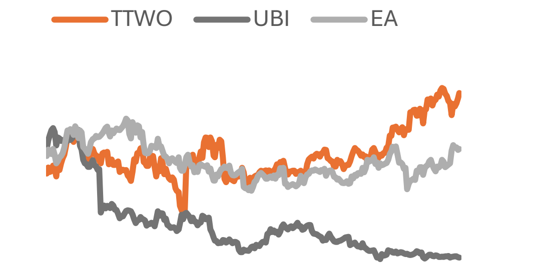
Comparables are limited to global AAA publishers with durable IP, console/PC exposure and meaningful live service economics: EA, Ubisoft, Krafton, Nintendo and CD Projekt. Diversified media names and small independents are excluded to avoid structural bias. EA is the closest US analogue on scale and recurrent spending; Ubisoft provides an open world AAA reference but is excluded from P/E due to negative earnings; Krafton adds a

Figure43: PEG Ratio TTWO vs Peers



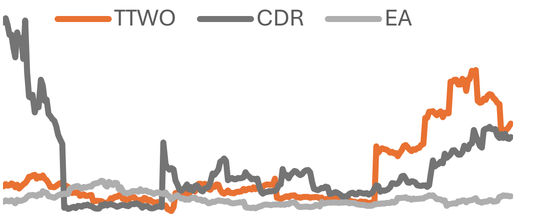
Source: Self Analysis; Capital IQ

Figure43A: TEV/Total Rev. TTWO vs Peers (5 yr A)



Source: Capital IQ

Figure43B: TEV/EBITDA TTWO vs Peers (5 yr A)



Source: Capital IQ

a live-ops/mobile benchmark; Nintendo anchors premium IP economics without letting platform ownership dominate the medians; CD Projekt captures blockbuster cyclicality. The result is a basket that reflects the economics Take Two competes in rather than a convenience average (Figure 39).

Premium policy

Consensus indicates a five-year revenue CAGR of ~12.8% for TTWO versus ~6.6% for peers—~93% faster. Using peer medians alone would understate that growth gap. A partial premium is applied instead: +37% in the Base case and +56% in the Bull. The haircut recognises execution and timing risk around a single launch year and the possibility of peer re-rating as the cycle turns. Two quick diagnostics show the premium's materiality but also its discipline. First, the premium to price sensitivity: moving from 37% to 56% lifts the EV/Revenue multiple from 7.5x to 8.6x and the revenue-path price from ~$246 to ~$280—roughly $3 per 0.1x on EV/Revenue for this setup (Figure 41). Second, peer range context: adjusted multiples sit just above peer highs in today's cautious market (7.5x vs 7.0x on EV/Revenue; 21.3x vs 19.0x on EV/EBITDA) and well below historic outliers, which supports the view that the premium is assertive but not excessive (Figure 42).

Results

On this basis, EV/Revenue implies ~$246/share in Base and ~$280/share in Bull. EV/EBITDA produces lower values of $97–112/share because of temporary margin compression. A 90/10 blend results in ~$231 in Base and ~$263 in Bull. Figure 41 shows the approach remains consistent across a wide range of premiums.

Cross Check

PEG is normally calculated as P/E divided by EPS growth. With publisher EPS distorted by launch cycles, revenue CAGR is used as the denominator here. That gives a PEG of about 6.3 for Take Two, higher than EA at 3.3 and Krafton at 0.6, and close to CD Projekt at 7.1 (Figure 43). This reflects how the market is willing to pay more growth-adjusted for blockbuster IP resets. It also explains why the main analysis relies on enterprise multiples rather than earnings.

Reconciling with DCF

The blended RV values of $231–263 sit below the DCF range of $275–338. That gap is expected. Multiples reflect the market's current caution, while the DCF captures the full cash flow generation that GTA VI unlocks. The football field in Figure 32 shows how the two approaches connect: RV gives a market sense check, DCF provides the intrinsic view. With WACC tightly bound, the spread between the methods is driven by sentiment, not methodology.

Investor Takeaway

The premium framework is dynamic, not static. By tying valuation to relative revenue growth, it allows for contraction if Take Two's growth converges with peers and expansion if live ops monetisation proves stronger. The sensitivity (Figure 41) shows the link clearly: every 0.1x change in EV/Revenue equates to roughly $3/share. This gives investors a simple and defensible way to connect operational outcomes with valuation.

Figure44: TTWO Sustainability Overview by S&P

Pillar	Key Indicators	Assessment
Environmental	GHG Scope 1 intensity: 0.35 t/$m revenue (91.7% below industry, *Ahead*) Paris alignment: <1.5°C (*Ahead*) Climate transition risk composite: 59/100 (Lagging) No biodiversity/land use disclosure	**Mixed** – low emissions footprint but weak climate/biodiversity disclosure
Social	Human rights policy: Yes (minority practice, 41% of peers report) Employment practices: No disclosure (diversity data NA) Human capital & talent: No disclosure (turnover NA) Employee health & safety: No disclosure (injury rates NA)	**Weak** – disclosure gaps, reputational issues on workplace culture
Governance	Female directors: 3 (Ahead of peer average) CEO pay ratio: 1.46x (99.5% below industry, *Ahead*) Ethics & compliance policy: Yes (majority practice) Risk management processes: Yes (majority practice)	**Strong** – governance structure and policies exceed many peers

Source: Self Analysis; Capital IQ

Figure45: ESG Scores TTWO vs Peers

Publishers	Total ESG Risk Score	E	S	G
Take-Two Interactive	**15**	**0.3**	**10**	**5**
Electronic Arts	12	0.3	8	4
Ubisoft Entertainment	13	0.2	9	4
Krafton Inc.	N/A	N/A	N/A	N/A
Nintendo Co., Ltd.	16	0.3	10	6
CD Projekt S.A.	15	0.1	10	5

Source: Self Analysis; Capital IQ; Yahoo Finance

Environmental, Social, and Governance (ESG)

TTWO's ESG profile is mixed, with strong governance structures contrasting with weaker environmental and social disclosure. On balance, this places the company mid-pack among peers, with investors likely to view governance as a mitigant to the softer environmental and social performance.

Environmental:

Take-Two reports a low Scope 1 emissions intensity of 0.35 t/$m revenue, placing it ahead of 91.7% of the industry on raw carbon efficiency. Its Paris alignment is also consistent with <1.5°C targets, which positions the company well relative to global peers. However, disclosure gaps remain material: biodiversity, land use, and broader transition risk reporting are limited. With a composite climate score of 59/100, the company risks falling behind peers like Electronic Arts, which, while not flawless, publishes broader sustainability data. The result is a profile that is operationally efficient but strategically under-communicated.

Social:

This is the weakest pillar for Take Two. While the company discloses a human rights policy, it lags in areas increasingly expected by investors: diversity statistics, workforce turnover, and health and safety metrics are absent. This creates reputational risk, especially in a sector where workplace culture has been a flashpoint. Ubisoft, despite its controversies, provides more structured disclosure on employee practices, while Electronic Arts reports more comprehensively on workforce diversity. Take Two's silence on these issues stands out and leaves investors without visibility on social risk management.

Governance:

Governance is the company's strongest suit. Board composition is ahead of peer averages with three female directors, and CEO pay is well below industry norms (1.46x pay ratio vs 99.5% higher for the sector). Ethics, compliance, and risk management frameworks are all in place, giving Take Two a governance risk score superior to EA and Ubisoft. This is a material positive, as governance tends to be the most heavily weighted ESG factor in capital markets assessments.

Comparative Positioning:

Relative to peers (Figure 45), Take Two's total ESG risk score of 15 matches CD Projekt but trails EA (12) and Ubisoft (13). Nintendo does not disclose enough to benchmark fully, and Krafton is absent from S&P's dataset. The pattern is clear: Take Two scores well on governance but suffers from disclosure gaps in social and environmental pillars. For investors, this is a double-edged sword operational risk may be lower than disclosure suggests, but the absence of data means ESG-focused funds are less likely to give Take Two credit.

Investor Insight:

The ESG profile matters because it increasingly interacts with valuation multiples. Governance strength helps to justify a premium against peers, but weak social disclosure drags on the narrative, particularly when controversies around gaming culture attract media and regulatory attention. For Take Two, closing the disclosure gap could be a quick win: with relatively strong underlying performance (low emissions intensity, balanced governance), better reporting could narrow gaps with peers and improve investor perception at minimal cost.

Investment Risks

Figure46: TTWO Risk Quadrant

Impact ↓ / Probability →	Low Probability	High Probability
High Impact	Cybersecurity/IP Breach; Regulatory Shock (Monetisation Restrictions)	GTA VI Delay or Weak Monetisation; Market Saturation & Competitive Pressure
Low Impact	Minor Cost Overruns; Small Project Slippage	Platform Policy Risk (Apple, Google, Sony)

Source: Self Analysis; Capital IQ; Newzoo; Yahoo Finance

Risk Landscape

Take Two faces a mix of execution and external risks, with the quadrant in Figure 46 highlighting where they cluster. The most material exposures lie around the GTA VI launch, where both timing and monetisation outcomes carry high probability and high impact. Other risks such as platform policy shifts or small project delays fall into lower impact categories, while regulatory or cybersecurity events are less likely but could still affect sentiment.

Scenario-Based Impact

The scenario analysis in Figure 47 translates these risks into potential valuation effects using observed peer precedents. Ubisoft's Skull & Bones delay suggests a -0.5x to -0.8x EV/Revenue compression, equating to a $15–24 downside for Take-Two. CD Projekt's Cyberpunk 2077 experience illustrates how weaker than expected monetisation could imply $30–45 of pressure. Competitive intensity, regulatory changes, and platform fee adjustments also present downside, though at a smaller scale.

Figure47: TTWO Risk Quadrant

Risk Event	Trigger	Prob.	Impact Level	Applied Multiple Compression (EV/Rev)	Indicative Impact (Share Price)
GTA VI delay (6–12 months)	Development or regulatory holdup	High	High	-0.5x to -0.8x (Ubisoft analogue)	-$15 to -$24
Weak GTA VI monetisation	Live-ops engagement below expectations	High	High	-1.0x to -1.5x (CD Projekt analogue, trimmed)	-$30 to -$45
Market saturation & competition	Rival AAA releases, share shift	High	High	-0.3x to -0.5x (between EA/Ubisoft)	-$9 to -$15
Platform policy tightening	Higher take rates Apple/Google	High	Low	-0.2x (EA analogue, muted effect)	-$6
Regulatory restrictions	Loot-box/monetisation limits (US/EU)	Low	High	-0.3x to -0.5x (Ubisoft/EA)	-$9 to -$15
Cybersecurity /IP breach	Data leak or piracy	Low	High	Not easily quantifiable	Qualitative overhang
Minor cost overruns/slippage	Small project delays	Low	Low	-0.1x	-$3

Source: Self Analysis; Capital IQ;

Implications for Valuation

These scenarios underline why our relative valuation outcomes ($231–263) sit below the DCF range ($275–338). It reflects not a methodological gap, but the way the market prices execution risk around blockbuster releases. Figures 46 and 47 show how sensitive multiples can be to news flow, with every 0.1x shift in EV/Revenue equating to roughly $3/share. This helps bridge operational outcomes and valuation in a transparent way.

For Investors

While the risks are significant, they are not unmanageable. The company's diversified pipeline, high IP ownership, and governance standards provide mitigants that can cushion against setbacks. For investors, the framework demonstrates both the scale of the opportunity with GTA VI and the range of market reactions that could follow. By quantifying these scenarios against peer evidence, the analysis provides a balanced view of both upside and risk, giving confidence that the valuation framework is realistic and adaptable.

Appendix A (Sourced from FIN 9100 Presentation)

A global publisher of interactive entertainment, evolving from a console-focused model to a mobile-scaled, recurring, digital-first revenue business

Physical Game Sales ❯ Digital Game Sales ❯ Live Services & DLC ❯ Recurring Revenue Ecosystem

Reinvestment : R&D; Acquisitions

TO

Pre 2010 — **2010 - 2020** — **2020 - Present**

Appendix B (Sourced from FIN 9100 Presentation)

How T2 makes money

Content Revenue Mix	
Recurring Consumer Spending	**79.4%**
Full Game and Other	**20.6%**
Platform Revenue Mix	
Mobile	**52.2%**
Console	**37.3%**
PC & Other	**10.5%**
Distribution Channel Revenue Mix	
Digital online	**96.4%**

Full Game Sales + IP Creation – 21% of Revenue
Console, PC, Mobile premium game purchases

Recurring Consumer Spending – 79% of Revenue
Includes GTA online, NBA 2K VC, Mobile in-app purchases; Includes Virtual Currency (NBA 2K VC, GTA Online Shark Cards);

Mobile in-app purchase (within RCS) – 41-43% of Mobile Revenue
Driven by Zynga portfolio

Advertising Revenue (mobile driven) – 6% of Revenue
Hyper-casual and Zynga mobile ads

Licensing and Merchandising - ~2 – 3 % of Revenue
Licensed IP's, merchandise, partnerships

Appendix C. Regional ARPU Calculations (Source : Self Analysis; 10K's Capital IQ)

Region	Players (m)	Revenue Share (%)	Revenue ($bn)	ARPU ($)
Asia	1,480	43%	95.0	64.2
North America	285	27%	59.7	209.4
Europe	715	23%	50.8	71.1
MENA	168	49% of RoW 7%	7.6	45.0
Oceania	32	9% of RoW 7%	1.4	45.0

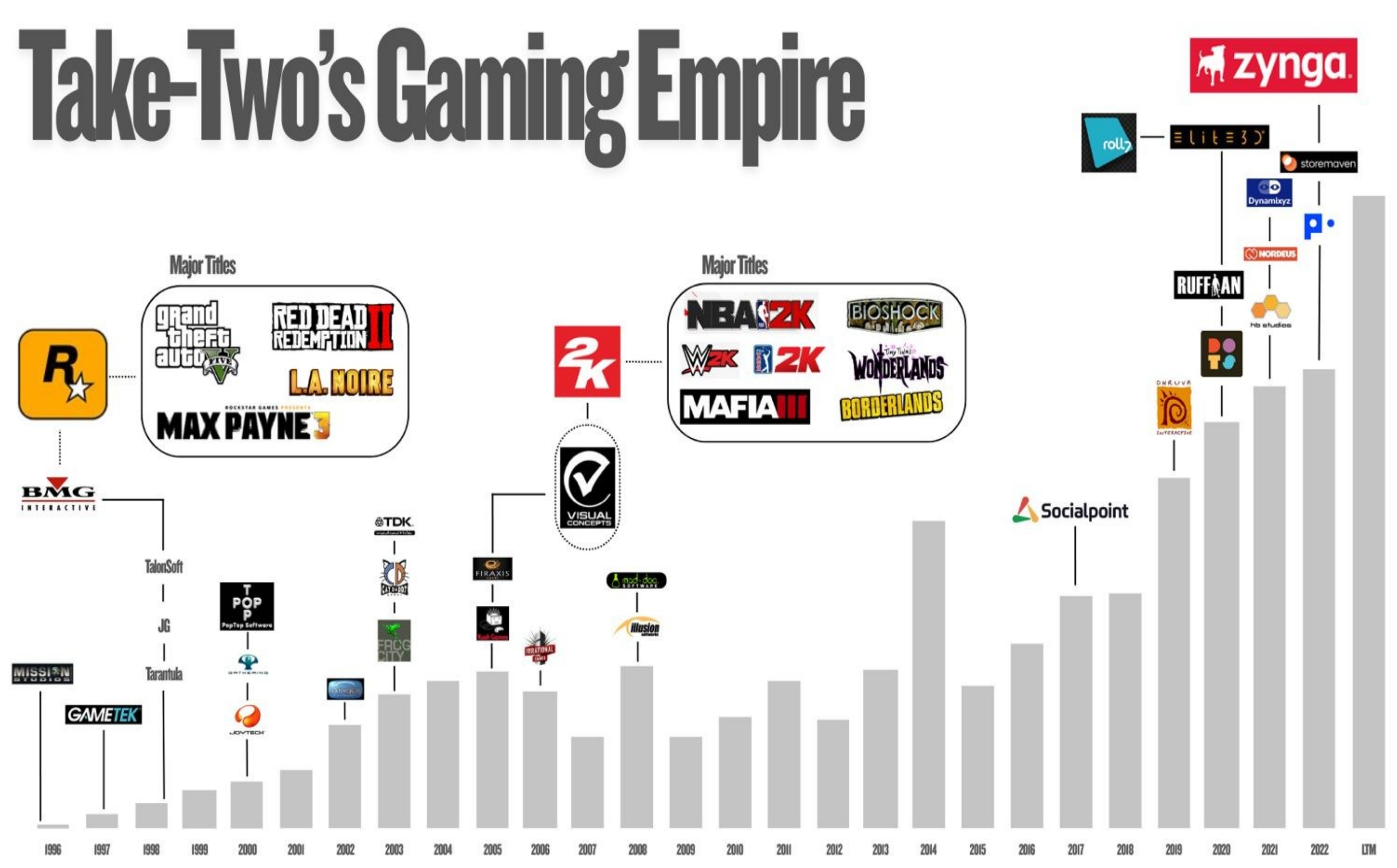
ARPU was calculated as Net Bookings from recurrent consumer spending divided by monthly active users.

Appendix D Player Experience Index (PXI) – Detailed Table

PXI calculated from Metacritic critic and user scores across flagship titles, with equal weighting of games per publisher. Critic and user averages are shown separately, and PXI is derived using a 60/40 weighting. This approach standardises comparisons across publishers, ensuring consistency.

Publisher	Flagship Franchise Titles (Metacritic)	Critic Scores	User Scores	Critic Avg	User Avg	PXI (60/40)	Steam Sentiment (% + Reviews)
Rockstar (TTWO)	GTA IV (98/8.3), GTA V (97/8.5), RDR2 (97/8.9)	98, 97, 97	83, 85, 89	**97.3**	**85.7**	**93.1**	GTA V: **84%** (+80k); RDR2: **92%** (+700k)
EA Sports	FC 25 (76/2.7), Madden 24 (69/1.6), Battlefield 2042 (68/2.2)	76, 69, 68	27, 16, 22	**71**	**21.7**	**51.3**	FC 25: **50%** (100K); Madden 24: **41%** (1K)
Ubisoft	AC Shadows (81/6.2), AC Valhalla (84/7.0), Far Cry 6 (75/6.5)	81, 84, 75	62, 70, 65	**80**	**65.7**	**74.3**	AC Shadows: **75%** (25K); AC Valhalla: 67**%** (32K);
CD Projekt	Witcher 3 (93/9.2), Cyberpunk 2077 v2.0 (86/7.5)	93, 86	92, 75	**89.5**	**83.5**	**87.1**	Witcher 3: **97%** (+750K); Cyberpunk 2077: 94**%** (+300K)
Nintendo	Legend of Zelda (99/9.1), Mario Odyssey (97/9.1), Mario Kart 8 Deluxe (92/8.8)	99, 97, 92	91, 91, 88	**96**	**90**	**93.6**	*Not on Steam*

Appendix E Acquisition History (Source: Quatr, Self Analysis)



Appendix F – Financials (Source: FIN 9100 Presentation)

Income Statement

Metric	FY 23 ($M)	FY 24 ($M)	FY 25 ($M)
Revenue	5350	5450	5634
Gross Profit	2830	2929	3277
Operating Income	(576)	(457)	(451)
Net Income	(1125)	(3744)	(4479)
EBITDA	556	520	449
R&D Expense	888	948	1005
D&A	122	171	190
Impairment of Goodwill	NA	(2342)	(3545)
Gross Margin %	52.9%	53.7%	58.1%
EBIT Margin %	(10.8%)	(8.4%)	(8%)
Net Income Margin %	(21%)	(69.9%)	(79.5%)
EPS	(7.03)	(22.01)	(25.58)

Financial Ratios

Metric	FY 23 ($M)	FY 24 ($M)	FY 25 ($M)
Gross Margin %	52.9	57.2	58.1
EBITDA Margin %	10.4	9.2	8
EBIT Margin %	(10.8)	(8.4)	(8)
Net Income Margin %	(20.6)	(67.9)	(79.5)
Unlevered FCF/Revenue %	23.7	17.9	22.4
CAPEX/Revenue %	3.8	2.6	3
Net Debt/EBITDA	4.9	5.7	5.9
Tangible BVPS $	(19.24)	(19.12)	(17.8)
ROA %	(3.2)	(2.03)	(2.64)
ROE %	(17.50)	(50.91)	(114.7)
ROC %	(4.34)	(2.63)	(3.65)
R&D as % of Rev.	16.6	17.4	17.8
Total Debt/Equity %	38.6	62.3	192

Cash Flow

Metric	FY 23 ($M)	FY 24 ($M)	FY 25 ($M)
Operating Cash Flow	1	(16)	(45)
Un-Levered FCF	**1269**	**976**	**1260**
CAPEX	(204)	(142)	(169)
Acquisition Spend	(3311)	(18)	7
Debt Issuance (Net)	1882	9	591
Net Change in Cash	(961)	(133)	457

Balance Sheet

Metric	FY 23 ($M)	FY 24 ($M)	FY 25 ($M)
Cash & Equivalents	827	754	1456
Total Debt	3487	3534	4106
Net Debt	**2473**	**2758**	**2640**
Goodwill & Intangibles	12292	8933	5286
Deferred Revenue	1857	1092	1084
Retained Earnings	1164	(2580)	(7059)
Total Equity	9043	5668	2138
Book Value/Share	53.54	33.18	12.07
Tangible Book Value/Share	**(19.24)**	**(19.12)**	**(17.78)**

Appendix G – Valuation (Source: FIN 9100 Presentation)

	Hist.	Proj.	Proj.	Proj.	Proj.	Proj.
	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30
All figures in millions unless otherwise stated						
Discounted Cash Flow						
Tax rate	18.0%					
Long term growth rate	3.0%					
WACC	7.4%					
Share price	238.37					
Shares outstanding	182.9					
Revenue - Console (Rockstar/2K)	2099.10	2204.06	3416.29	4031.22	4514.96	4876.16
Revenue - Mobile (Zynga)	2942.00	3295.04	3624.54	3914.51	4188.52	4439.83
Revenue - PC/Other (Live Services, Licensing)	592.50	610.28	640.79	724.09	767.54	805.91
Total Revenue	5633.60	6109.37	7681.62	8669.82	9471.02	10121.91
Deferred Revenue % of Revenue	1083.5	1191.3	1728.4	1820.7	1799.5	1771.3
Change in DR	24.0	107.8	537.0	92.3	(21.2)	(28.2)
Year count		1.0	2.0	3.0	4.0	5.0
EBIT before D&A (Operating Income)	(616.5)	977.5	1,613.1	1,994.1	2,367.8	2,631.7
Tax on EBIT		175.9	290.4	358.9	426.2	473.7
+ Depreciation and amortization		1,405.2	1,613.1	1,647.3	1,610.1	1,619.5
- Capitalized R&D Costs		(794.2)	(960.2)	(953.7)	(899.7)	(809.8)
- Capital expenditure		(189.4)	(268.9)	(260.1)	(236.8)	(202.4)
NWC	576.4	610.9	775.8	841.0	852.4	890.7
Change in NWC		34.54	164.91	65.13	11.42	38.34
Free Cash Flow to Firm		1,296.4	2,079.0	2,095.8	2,382.5	2,698.8
Free cash flow		**1,296.4**	**2,079.0**	**2,095.8**	**2,382.5**	**2,698.8**
Terminal value						63,630.4
Discount factor		93.1%	86.7%	80.8%	75.2%	70.1%
Present value of free cash flows		**1,207.4**	**1,803.4**	**1,693.2**	**1,792.8**	**1,891.4**

Sum of present value of free cash flows	8,388.3	
Present value of terminal value	44,594.2	
Enterprise value	**52,982.4**	
+ Cash	1,465.5	
- Debt	4,105.9	
Implied equity value (intrinsic value)	**50,342.0**	
Market capitalization	43,595.5	
Intrinsic value premium to market capitalization	**6,746.5**	**15.5%**

Base

275.25847

End

Sum of present value of free cash flows	9,953.9	
Present value of terminal value	59,077.6	
Enterprise value	**69,031.5**	
+ Cash	1,465.5	
- Debt	4,105.9	
Implied equity value (intrinsic value)	**66,391.1**	
Market capitalization	43,595.5	
Intrinsic value premium to market capitalization	**22,795.6**	**52.3%**

Bull

363.01123

End

Sum of present value of free cash flows	6,421.2	
Present value of terminal value	30,919.3	
Enterprise value	**37,340.4**	
+ Cash	1,465.5	
- Debt	4,105.9	
Implied equity value (intrinsic value)	**34,700.0**	
Market capitalization	43,595.5	
Intrinsic value premium to market capitalization	**(8,895.4)**	**(20.4%)**

Bull

189.73175

End