

Take-Two Interactive Software, Inc. (TTWO)

The GTA Reviews Are In...97

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- **Initial GTA V reviews matching prior high scores.** This morning, the media embargo on reviews of *Grand Theft Auto V* lifted, and the video game press released initial reviews of the game. At first glance, most reviews are very positive, and the first 25 reviews are averaging a 97 rating (out of 100), in line with the metacritic score of 98 for *GTA IV* on the Xbox 360 and PS3.
- **We expect \$1 billion+ retail sales over first month.** At midnight tonight, Take Two releases *GTA V*, the highly anticipated sequel in the company's blockbuster video game franchise – developed by Rockstar Games in Scotland. The last major refresh of the franchise (*GTA IV*) launched on April 29, 2008, on Day 1 shipping roughly 3.6 million units worldwide (or roughly \$310 million in retail value); 6 million units/\$500 million retail value during Week 1; and 11 million units/\$900 million retail value during Month 1. To-date, Take Two has shipped roughly 25 million units worldwide of *GTA IV*, and our checks suggest an uptick in catalog sales in the weeks ahead of tonight's *GTA V* launch. Given the significantly higher installed base of relevant console platforms at launch, greater sales concentration among the top video game franchises, and unprecedented pentup demand, we expect *GTA V* to outpace *GTA IV* sales, and generate roughly \$1 billion in retail sales during the first month.
- **Upside potential to near-term consensus ests.** While we await initial feedback from our field checks post launch, we are currently modeling F2Q (Sept.) shipments of roughly 12 million units with 20M units/\$1.5 billion retail value through the end of the fiscal year (March). Given strong pre-order volumes, little direct competition in the launch window, and strong follow-on sales likely through the holiday period, we believe there is good visibility in Take Two hitting these GTA targets, and potentially exceeding our estimates.
- **Strong GTA V launch would also bode well for other key 2H releases.** We believe that consumer demand for *GTA V* is a useful yardstick to measure potential sales momentum for other key 2013 releases, most notably *Call of Duty Ghosts* (ATVI), *Battlefield 4* (EA) and *Assassin's Creed IV* (Ubisoft). Our retail checks suggest that Activision and EA are both aggressively courting GTA buyers to pre-order titles.
- **Derivatives: Strong GTA Launch also positive for ATVI, EA, GME .**

Valuation Synopsis

Our \$19 target price is based on based on 15x a "normalized" EPS estimate of \$1.25, in line with comparable companies.

Risk Synopsis

Key risks include seasonality, concentration of profits from one franchise, and challenging industry conditions.

Take-Two is a leading developer, publisher and distributor of video games for video game consoles, PCs, and to a lesser extent for dedicated handheld devices.

FLASH REPORT

1-Year Price Chart



Stock Data

Rating:	Neutral
Suitability:	Average Risk
Price Target:	\$19
Price (9/16/13):	\$17.80
Market Cap (mil):	\$1,549
Shares Out (mil):	87.0
Average Daily Vol (mil):	1.96
Dividend Yield:	0%

Estimates

FY Mar	2013A	2014E	2015E
Q1	(1.16) A	(0.54) E	
Q2	(0.11) A	1.30 E	
Q3	0.67 A	1.09 E	
Q4	0.38 A	0.37 E	
Fiscal EPS	0.36 A	2.40 E	1.10 E
Fiscal P/E	49.4x	7.4x	16.2x

Chart/Table Sources: Baird and Bloomberg

[PDF version of our most recent model](#)

See recent research notes for more information.

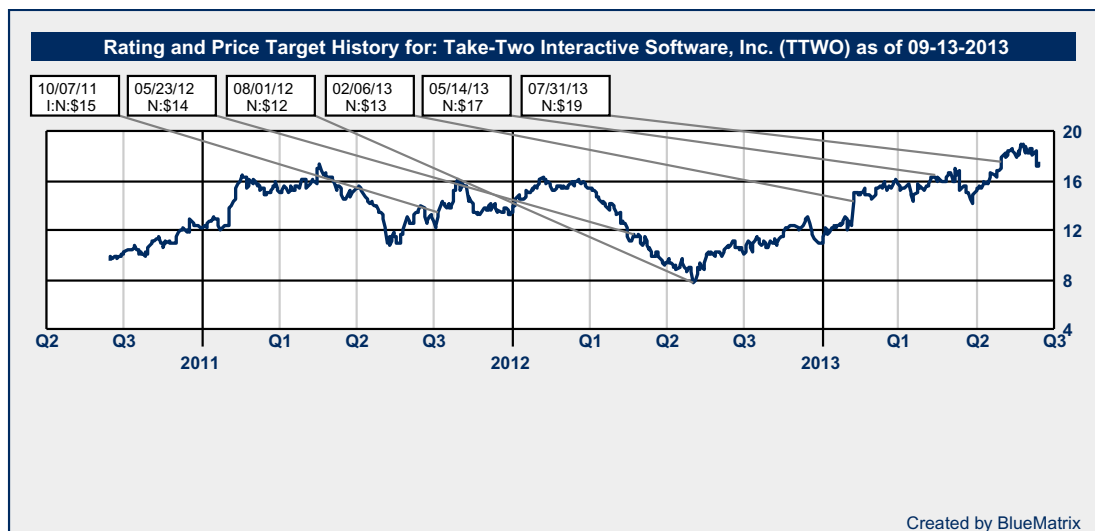
Please refer to Appendix - Important Disclosures and Analyst Certification

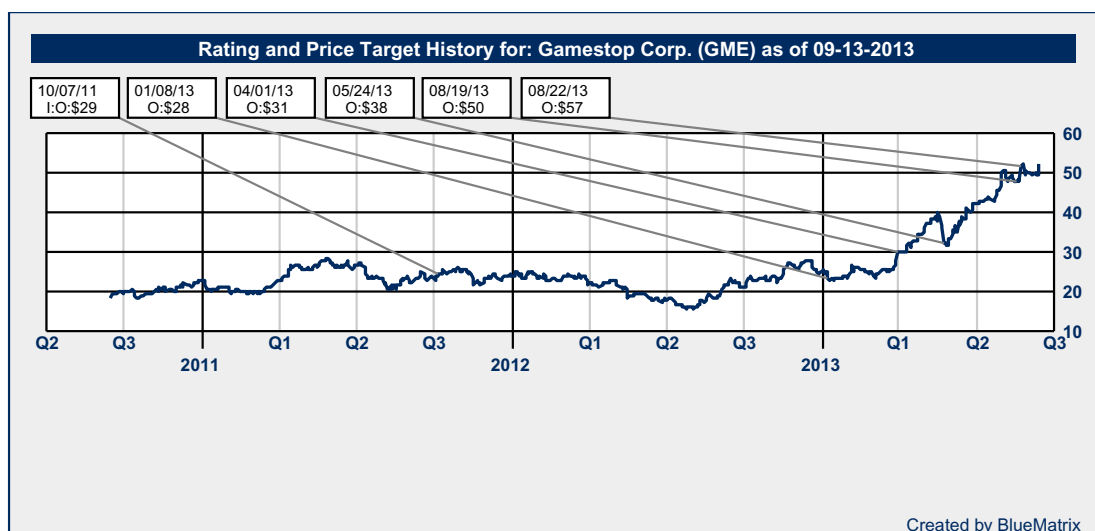
Appendix - Important Disclosures and Analyst Certification

Covered Companies Mentioned

All stock prices below are the September 13, 2013 closing price.

Activision Blizzard, Inc. (ATVI - \$16.97 - Outperform)
 Electronic Arts, Inc. (EA - \$26.67 - Neutral)
 Gamestop Corp. (GME - \$52.45 - Outperform)
 Take-Two Interactive Software, Inc. (TTWO - \$17.67 - Neutral)
 (See recent research reports for more information)





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