United States
Consumer Products and Services

March 15, 2012

Edward Woo, CFA
(949) 259-4932
ewoo@ascendiant.com

Take-Two Interactive Software, Inc.

Initiating Coverage with BUY and $20 Target

Stock attractive as FY13 and GTA games likely to drive upside to expectations. We recommend the stock and believe its valuation will increase as visibility to GTA V improves.

COVERAGE INITIATION

Rating: Buy

Ticker: TTWO

Price: $15.93

Target: $20.00

Leading U.S. video game company: Take-Two is a leading developer, publisher and marketer of interactive entertainment software (with ~8% U.S. market share). We believe its larger size allows it the resources to be competitive in an industry that is requiring increasing scale and investments to produce highly successful video games.

Grand Theft Auto likely to drive 2013: Take-Two has one of the top selling and well known video games franchise with its Grand Theft Auto video games. In November 2011, the company announced *GTA V* was in development. Though the company has not announced a release date for the game, we believe it will likely be in Q4 FY13 (Jan – Mar 2013).

Strong FY13 Outlook: Take-Two's recent Q3 FY12 results were in line with guidance, but FY12 guidance was significantly lowered (for revenue to $790 - 840 million from $1.0 – 1.1 billion, and EPS to $(0.60) – (0.75) from $0.10 – 0.35). However, the company expects FY13 to be much better, with substantial revenue growth and EPS "in excess" of $2.00.

Competition and changes in demand are concerns: Competition in the video game business is high from companies such as Activision Blizzard and Zynga. The video game industry is tied closely with consumer preferences which are constantly changing and hard to predict.

Reliance on GTA: While GTA game sales have been strong (they have accounted for up to ~50% of Take-Two's annual revenue), they may fade over time particularly if the time between games is long.

Long development time and game delays: While Take-Two's games have generally generated positive reviews, it comes at a price as many of its games take longer to develop or are released later than expected.

However, concerns outweighed by expected strong FY13: We expect the company to have a strong FY13 led by *GTA V*, which should provide solid sales and earnings growth over the next several years.

Large digital, social and mobile gaming opportunities: We estimate that the digital, social and mobile games market in the U.S. is approximately $4 billion, and will grow at a 15% annual rate over the next five years. While Take-Two is still relatively new and small in these markets, we believe it is well-positioned to capitalize on this growth, given that many of its products are targeted at the same mass market audience.

Current valuation attractive: We looked at Take-Two's valuation four ways (P/E, EV/Revenue, EV/EBITDAS, M&A value) and each suggested that Take-Two's current valuation is attractive compared with its peers. Our $20 price target is calculated by applying a target P/E multiple of 15x our normalized forward 3 year average EPS estimate of $1.33, which is about in line to the peer group median (14.5x) and we believe appropriately balances out the risks with its growth prospects.

Company Description

Based in New York, Take-Two Interactive Software is a global publisher of interactive entertainment software including the Grand Theft Auto games.

Stock Data

Exchange:	NasdaqGS
52-week Range:	$10.63 -17.58
Shares Outstanding (million):	90
Market cap ($million):	$1,434
EV ($million):	$1,293
Debt ($million):	$312
Cash ($million):	$453
Avg. Daily Trading Vol. ($million):	$28
Float (million shares):	76
Short Interest (million shares):	16
Incorporation:	Delaware
Public auditor:	Ernst & Young LLP

**Fiscal Year changed from October to March starting Q3 FY11*

Revenues (US$ million)

	2010A	2011A*	2012E	2013E
Q1 Jun	163A		334A	320E
Q2 Sep	268A		107A	261E
Q3 Dec	354A	334A	236A	678E
Q4 Mar	374A	182A	154E	642E
Total	**1,159A**		**832E**	**1,900E**
EV/Revs	1.1x		1.6x	0.7x

Earnings per Share (pro forma)

	2010A	2011A*	2012E	2013E
Q1 Jun	(0.31)A		0.02A	0.27E
Q2 Sep	0.34A		(0.47)A	0.23E
Q3 Dec	0.28A	0.52A	0.27A	1.20E
Q4 Mar	0.67A	(0.18)A	(0.52)E	1.29E
Total	**$1.06A**		**$(0.62)E**	**$3.00E**
P/E	15x		N/A	5x

EBITDAS (US$ million)

	2010A	2011A*	2012E	2013E
Q1 Jun	(16)A		9A	32E
Q2 Sep	37A		(28)A	27E
Q3 Dec	35A	76A	34A	134E
Q4 Mar	70A	(11)A	(47)E	140E
Total	**126A**		**(32)E**	**333E**
EV/EBITDAS	10.3x		N/A	3.9x

EBITDAS defined as earnings before interest, taxes, depreciation, amortization and stock-based compensation.

Important Disclosures

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 20.

CONTENTS

Exhibit 1: Take-Two Interactive Software Stock Price (Five Years)

Source: Nasdaq.com

INVESTMENT THESIS

We are initiating coverage of Take-Two Interactive Software with a BUY rating and a 12-month price target of $20.
Take-Two is a global developer, publisher and marketer of interactive entertainment software (with ~8% U.S. market share). The company has struggled over the past six years as it has been unable to sustain revenue growth and profitability. The company has been overly reliant on its blockbuster Grand Theft Auto video games, generating significant earnings when the game is released, but generating losses in other periods.

However, the company has done a good job recently to diversify its revenues with the successful introduction of new games and updated iterations of prior hit games. The company is making investments and showing good progress in digital, social and mobile gaming, areas that have significant growth opportunities. In addition, we expect that the next version of Grand Theft Auto, *GTA V*, will be released in FY13 (ending March 2013) and should drive strong results over the next two years. We believe the company is now on a more consistent path to drive solid long term revenue and earnings growth. We believe that attractive valuation and expectations for a strong FY13 (lead by *GTA V*) should offset concerns about revenue concentration, inconsistent past performance, and the hit-or-miss nature of video games investments.

Our $20 price target is calculated by applying a target P/E multiple of 15x our normalized forward 3 year average EPS estimate of $1.33. This multiple is about in line to the peer group median (14.5x), which we believe appropriately balances out the risks with its growth prospects.

We believe the current valuation is attractive.
We looked at Take-Two's valuation four ways, and each suggested that Take-Two is undervalued:

1) EV is at 1.6x 2012E revenues and 0.7x 2013E revenues, versus a comp group median of 1.7x 2012E and 1.4x 2013E;
2) EV is at 3.9x 2013E EBITDAS, versus a comp group median of 6.2x 2013E;
3) P/E of 5.3x 2013E EPS, versus a comp group median of 14.5x 2013E; and
4) Recent M&A transactions multiples of ~10 - 20x forward EBIT/EBITDAS.

INVESTMENT HIGHLIGHTS

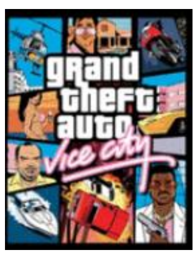
Leading U.S. Video Game Company

Take-Two is a leading U.S. developer, publisher and marketer of interactive entertainment software (with ~8% U.S. market share). We believe its larger size allows it the resources to be competitive in an industry that is requiring increasing scale and investments to produce highly successful video games. We believe that Take-Two is well positioned in an overall growing and profitable video game industry. We believe the company's hit brands and history of innovative games should alleviate concerns regarding industry growth rates, retail and consumer weakness, and uneven execution by the company. Take-Two is at a crossroads as an investment story, and that FY13 (ending March 2013) should be a much better year as the company has a strong release of games (including we believe *GTA V*), and its investment in digital, social and mobile gaming should provide solid sales and earnings growth over the next several years.

Strong Grand Theft Auto Franchise

Take-Two has one of the top selling and well known video games franchise with its Grand Theft Auto (GTA) video games. With four major releases (since 2001) and many other smaller titles and expansion packs, the GTA series has sold over 120 million units. GTA has built up a loyal following of fans, and each game has been critically acclaimed. Normally, a video game's demand would drop off significantly several months after release, but demand and interest remains high for GTA games even well after the games are released. We believe that this bodes well for strong demand when the next GTA game is released. In November 2011, the company formally announced *GTA V* was in development. Though the company has not announced a release date for the game, we believe it will likely be in Q4 FY13 (January to March 2013).

Exhibit 2: Grand Theft Auto Franchise



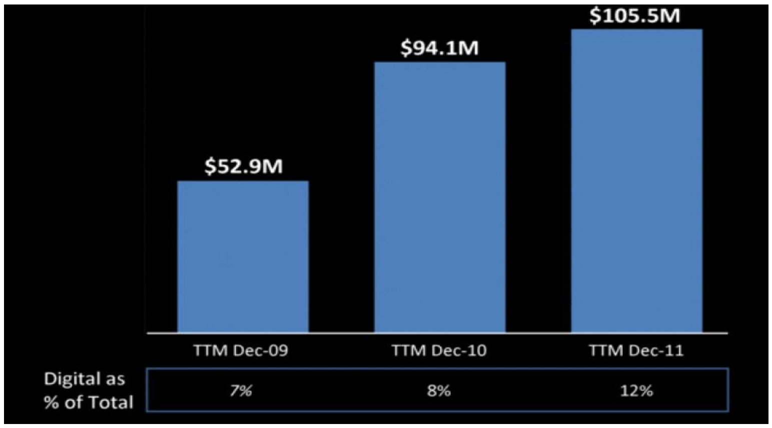
GTA III **(Oct 2001)**	***GTA Vice City*** **(Oct 2002)**	***GTA San Andreas*** **(Oct 2004)**	***GTA IV*** **(Apr 2008)**	***GTA V*** **(TBA)**
PS2, Xbox, PC	**PS2, Xbox, PC**	**PS2, Xbox, PC**	**PS3, 360, PC**	
18 million units	**20 million units**	**26 million units**	**24 million units**	

Source: Company reports and Ascendiant Capital Markets estimates

Digital, Social, and Mobile Gaming Opportunities

The fastest growing segments of the video game industry are digital games (distributed online), social games (played on Facebook or other social networks) and mobile games (played on smartphones or tablets). We estimate that the social and mobile games market in the U.S. is approximately $4 billion and will grow at a 15% annual rate over the next five years. With Facebook at over 800 million users, and Apple selling 37 million iPhones and 15 million iPads in the December 2011 quarter alone, there are tremendous growth prospects for games to be played on these platforms. While Take-Two is still relatively new and small in these markets, we believe the company is well-positioned to capitalize on this growth, given that it has many top selling mass market games that it can port over to these new platforms. In addition, the company is working with leading Asian companies to develop online games (Tencent for an online version of NBA 2K for China, Nexon for an online baseball game for South Korea, and XLGAMES for a MMO game).

Exhibit 3: Take-Two's Digital Revenue (includes social, mobile, and digitally distributed games)



Source: Company reports

Potential Acquisition Target

Take-Two has been mentioned over the years as a good acquisition candidate for larger video game or media companies to expand their video game offerings. We note that there has been a recent uptick in M&A activity in the video game industry at valuations well above Take-Two's current valuation. In August 2011, Electronic Arts acquired mobile game company PopCap Games for $750 million (at a reported 10 – 20x EBIT). In January 2012, International Game Technology purchased social game company Double Down Interactive for $335 million. In February 2008, Electronic Arts made an offer to acquire Take-Two for $26/share (valuing the company at $2 billion, or ~17x forward P/E), but was ultimately rejected by Take-Two as being inadequate.

Solid International Growth Prospects

60% of Take-Two's sales are in the U.S., with 40% abroad (primarily Europe). However, its international business has been growing quickly as many of its key games (other than sports) have translated well outside of the U.S. While the company is well penetrated in Europe, we believe that Asia represents a major opportunity. The company has done well with a limited release of titles in Japan, but is now investing more in online games in Asia (where online games are more prevalent than traditional console games). As the video game industry in Asia is similar in size to Europe and the U.S., we believe that there are significant market opportunities for Take-Two to grow.

INVESTMENT CONCERNS

Recent Uneven Results

Take-Two recently reported mixed fiscal Q3 (December) 2012 results, with revenue and EPS in line with guidance, but FY12 guidance was significantly lowered. FY12 guidance provided last November for revenue of $1.0 – 1.1 billion and EPS of $0.10 – 0.35 was lowered to revenue of $790 - 840 million and EPS of $(0.60) – (0.75). The company attributed most of the decline to the delay of *Max Payne 3* to May 2012 from March 2012 (which it announced in January). The difficult retail and consumer sales environment for video games and several weak game releases also contributed to the lowered guidance. The company does expects FY13 to be much better, with substantial revenue growth and EPS "in excess" of $2.00.

Reliance on GTA and Dependence on New Product Introductions

In FY08 (when *GTA IV* was released), GTA games accounted for ~50% of Take-Two's revenue. While GTA game sales have been strong, they may fade over time particularly if the time between games is long. The video game industry is tied closely with consumer preferences which are continuously changing and difficult to predict. New games require product development and marketing investments which can be lengthy and costly. Take-Two constantly introduces new products and brands to drive growth and to diversify beyond GTA, but ultimately, it will be in the hands of consumers to decide if these games are successful or not.

Reliance On Rockstar

The company's biggest games (including GTA) are produced under its Rockstar Games label, which is headed by Sam and Dan Houser (the Houser brothers). While the Housers have been with Take-Two since it acquired their company BMG Interactive in 1998, there is always the risk that they may leave or that other publishers will bid for their services and drive up the cost to keep them. In addition, we believe that while margins on Rockstar Games are positive due to high sales, they are lower than from other games due to the likely high employment costs paid to the Rockstar staff. Specific terms of the Housers contract (which was recently renewed in May 2011) have not been disclosed, but we believe they are under contract with Take-Two for several more years.

History of Long Development Time and Game Delays

While Take-Two's games have generated generally positive reviews, it comes at a price as many of its games take longer to develop or are released later than expected. The typical video game takes 12 – 30 months to develop, but many of Take-Two's games take much longer than that. We note that *GTA IV* was delayed from October 2007 to April 2008 (estimated 4 years development time), *Max Payne 3* was originally scheduled for release in 2009 but has been delayed several times to its new May 2012 expected date (estimated 5 years development time), and *Red Dead Redemption* (one of its recent blockbusters) took over six years to develop before its release in May 2010. Besides missing key sales periods (such as during the holidays) and more revenue opportunities, incremental product developments and marketing costs weigh heavily against profitability of these games.

Competition Is High

Competition in the video game business is intense from companies such as Activision Blizzard and Electronic Arts (the two leading U.S. video game publishers), along with a wide range of companies including international, privately-held, smaller, or new companies (particularly for social and mobile games where the barriers and cost of entry are much lower). Many competitors are larger and have more resources than Take-Two, but we believe that smaller companies can continue to actively compete in this sector by offering innovative games or leveraging key brands (particularly as fads and changing consumer preferences are normal in the video game industry) or targeting niche areas that may be overlooked by larger competitors.

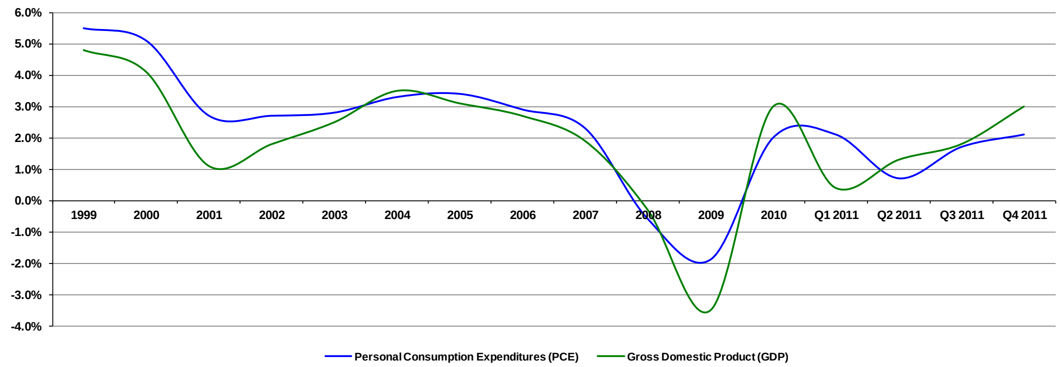
Changing Video Game Industry

According to The NPD Group, U.S. video game software sales in 2011 were $9.3 billion (packaged goods only, not including digital games), down 8% from 2010. The declines were even greater for games on the Nintendo Wii and DS platforms, which were down 53% and 74% respectively in the important holiday December 2011 month, and will likely continue their decline due to new consoles (the WiiU expected this holidays and the 3DS which launched in March 2011). Offsetting this decline is strong growth in digital, social, and mobile gaming, which is estimated to have grown 20% in 2011. We believe that Take-Two will have to effectively manage this changing video game landscape in order to be successful.

Economic Uncertainty

Consumer spending is highly correlated with economic activity and discretionary income levels. Deterioration in economic conditions tends to result in an overall decline in consumer spending, as was demonstrated during the 2008 and 2009 Great Recession and global economic slowdown. While consumer spending levels have improved relatively in 2010 and 2011, the global macroeconomic environment remains fragile (particularly in Europe). Further economic weakness may result in depressed consumer spending levels, which may have a negative impact on Take-Two's business.

Exhibit 4: U.S. Consumer Spending and U.S. Economic Growth (GDP)



Source: U.S. Bureau of Economic Analysis

GRAND THEFT AUTO

A discussion about the value of Take-Two always leads to a discussion of the value of its blockbuster franchise, Grand Theft Auto. GTA games have sold over 120 million units over 13 games and expansion packs. The original *Grand Theft Auto* was released in 1997, but it was not until the release of *GTA III* in 2001 for the PS2 that turned the GTA series into a major video game property. Other major games in the series include *GTA Vice City* (October 2002), *GTA San Andreas* (October 2004), and *GTA IV* (April 2008) which sold 24 million units.

In the below analysis, we have attempted to calculate a value of the Grand Theft Auto franchise. Based on our best estimate of the profitability of the game and our expectation that the company can release a GTA game every three years (a faster pace than for the past two games), we estimate that the GTA franchise is worth $1.5 billion (and compares with Take-Two's market capitalization of $1.4 billion and Enterprise Value of $1.3 billion). To the extent that the company can release a game more frequently or improve the profitability of the game, the value of the franchise would increase. Accordingly, the reverse would be true as well. Although many specific details are undisclosed and we had to make some broad assumptions, we believe this analysis demonstrates the scale of the value of GTA to Take-Two.

Exhibit 5: Grand Theft Auto Valuation Scenario (in $ millions)

GTA #1					
Revenue			Avg. Annual Net Income		
Units Sold		20	(assuming the game is	$	150
Avg. Price Per Unit	$	50	released every 3 years)		
Total Revenue	$	1,000			
			Discount Rate		10%
Costs					
Hardware Royalty	$	175	**Value of GTA**	**$**	**1,500**
Software Development	$	75			
Marketing	$	50			
Internal Royalty	$	100			
Total Costs	$	400			
Operating Income	$	600			
Operating Margin		60%			

Source: Ascendiant Capital Markets estimates

VALUATION

We are initiating coverage of Take-Two with a BUY rating and a 12-month price target of $20, which reflects a target P/E multiple of 15x our normalized forward 3 year average EPS estimate of $1.33. Because of the wide variability of earnings in years with and without a GTA game, we decided to use a normalized 3 year average EPS estimate in our valuation. We estimate that the company can generate EPS of $3 in a year that a GTA game is released, $1 in the year after, and be breakeven in the third year, resulting in an average annual EPS of $1.33. The 15x forward P/E multiple is about in line with the peer group median (14.5x), which we believe appropriately balances out the risks with its growth prospects. This multiple is also below one of the more recent major public video game company acquisitions in this industry, the acquisition in August 2011 of privately-held PopCap Games by Electronic Arts for $750 million at a reported 10 – 20x EBIT.

On an EV/Revenue basis, Take-Two is trading well below its peers at 0.7x 2013E revenue compared with the median of 1.4x. On a P/E basis, Take-Two is trading below its peers at 5.3x 2013E EPS compared with the median of 14.5x. We note that there is a wide discrepancy in valuation between traditional video game companies (which have lower valuation multiples) and the leading social game company Zynga (which has much higher valuation multiples). To the extent that a greater value of Take-Two is placed on its digital, social and mobile games versus traditional games, it is likely that Take-Two's valuation metrics will increase as well.

Exhibit 6: Comparable Companies

In millions (unless otherwise noted), excluding per share data

	Ticker	FYE	Rating	Price Target	Price as of close 3/15/12	52 Week Range Low	52 Week Range High	Diluted Shares	Market Cap	Enterprise Value (EV)	Earnings / Share 2012E	Earnings / Share 2013E	Price / EPS 2012E	Price / EPS 2013E	Revenues 2012E	Revenues 2013E	Ent Val (EV) / Rev 2012E	Ent Val (EV) / Rev 2013E	EBITDAS 2012E	EBITDAS 2013E	Ent Val (EV) / EBITDAS 2012E	Ent Val (EV) / EBITDAS 2013E
Take-Two Interactive	**TTWO**	**Mar**	**Buy**	**$20**	**$15.93**	**$10.63**	**$17.58**	**90**	**1,434**	**1,293**	**$(0.62)**	**$3.00**	**n/m**	**5.3x**	**832**	**1,900**	**1.6x**	**0.7x**	**(32)**	**333**	**n/m**	**3.9x**
Activision Blizzard	ATVI	Dec	Not Rated	N/A	$12.46	$10.40	$14.40	1,147	14,292	10,751	$0.95	$1.06	13.1x	11.8x	4,585	4,758	2.3x	2.3x	1,627	1,808	6.6x	5.9x
Electronic Arts	EA	Mar	Not Rated	N/A	$16.71	$16.05	$26.13	338	5,648	4,391	$0.86	$1.15	19.4x	14.5x	4,170	4,493	1.1x	1.0x	558	712	7.9x	6.2x
Glu Mobile	GLUU	Dec	Not Rated	N/A	$3.94	$1.80	$6.10	63	248	216	$(0.19)	$0.19	n/m	20.7x	84	124	2.6x	1.7x	(9)	18	n/m	12.2x
Majesco Entertainment	COOL	Oct	Buy	$3.50	$2.63	$1.46	$4.53	42	109	96	$0.35	$0.40	7.5x	6.6x	138	145	0.7x	0.7x	16	19	6.2x	5.0x
THQ	THQI	Mar	Not Rated	N/A	$0.56	$0.48	$5.99	69	39	91	$(1.69)	$(0.49)	n/m	n/m	808	457	0.1x	0.2x	(71)	(23)	n/m	n/m
Zynga	ZNGA	Dec	Not Rated	N/A	$13.06	$7.97	$14.62	865	11,297	9,380	$0.26	$0.36	50.2x	36.3x	1,419	1,732	6.6x	5.4x	363	527	25.8x	17.8x
Median													16.3x	14.5x			1.7x	1.4x			7.2x	6.2x
Average													22.6x	18.0x			2.2x	1.9x			11.6x	9.4x

Note: For companies not under coverage, Thomson Reuters estimates are used

Source: Company reports, Thomson Reuters, and Ascendant Capital Markets estimates

Exhibit 7: Recent Video Game Acquisitions

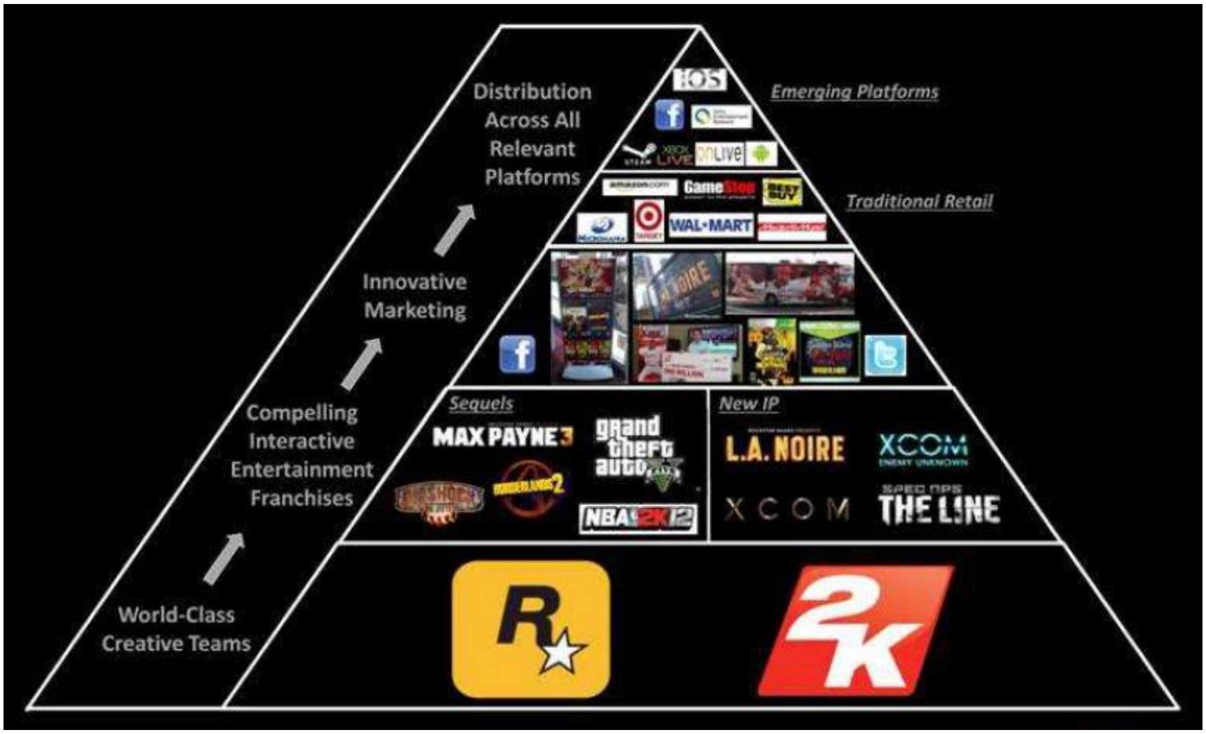
Date	Target	Acquirer	Price	Valuation Metrics
Jan-12	Double Down Interactive	International Game Technology	$335 million	NA
Aug-11	PopCap Games	Electronic Arts	$750 million	10 - 20x 2012 EBIT
Feb-11	Riot Games	Tencent Holdings	$472 million	NA
Oct-10	Ngmoco	DeNA	$300 million	10x Revenue
Aug-10	Playdom	The Walt Disney Company	$563 million	NA
Nov-09	Playfish	Electronic Arts	$300 million	4x Revenue

Source: Company reports and Ascendant Capital Markets estimates

COMPANY HIGHLIGHTS

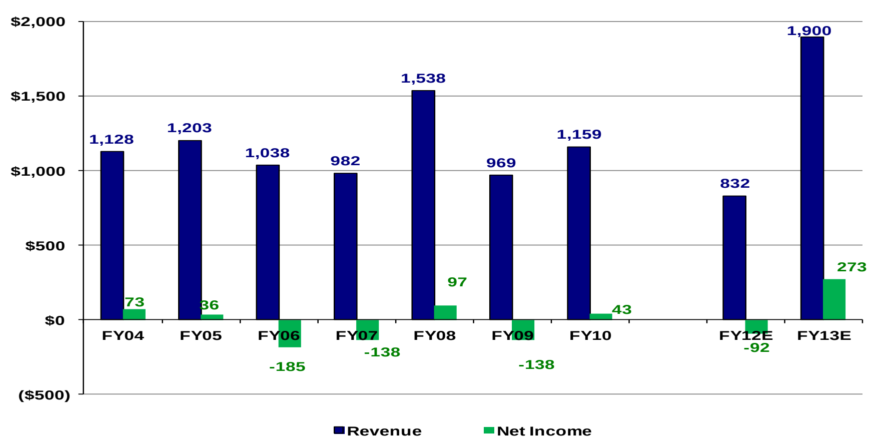
Based in New York, NY, Take-Two is a global developer, publisher and marketer of interactive entertainment software. In addition to its own proprietary brands such as GTA, Max Payne, Red Dead, BioShock, and Midnight Club, Take-Two also produces video games based on popular licenses such as NBA, MLB, and Dora the Explorer. Take-Two sales are split ~60% in the U.S., and ~40% international (primarily in Europe). As of March 31, 2011, Take-Two had 2,100 employees, including 1,600 in-house developers.

Exhibit 8: Take-Two's Strategy



Source: Company reports

Exhibit 9: Take-Two's Revenue and Net Income ($ millions)



Change in FY from October to March in December 2010 (Q3 FY11)

Source: Company reports and Ascendiant Capital Markets estimates

In March 2007, a consortium of investors consisting of Oppenheimer Funds, D.E. Shaw, Tudor Investment, and SAC Capital Advisors (who collectively owned 46% of Take-Two at that time) forced Take-Two to replace its CEO Paul Eibeler and CFO Karl Winters due to their dissatisfaction with the company's performance. The investors chose ZelnickMedia (headed by Strauss Zelnick) to lead the company. ZelnickMedia updated its management agreement in 2011, signing on through 2015 at a cost of $2.5 million per year, a bonus target of $1.75 million per year, and up to 2.75 million restricted shares.

MANAGEMENT TEAM

Strauss Zelnick, Chairman and Chief Executive Officer, age 54. Mr. Zelnick has been Chairman since April 2007, Executive Chairman since February 2008 and CEO since January 2011. Mr. Zelnick is also a partner in ZelnickMedia. Mr. Zelnick currently is Chairman of ITN Networks and serves on the boards of Alloy, Inc., Naylor LLC and Starwood Properties Trust. Prior to forming ZelnickMedia, Mr. Zelnick was President and CEO of BMG Entertainment. Mr. Zelnick has previously worked at Crystal Dynamics, 20th Century Fox, Vestron, and Columbia Pictures. Mr. Zelnick holds an MBA and a JD from Harvard University and a B.A. from Wesleyan University.

Lainie Goldstein, Chief Financial Officer, age 43. Ms. Goldstein has served as CFO since June 2007, and previously as Senior Vice President of Finance from November 2003. Prior to joining Take-Two in November 2003, Ms. Goldstein spent seven years with Nautica Enterprises, most recently as Vice President, Finance and Business Development. Ms. Goldstein is a CPA, and previously worked at Grant Thornton LLP.

Karl Slatoff, Chief Operating Officer, age 40. Mr. Slatoff has served as COO since October 2010, and as Executive Vice President from February 2008 until October 2010. Mr. Slatoff is also a partner in ZelnickMedia. Prior to joining ZelnickMedia in 2001, Mr. Slatoff served as Vice President, New Media for BMG Entertainment, and has previously worked at The Walt Disney Company and Lehman Brothers.

Exhibit 10: Take-Two's Management Team

Strauss Zelnick **Karl Slatoff**

Source: Company reports

PRODUCT MIX

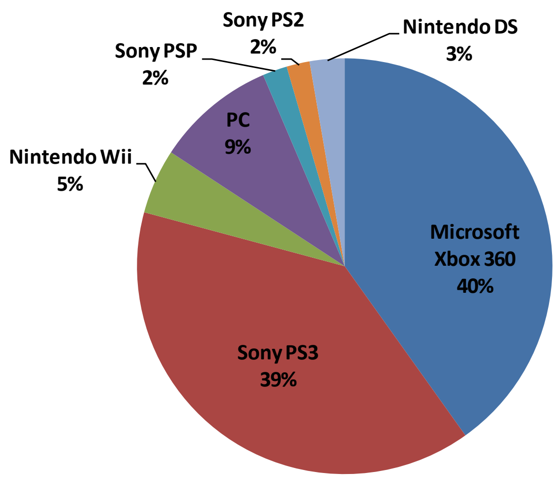
Take-Two has two main divisions, Rockstar Games and 2K (which includes 2K Games, 2K Sports and 2K Play). Revenue is approximately 45% Rockstar, and 55% 2K (broken out as 27% 2K Sports, 22% 2K Games, and 6% 2K Play). Rockstar focuses on internally owned action and adventure games and has 7 internal studios. 2K focuses on original, licensed and owned mass-market games for a range of gamers across all platforms and has 8 internal studios. Take-Two develops the majority of its games within its own internal studios. This practice has the effect of increasing the margin on games, but at the same time increasing the risks associated with game delays (by raising its fixed costs).

Take-Two's product development process typically takes 12 to 48 months (and costs $10 - 60 million) from concept to production and shipment to customers. The bulk of Take-Two's video game software is for the Microsoft 360 and Sony PS3 platforms (79% of

FY11 revenues). The company is making a push into social gaming with the release of *Sid Meier's Civilization World* (July 2011) on Facebook.

Take-Two's products are primarily sold to mass-market retail and electronic chain stores, specialty retail stores, video game rental outlets and distributors in the U.S. and international markets. Take-Two's largest customers include GameStop (19% of revenues in FY11) and Wal-Mart (11%).

Exhibit 11: Sales by Video Game Platforms (FY11)



Source: Company reports

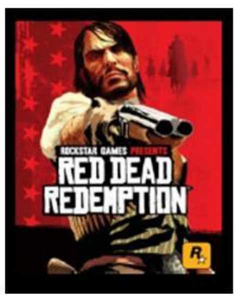
Exhibit 12: Take-Two's Franchises (Units Sold)

GTA - 120M

Carnival Games - 8M

NBA 2K - 18M

Midnight Club - 19M



Red Dead - 13M

Civilization - 11M

BioShock - 9M

Source: Company reports

INDUSTRY HIGHLIGHTS

The interactive entertainment software industry is categorized into two markets. The first market is traditional software for dedicated home and handheld console gaming systems such as the Microsoft Xbox 360, Sony PlayStation 3 and PSVita, and Nintendo Wii, DS, and 3DS. The majority of software for these platforms has historically been purchased in packaged form (a.k.a. packaged goods) through retail stores, but more recently includes software available through online networks such as Microsoft's Xbox Live, Sony's PlayStation Network, and Nintendo Network.

The second market consists of software for personal computers and mobile devices (such as smartphones and tablets). These games tend to be low-cost or free, casual in nature, and are downloadable or online games. These games often utilize customer monetization models such as advertising or as "freemium" gaming whereby a customer receives certain game functionality for free, while paying for certain content through microtransactions such as for purchase of virtual goods or to access premium game features.

U.S. video game industry revenues have declined over the past several years. According to The NPD Group, U.S. retail sales of video game software (packaged goods only and not including digital games) were $9.3 billion in 2011, down 8% from 2010. The U.S. video game industry (including software and hardware) had retail sales in 2010 of $18.6 billion, down 6% from 2009. Nevertheless, the digital game segment of the industry is growing rapidly. IDG estimates that worldwide retail sales of console, handheld and PC software were $24 billion in 2011. IDG estimates that non-traditional (digital) video game software revenue surpassed $20 billion in 2011 and will grow to over $40 billion by 2015.

The U.S. hardware installed base is currently at 167 million current generation consoles (including handhelds) as of the end of December 2011 (DS 51 million, 3DS 4 million, PSP 20 million, Xbox 360 33 million, PS3 20 million, Wii 39 million). The worldwide installed base is currently at 463 million current generation consoles (including handhelds) as of the end of December 2011 (DS 151 million, 3DS 15 million, PSP 74 million, Xbox 360 66 million, PS3 62 million, Wii 95 million).

While the installed base is large, we note that hardware sales have been declining recently indicating that the current console cycle is slowing and may be near its end. The DS was released in 2004, the PSP and Xbox 360 in 2005, and the PS3 and Wii in 2006. More recently, the 3DS and PSVita launched in 2011. Nintendo will release the WiiU this upcoming holidays and speculation is that Sony and Microsoft may release new home consoles in 2013.

While traditional consoles sales have slowed, there continues to be a rapid rise in smartphones, tablets, and users of social media (dominated by Facebook). We believe that gaming is a major usage for many of these users, which should drive continued strong growth in this area. We estimate that the social and mobile games market in the U.S. is approximately $4 billion and will grow at a 15% annual rate over the next five years. This should offset modest declines expected for traditional software in the U.S, driving overall growth in the U.S. total video game market.

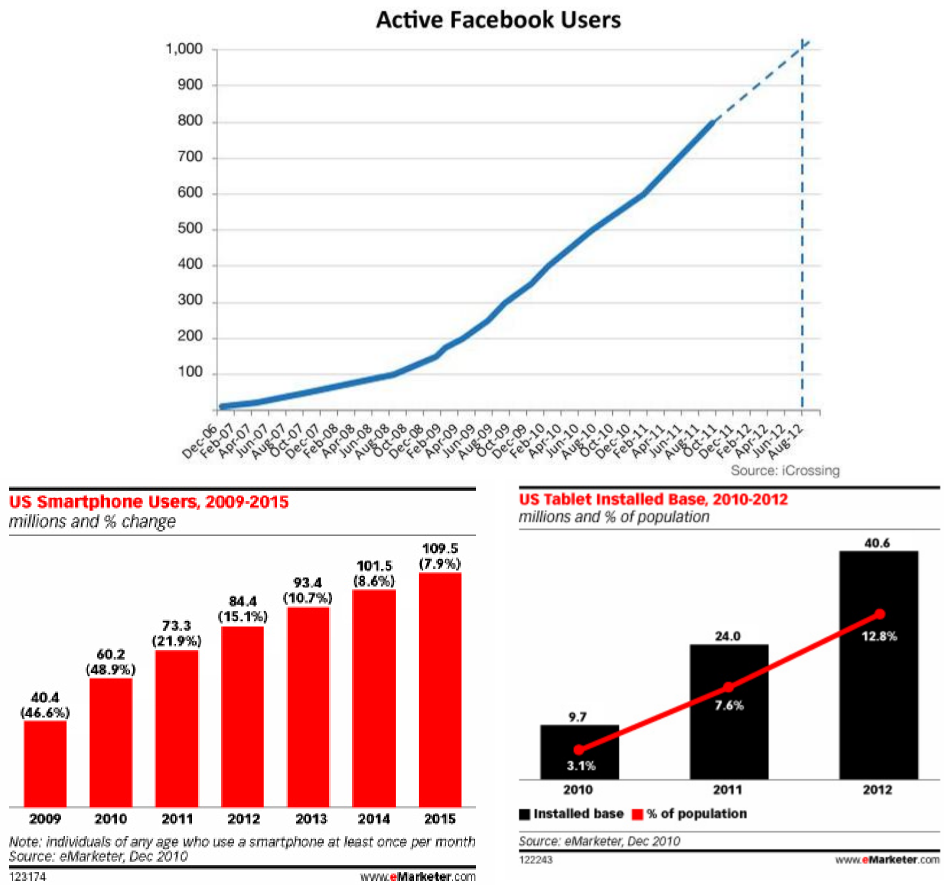
There is an active marketplace for used video games, with sales of used titles dominated by GameStop. Margins on these products typically average 40 – 50% for retailers (with nothing for the publishers), and on average, sell for somewhere between 50% and 80% of the price of new titles. In addition, software piracy is a major concern for video game publishers given that their products are digital. Due to the low or no-cost nature of social and mobile games, used games and piracy issues are much less of a concern than for traditional games.

Exhibit 13: U.S. Toy and Video Game Industry Sales

	ANNUAL DOMESTIC SALES DATA							
SUPERCATEGORY	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Action Figures, Accessories and Role Play	**$1.4 B**	$1.6 B	$1.5 B	$1.5 B	$1.4 B	$1.5 B	$1.3 B	$1.3B
Arts & Crafts	**$2.8 B**	$2.8 B	$2.6 B	$2.6 B	$2.7 B	$2.6 B	$2.6 B	$2.6B
Building Sets	**$1.2 B**	$1.1 B	$0.9 B	$0.7 B	$0.7 B	$0.7 B	$0.6 B	$0.6 B
Dolls	**$2.8 B**	$2.6 B	$2.7 B	$3.0 B	$3.1 B	$3.2 B	$2.8 B	$2.9B
Games/Puzzles	**$2.2 B**	$2.4 B	$2.3 B	$2.3 B	$2.4 B	$2.5 B	$2.7 B	$2.7B
Infant/Preschool Toys	**$3.2 B**	$3.0 B	$3.1 B	$3.2 B	$3.4 B	$3.3 B	$3.1 B	$3.1B
Youth Electronics	**$0.6 B**	$0.7 B	$0.9 B	$1.0 B	$1.0 B	$0.9 B	$0.9 B	$0.8 B
Outdoor & Sports Toys	**$2.8 B**	$2.6 B	$2.7 B	$2.9 B	$3.0 B	$2.9 B	$2.9 B	$2.9B
Plush	**$1.7 B**	$1.5 B	$1.7 B	$1.4 B	$1.4 B	$1.4 B	$1.6 B	$1.7B
Vehicles	**$1.8 B**	$1.8 B	$1.9 B	$2.3 B	$2.1 B	$2.1 B	$2.1B	$2.2B
All Other Toys	**$1.5 B**	$1.4 B	$1.3 B	$1.4 B	$1.6 B	$1.6 B	$2.3 B	$2.1B
TOTAL TRADITIONAL TOY INDUSTRY*	**$21.9 B**	**$21.5 B**	**$21.6 B**	**$22.2 B**	**$22.7B**	**$22.7B**	**$23.0B**	**$22.9B**
Video Games**	**$18.6 B**	$19.7 B	$21.4 B	$18.0 B	$12.5B	$10.5B	$9.9B	$10.0B

Source: The NPD Group and Toy Industry Association

Exhibit 14: Rise of Smartphone, Tablets, and Facebook



Source: www.emarketer.com, iCrossing

COMPETITION

Take-Two competes primarily in the interactive entertainment industry. On a broad level, Take-Two competes for the leisure time and discretionary spending of consumers against a wide variety of products including computer products, electronic and online games, mobile platforms, and entertainment products. Take-Two's principal competitors in the video game industry include many first-party (Microsoft, Sony, and Nintendo) and third-party (Activision Blizzard, Electronic Arts, Majesco, Sega, THQ, and Ubisoft) publishers and developers. In the digital segment, there is a wider range of competitors including Crowdstar, Electronic Arts' Playfish and PopCap Games, Gameloft, Glu Mobile, ngmoco, Disney's Playdom, Rovio and Zynga.

Following are several of Take-Two's largest competitors:

Activision Blizzard [NASDAQ: ATVI - Not Rated]

Based in Santa Monica, CA, Activision Blizzard is the largest 3rd party developer, publisher, and distributor of interactive entertainment software for PCs, home consoles, handheld devices, and the Internet. Its key brands include *Call of Duty* and *World of Warcraft*. Activision is majority controlled by Vivendi (with ~60% ownership). Activision had FY:11 (ending December 31, 2011) sales of $4.5 billion (of which $2.3 billion was from the U.S.)

Electronic Arts [NASDAQ: EA - Not Rated]
Based in Redwood City, CA, Electronic Arts develops, publishes, and distributes interactive entertainment software for personal computers, home consoles, handheld devices, and the Internet. Its key brands include *Battlefield*, *EA Sports*, and *The Sims*, though the company has also made a major push into social and casual games with the acquisitions of Playfish (in 2009) and PopCap Games (in 2011). EA had FY:11 (ending March 31, 2011) sales of $3.8 billion (of which $1.8 billion was from the U.S.)

Glu Mobile [NASDAQ: GLUU - Not Rated]
Based in San Francisco, CA, Glu Mobile designs, markets, and sells casual and traditional mobile games worldwide. Some of its key games include *Bonsai Blast*, *Gun Bros*, *Super K.O. Boxing*, and *Zombie Isle*, along with licensed games *Call of Duty*, *Deer Hunter*, *Diner Dash*, and *Guitar Hero*. Glu had FY:11 (ending December 31, 2011) sales of $66 million (of which approximately 50% was from the U.S.)

Majesco Entertainment [NASDAQ: COOL - BUY]
Based in Edison, NJ, Majesco Entertainment is a global developer and publisher of interactive entertainment software and accessories. Its key games include *Cooking Mama* and *Zumba*. Majesco had FY:11 (ending October 31, 2011) sales of $125 million (of which $110 million was from the U.S.)

THQ [NASDAQ: THQI - Not Rated]
Based in Agoura Hills, CA, THQ develops, publishes, and distributes interactive entertainment software for various game systems, personal computers (PC), wireless devices, and the Internet. Its key games include *WWE*, *UFC*, *Red Faction*, *Saints Row*, and *Homefront*. THQ had FY:11 (ending March 31, 2011) sales of $802 million (of which $525 million was from the U.S.)

Zynga [NASDAQ: ZNGA - Not Rated]
Based in San Francisco, CA, Zynga is the largest developer, marketer, and operator of online social games on the Internet, social networking sites, and mobile platforms. Its key brands include *FarmVille*, *CityVille*, and *Words with Friends*. Zynga recently had its IPO in December 2011, selling 100 million shares at $10/share, raising $1 billion and valuing the company at $7 billion. Zynga had FY:11 (ending December 31, 2011) sales of $1.1 billion (of which $734 million was from the U.S.)

FINANCIALS

Take-Two's fiscal year ends March 31. Its business is seasonal with a larger portion of revenue occurring in its Q3 (ending December) which coincides with the holidays (30 – 35% of full-year revenues). Even so, the company's revenue trend in any year is often more impacted by its release schedule (whose timing recently has been more spread out through the year). The company typically recognizes revenue upon the shipment of its products, though certain products are sold with a street date (the earliest date these products may be sold to consumers) in which case revenue is not recognized prior to street date. The company sells its products generally on a no-return basis, but it provides price protection (a.k.a reserves that allow customers a credit against amounts they owe) on unsold products to allow the retailers to discount and sell the products. Software development costs are typically capitalized and amortized when the games are released.

Recent Results (fiscal Q3 ending December 2011)

Take-Two recently reported mixed fiscal Q3 (December) 2012 results, with revenue and EPS in line with guidance, but FY12 guidance was significantly lowered. Q3 FY12 guidance provided in November was for revenue of $225 – 275 million and EPS of $0.20 – 0.30. The company's actual results were revenue of $236 million and EPS of $0.27.

FY12 guidance provided last November for revenue of $1.0 – 1.1 billion and EPS of $0.10 – 0.35 was lowered to revenue of $790 - 840 million and EPS of $(0.60) – (0.75). The company attributed most of the decline to the delay of *Max Payne 3* to May 2012 from March 2012 (which it announced in mid-January, and had lowered FY12 guidance for revenue by $210 – 230 million and EPS by

$0.60 – 0.70 at that time). The difficult retail and consumer sales environment for video games, and several weak game releases contributed to the lowered guidance.

Q4 FY12 (ending March 2012) guidance is for revenue of $112 – 162 million and EPS of $(0.50) – (0.65), compared to our estimates for revenue of $154 million and EPS of $(0.52) and consensus estimates for revenue of $140 million and EPS of $(0.55). We are comfortable with our estimates given our view that the Q4 releases (*MLB 2K12*, *Nicktoons MLB*, and *The Darkness II*) are selling in line with our expectations.

Exhibit 15: Consensus Expectations

Revenue	2012E	2013E
Q1 Jun	$334A	$320E
Q2 Sep	$107A	$310E
Q3 Dec	$236A	$801E
Q4 Mar	$140E	$425E
Total	$818E	$1,825E

EPS	2012E	2013E
Q1 Jun	$0.02A	$0.29E
Q2 Sep	$(0.47)A	$0.27E
Q3 Dec	$0.27A	$1.68E
Q4 Mar	$(0.55)E	$0.63E
Total	$(0.64)E	$2.81E

**Quarterly estimates may not add to annual estimates due to variations in contributing estimates and rounding.*

Source: Company report, Thomson Reuters, and Ascendiant Capital Markets estimates

The company expects FY13 to be much better, with substantial revenue growth and EPS "in excess" of $2.00. FY13 should be helped by games (*Max Payne 3* and *XCOM*) that have slipped from FY12 into FY13. Our FY13 estimates are above consensus estimates and reflect our belief that Take-Two is poised for a much better year, led by *GTA V* which we have modeled for a Q4 FY13 release. We have modeled a year of strong growth in FY13 (revenue growth of +128%), along with significant improvement in gross margin and operating costs leverage due to its expected strong release schedule, resulting in operating income margin of 16%. Our FY13 estimates are for revenue of $1.9 billion and EPS of $3.00.

In addition, the company is expected to benefit from the expiration of its MLB (Major League Baseball) license (originally signed in 2005 as a seven year semi exclusive license, and which we do not believe will be renewed). *MLB 2K12* is the last game in its current license agreement with MLB. Unfortunately for Take-Two, the MLB games have been unprofitable and cost the company an estimated $30 million (~$(0.30) EPS impact) each year.

We believe that the biggest potential variable in our financial model is the timing of the release of Grand Theft Auto games. We estimate that the next game in the series (*GTA V*) will launch in FY13. If *GTA V* releases in FY13, then earnings will likely grow significantly. However, if *GTA V* is not released in FY13, then earnings growth will likely be more moderate. Given our current channel checks and timing of its announced release slate, we believe that the former scenario is more likely than the latter.

The company's balance sheet is solid with $453 million in cash and $312 million in debt as of December. In November 2011, Take-Two issued $250 million in 1.75% Convertible Notes due 2016 (convertible at $19.09 per share for 13.1 million shares). Reserves at the end of Q3 FY12 were $52 million or 50% of gross A/R, which we believe is adequate to protect the company from the risk of future product returns or price protection. The company has $374 million of net operating loss (NOL) carryforwards so its tax rate will likely be minimal for the next several years.

FINANCIAL MODEL

Take-Two Interactive Software Inc.

Income Statement ($ millions)	Jan-10	Apr-10	Jul-10	Oct-10	2010	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	2012	Jun-12	Sep-12	Dec-12	Mar-13	2013
Fiscal Year End: March 31	1QA*	2QA*	3QA*	4QA*	FY-A*	3QA	4QA	1QA	2QA	3QA	4QE	FY-E	1QE	2QE	3QE	4QE	FY-E
Net Sales	**163.2**	**268.0**	**354.1**	**373.7**	**1,159.0**	**334.3**	**182.3**	**334.4**	**107.0**	**236.3**	**154.3**	**832.0**	**319.8**	**261.0**	**677.7**	**641.5**	**1,900.0**
Product costs	53.1	77.2	97.0	106.1	333.4	98.1	60.8	98.5	40.1	68.8	52.2	259.6	99.8	68.8	216.3	210.8	595.6
Royalties & Licenses	9.9	39.0	81.9	36.8	167.6	50.3	35.8	28.2	17.3	30.4	35.0	110.9	36.0	35.0	120.0	97.0	288.0
Software development costs	37.3	40.5	61.4	63.2	202.4	40.3	23.5	84.6	16.9	27.2	30.0	158.7	40.0	40.0	100.0	70.0	250.0
Total Cost of Sales	100.4	156.8	240.3	206.1	703.4	188.7	120.0	211.2	74.3	126.5	117.2	529.2	175.8	143.8	436.3	377.8	1,133.6
Gross Profits	62.9	111.2	113.8	167.7	455.6	145.6	62.2	123.2	32.7	109.9	37.1	302.8	144.0	117.2	241.4	263.7	766.4
Research and development costs	15.5	12.9	17.6	16.7	62.6	18.1	17.2	16.5	15.2	16.8	19.0	67.5	20.0	20.0	21.0	25.0	86.0
Selling and marketing	41.1	43.5	46.7	60.1	191.3	47.9	32.0	74.7	27.5	40.2	40.0	182.4	65.0	45.0	60.0	60.0	230.0
General and administrative	28.7	24.6	24.8	27.7	105.7	27.5	29.2	30.6	23.7	29.7	30.0	114.0	32.0	30.0	31.0	44.0	137.0
Depreciation and amortization	4.2	3.6	4.1	3.8	15.6	3.5	3.7	3.2	3.3	2.9	4.0	13.4	4.0	4.0	4.0	4.0	16.0
Stock options and others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Restructuring and other charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.8)	0.0	0.0	(0.8)	0.0	0.0	0.0	0.0	0.0
Total Operating Expenses	89.4	84.6	93.1	108.2	375.3	96.9	82.2	125.0	68.8	89.6	93.0	376.5	121.0	99.0	116.0	133.0	469.0
Income (loss) from operations	(26.5)	26.6	20.7	59.4	80.2	48.7	(20.0)	(1.9)	(36.1)	20.2	(55.9)	(73.6)	23.0	18.2	125.4	130.7	297.4
Interest expense (income), net	4.8	7.8	4.5	0.8	17.9	4.0	3.1	3.7	2.3	6.2	1.5	13.6	3.0	3.0	3.0	3.0	12.0
Income (loss) before equity in loss of affiliate and income taxes	(31.3)	18.9	16.2	58.6	62.4	44.7	(23.1)	(5.5)	(38.4)	14.1	(57.4)	(87.3)	20.0	15.2	122.4	127.7	285.4
Equity in loss of affiliate and other	0.0	(0.2)	(6.5)	(0.4)	(7.0)	0.0	0.0	(0.1)	0.0	(0.1)	0.0	(0.2)	0.0	0.0	0.0	0.0	0.0
Income (loss) before income taxes	(31.3)	18.7	9.8	58.2	55.3	44.7	(23.1)	(5.6)	(38.4)	14.0	(57.4)	(87.5)	20.0	15.2	122.4	127.7	285.4
Provision (benefit) for income taxes	2.5	2.0	3.8	4.4	12.7	3.8	(0.7)	3.1	1.0	(0.1)	1.0	4.9	2.0	2.0	6.0	2.0	12.0
Net income (loss) before extraordinary ite	(33.8)	16.8	5.9	53.8	42.6	40.9	(22.4)	(8.7)	(39.4)	14.1	(58.4)	(92.4)	18.0	13.2	116.4	125.7	273.4
Net income (loss)	**(33.8)**	**16.8**	**5.9**	**53.8**	**42.6**	**40.9**	**(22.4)**	**(8.7)**	**(39.4)**	**14.1**	**(58.4)**	**(92.4)**	**18.0**	**13.2**	**116.4**	**125.7**	**273.4**
EBITDAS	(15.9)	37.4	34.8	70.0	126.3	75.8	(11.1)	9.4	(28.2)	33.9	(46.9)	(31.8)	32.0	27.2	134.4	139.7	333.4
Basic Shares	78.1	85.2	85.4	85.5	98.4	86.3	82.0	82.5	82.9	89.5	85.0	86.0	90.4	90.6	90.8	91.0	90.7
Diluted Shares	78.1	85.2	85.4	98.5	98.4	99.3	82.0	88.8	82.9	89.5	101.0	86.0	104.0	105.0	105.5	106.0	105.1
EPS Basic (GAAP)	$(0.43)	$ 0.20	$ 0.07	$ 0.63	$ 0.43	$ 0.47	$ (0.27)	$ (0.11)	$ (0.57)	$ 0.16	$ (0.69)	$ (1.07)	$ 0.20	$ 0.15	$ 1.28	$ 1.38	$ 3.01
EPS Diluted (GAAP)	$(0.43)	$ 0.20	$ 0.07	$ 0.55	$ 0.43	$ 0.41	$ (0.27)	$ (0.10)	$ (0.57)	$ 0.16	$ (0.58)	$ (1.07)	$ 0.17	$ 0.13	$ 1.10	$ 1.19	$ 2.60
EPS Basic (pro forma)	**$(0.31)**	$ 0.34	$ 0.28	$ 0.71	$ 1.06	$ 0.57	**$ (0.18)**	$ 0.01	**$ (0.47)**	$ 0.27	**$ (0.52)**	**$ (0.62)**	$ 0.30	$ 0.40	$ 1.38	$ 1.48	$ 3.41
EPS Diluted (pro forma)	$(0.31)	**$ 0.34**	**$ 0.28**	**$ 0.67**	**$ 1.06**	**$ 0.52**	$ (0.18)	**$ 0.02**	$ (0.47)	**$ 0.27**	$ (0.41)	$ (0.62)	**$ 0.27**	**$ 0.23**	**$ 1.20**	**$ 1.29**	**$ 3.00**

Income Statement Ratios																	
Gross Margin	39%	42%	32%	45%	39%	44%	34%	37%	31%	46%	24%	36%	45%	45%	36%	41%	40%
Research & Development	9%	5%	5%	4%	5%	5%	9%	5%	14%	7%	12%	8%	6%	8%	3%	4%	5%
Selling and marketing	25%	16%	13%	16%	17%	14%	18%	22%	26%	17%	26%	22%	20%	17%	9%	9%	12%
General and administrative	18%	9%	7%	7%	9%	8%	16%	9%	22%	13%	19%	14%	10%	11%	5%	7%	7%
Operating Profit	-16%	10%	6%	16%	7%	15%	-11%	-1%	-34%	9%	-36%	-9%	7%	7%	19%	20%	16%
Net Income	-21%	6%	2%	14%	4%	12%	-12%	-3%	-37%	6%	-38%	-11%	6%	5%	17%	20%	14%
Y/Y % Change																	
Revenue	-36%	17%	156%	9%	20%					-29%	-15%		-4%	144%	187%	316%	128%
Gross Margin	12%	63%	381%	63%	82%					-25%	-40%		17%	258%	120%	611%	153%
Research & Development	-26%	-13%	27%	18%	-2%					-7%	10%		21%	32%	25%	32%	27%
Selling and marketing	1%	40%	84%	17%	29%					-16%	25%		-13%	64%	49%	50%	26%
General and administrative	-28%	-22%	-16%	-20%	-22%					8%	3%		5%	27%	4%	47%	20%
Operating Profit	nm	nm	nm	nm	nm					-58%	nm		nm	nm	519%	nm	nm
Net Income	0%	0%	0%	0%	nm					-65%	nm		nm	nm	725%	nm	nm

Pro forma / Using "If Converted Method" for convertible notes which may cause quarterly estimates to vary from annual estimates
*Source: Company reports and Ascendiant *Change in FY from October to March*

Take-Two Interactive Software Inc.

Balance Sheet ($ millions) Fiscal Year End: March 31	Jan-10 1QA	Apr-10 2QA	Jul-10 3QA	Oct-10 4QA	Dec-10 3QA	Mar-11 4QA	Jun-11 1QA	Sep-11 2QA	Dec-11 3QA	Mar-12 4QE	Jun-12 3QE	Sep-12 4QE	Dec-12 3QE	Mar-13 4QE
ASSETS														
Cash	106.0	180.5	232.1	251.2	297.1	280.4	248.8	269.7	453.3	395.1	317.2	391.9	287.7	517.6
A/R - net	45.1	39.3	96.2	165.5	83.8	84.2	146.7	19.6	53.3	51.4	142.1	87.0	301.2	213.8
Inventories	50.7	24.8	21.3	30.3	28.6	24.6	25.9	45.1	22.5	46.9	87.9	57.5	218.2	151.1
Software development	186.8	205.8	154.7	142.1	154.8	131.7	151.1	150.4	180.7	180.7	180.7	180.7	180.7	180.7
Prepaid Royalties / licenses										-	-	-	-	-
Prepaid expenses and other current asset	123.1	58.4	51.9	79.1	54.0	37.5	63.1	55.3	36.5	36.5	36.5	36.5	36.5	36.5
Investments			2.0							-	-	-	-	-
Deferred tax asset	9.7	8.4		8.2		8.3	9.0	5.8	6.1	6.1	6.1	6.1	6.1	6.1
Total Current Assets	521.3	517.2	558.3	676.4	618.3	566.6	644.6	545.9	752.4	716.7	770.5	759.8	1,030.4	1,105.9
Fixed assets, net	25.1	23.1	22.1	22.3	21.3	19.6	19.0	18.1	18.6	18.6	18.6	18.6	18.6	18.6
Prepaid Royalties / licenses										-	-	-	-	-
Capitalized software development costs, r	72.7	58.2	98.0	100.8	93.9	138.3	92.2	122.7	121.8	121.8	121.8	121.8	121.8	121.8
Investments										-	-	-	-	-
Investment in affiliates														
Intangibles	22.9	22.6	22.3	19.8	19.1	17.8	17.3	16.7	16.4	16.4	16.4	16.4	16.4	16.4
Goodwill	218.8	216.3	216.1	221.7	219.3	225.2	226.9	225.7	223.9	223.9	223.9	223.9	223.9	223.9
Deferred tax asset										-	-	-	-	-
Other assets, net	32.6	28.8	27.3	7.2	4.7	4.1	3.5	2.7	7.4	7.4	7.4	7.4	7.4	7.4
TOTAL ASSETS	**$ 893.3**	**$ 866.3**	**$ 944.2**	**$ 1,048.3**	**$ 976.6**	**$ 971.7**	**$ 1,003.6**	**$ 931.9**	**$ 1,140.6**	**$ 1,104.9**	**$ 1,158.7**	**$ 1,147.9**	**$ 1,418.6**	**$ 1,494.1**
LIABILITIES AND SHAREHOLDERS' EQUITY														
Current Liabilites:														
Accounts payable	64.0	34.9	33.0	73.5	48.9	56.2	72.5	90.3	29.4	52.1	87.9	63.9	218.2	167.9
Accrued expenses	164.5	167.1	231.1	213.8	167.5	158.5	170.9	126.9	126.9	126.9	126.9	126.9	126.9	126.9
Lines of credit										-	-	-	-	-
Deferred revenue									11.8	11.8	11.8	11.8	11.8	11.8
Other current liabilities (taxes payable and	45.1	5.7	17.6	14.1	3.8	16.3	16.7	18.3	1.0	1.0	1.0	1.0	1.0	1.0
Total Current Liabilities	273.6	207.7	281.8	301.5	220.1	230.9	260.1	235.5	169.1	191.8	227.6	203.6	357.8	307.6
Note payable, net of current portion					105.3	107.2	109.2	111.3	311.9	311.9	311.9	311.9	311.9	311.9
Notes payable due to related parties, net of current portion										-	-	-	-	-
Loan payable, net of unamortized discoun	98.7	100.4	102.2	104.1						-	-	-	-	-
Deferred revenue		13.1			10.4					-	-	-	-	-
Other liabilities	10.2	8.0	12.0	21.5	21.6	18.3	19.0	19.2	18.1	18.1	18.1	18.1	18.1	18.1
Total Liabilities	382.6	329.2	396.0	427.1	357.5	356.4	388.3	366.0	499.1	521.8	557.6	533.6	687.9	637.6
Stockholders' Equity:														
Preferred Stock														
Common stock	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Additional paid-in capital	665.8	677.8	685.0	694.0	698.6	706.5	714.9	722.4	786.7	786.7	786.7	786.7	786.7	786.7
Accumulated other comprehensive loss	0.3	(2.3)	(4.3)	5.9	0.2	10.5	10.7	1.2	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)
Retained earnings	(156.1)	(139.3)	(133.4)	(79.6)	(80.5)	(102.5)	(111.2)	(158.6)	(144.5)	(202.9)	(184.9)	(171.7)	(55.3)	70.5
Treasury stock							-	-		-	-	-	-	-
Deferred compensation							-	-		-	-	-	-	-
Total Shareholders' Equity	$510.8	537.0	548.2	621.2	619.1	615.3	615.3	565.9	641.5	583.1	601.1	614.3	730.7	856.5
TOTAL LIABILITIES AND EQUITY	**$893.3**	**$ 866.3**	**$ 944.2**	**$ 1,048.3**	**$ 976.6**	**$ 971.7**	**$ 1,003.6**	**$ 931.9**	**$ 1,140.6**	**$ 1,104.9**	**$ 1,158.7**	**$ 1,147.9**	**$ 1,418.6**	**$ 1,494.1**
Activity Ratios														
A/R Days Sales Outstanding	25	13	24	40	23	42	39	16	20	30	40	30	40	30
Reserves as a % of Gross A/R	43%	58%	34%	27%	43%	34%	35%	47%	50%					
Inventory turnover	7.9x	25.3x	45.2x	27.2x	26.4x	19.5x	32.6x	6.6x	22.5x	10.0x	8.0x	10.0x	8.0x	10.0x
A/P Days Payable	47	18	14	30	19	39	36	146	16	40	45	40	45	40
Book & Cash Value (per share)														
Book Value per Share (diluted)	$ 6.54	$ 6.31	$ 6.42	$ 6.31	$ 6.24	$ 7.50	$ 6.93	$ 6.82	$ 7.17	$ 5.77	$ 5.78	$ 5.85	$ 6.93	$ 8.08
Net Cash per Share (diluted)	$ 0.09	$ 0.94	$ 1.52	$ 1.49	$ 1.93	$ 2.11	$ 1.57	$ 1.91	$ 1.45	$ 0.71	$ (0.06)	$ 0.65	$ (0.34)	$ 1.83

**Restated*

Source: Company reports and Ascendiant Capital Markets estimates

Take-Two Interactive Software Inc.

Cash Flow Statement ($ millions) Fiscal Year End: March 31	Jan-10 1QA	Apr-10 2QA	Jul-10 3QA	Oct-10 4QA	9-month Dec-10 3QA	Mar-11 4QA	Jun-11 1QA	Sep-11 2QA	Dec-11 3QA	Mar-12 4QE	2012 FY-E	Jun-12 1QE	Sep-12 2QE	Dec-12 3QE	Mar-13 4QE	2013 FY-E
Cash flows from operating activities:																
Net Income	(33.9)	16.8	5.9	53.8	70.5	(22.1)	(8.7)	(47.4)	14.1	(58.4)	(100.4)	18.0	13.2	116.4	125.7	273.4
Adjustment to reconcile net income (loss) to net cash used:											0.0					0.0
Depreciation and amortization	4.2	3.6	4.1	3.8	11.3	3.7	3.2	3.3	2.9	4.0	13.4	4.0	4.0	4.0	4.0	16.0
Loss on impairment of securities											0.0					0.0
Non-recurring impairment charge			0.1	2.3			0.3	0.4	0.3		1.0					0.0
Loss on disposal of fixed assets		2.4	(2.4)	3.8	5.7	(0.4)	0.1	0.1	0.1		0.3					0.0
Change in deferred tax asset				2.3	1.5	(2.6)					0.0					0.0
Gain on sale of subsidiary				7.1							0.0					0.0
Loss on early extinguishment of debt					6.4	2.2					0.0					0.0
Foreign currency loss											0.0					0.0
Equity in loss of affiliate			10.5	(10.5)							0.0					0.0
Recognition of deferred tax asset			0.0	(0.0)							0.0					0.0
Provision for doubtful accounts										5.0	5.0	5.0	5.0	5.0	5.0	20.0
Amortization of software development & licen	20.9	34.3	51.4	52.0	123.3	20.5	72.5	11.9	32.8		117.2					0.0
Provision for inventory											0.0					0.0
Other Charges	3.0	2.3	(3.3)	(2.7)	(0.5)	(0.6)	(0.3)	0.3	0.7	(5.0)	(4.2)	(5.0)	(5.0)	(5.0)	(5.0)	(20.0)
Amortization of various expenses and discounts		0.1	6.0	2.1	2.8	1.1	2.3	2.4	3.6		8.3					0.0
Issuance of compensatory stock	6.4	7.1	10.1	6.8	23.6	5.1	8.0	4.6	10.8	5.0	28.5	5.0	5.0	5.0	5.0	20.0
Tax benefit from exercise of stock options	(0.1)	0.1	0.0													
Changes in operating assets and liabilities:																
Decrease in accounts receivable	136.0	5.8	(56.9)	(69.3)	(9.7)	(0.4)	(62.5)	127.1	(33.7)	(3.2)	27.8	(95.7)	50.1	(219.2)	82.4	(182.4)
(Increase) decrease in inventories	(24.0)	25.6	3.5	(9.0)	(4.1)	4.0	(1.4)	(19.1)	22.6	(24.4)	(22.3)	(41.0)	30.4	(160.6)	67.1	(104.2)
Increase in prepaid royalties			5.8	(1.7)			1.9	1.9	(5.4)	0.0	(1.6)	0.0	0.0	0.0	0.0	0.0
Increase in prepaid expenses and other c	(3.6)	(5.6)	10.1	(31.1)	12.0	5.0	(26.1)	11.3	18.9	0.0	4.1	0.0	0.0	0.0	0.0	0.0
Increase in capitalized software developm	(40.7)	(35.2)	(43.7)	(39.1)	(119.0)	(37.8)	(45.6)	(42.0)	(59.7)	0.0	(147.3)	0.0	0.0	0.0	0.0	0.0
Increase in other assets, net	9.6	(2.8)	(6.8)	0.0	(1.5)	3.0				0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase in accounts payable	(63.1)	(29.1)	64.3	50.1	42.1	(0.8)	28.2	(36.0)	(51.8)	22.7	(36.9)	35.8	(24.0)	154.2	(50.3)	115.8
Increase in accrued expenses										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase in due to/from related parties					(9.2)	(0.5)				0.0	0.0	0.0	0.0	0.0	0.0	0.0
Decrease in other liabilities	(10.7)	11.7	(3.7)	(0.2)			(0.4)	(0.7)	(0.4)	0.0	(1.6)	0.0	0.0	0.0	0.0	0.0
Decrease in other current liabilities										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by operating activities	**4.0**	**37.0**	**54.8**	**20.3**	**155.2**	**(20.4)**	**(28.4)**	**18.2**	**(44.4)**	**(54.2)**	**(108.8)**	**(73.9)**	**78.7**	**(100.2)**	**233.9**	**138.5**
Cash flows from investing activities:																
Purchase of fixed assets	(1.8)	(1.9)	(2.8)	(3.6)	(8.2)	(1.4)	(2.4)	(2.4)	(3.2)	(4.0)	(12.0)	(4.0)	(4.0)	(4.0)	(4.0)	(16.0)
Proceeds from the sale of fixed assets		40.0	(2.8)	5.6	3.1						0.0					0.0
Cash restricted for letter of credit											0.0					0.0
Cash paid for investments			(0.5)	(1.5)	(1.0)					0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment in affiliates, other							(1.5)	0.0		0.0	(1.5)	0.0	0.0	0.0	0.0	0.0
Acquisitions, net cash paid			5.6	(5.6)							0.0					0.0
Cash paid for prior acquisitions										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash used in investing activities	**(1.8)**	**38.1**	**(0.5)**	**(5.1)**	**(6.2)**	**(1.4)**	**(3.9)**	**(2.4)**	**(3.2)**	**(4.0)**	**(13.5)**	**(4.0)**	**(4.0)**	**(4.0)**	**(4.0)**	**(16.0)**
Cash flows from financing activities:																
Proceeds from private placement, net																
Net borrowings under lines of credit										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from loan payable											0.0					0.0
Repayments of loan payable										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from notes payable									243.1	0.0	243.1	0.0	0.0	0.0	0.0	0.0
Proceeds from minority interest										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from the exercise of stock options			0.1		0.1	0.6	0.2	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Repayment of capital lease obligation										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends to preferred stockholders										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Distribution to S Corporation shareholders										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax benefit from exercise of stock options											0.0					0.0
Net cash provided by financing activities	**0.0**	**0.0**	**0.1**	**0.0**	**0.1**	**0.6**	**0.2**	**0.0**	**243.2**	**0.0**	**243.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Effect of foreign exchange rates	1.7	(0.5)	(2.8)	3.8	2.2	4.4	0.5	5.2	(12.0)		(6.3)					0.0
Net Increase (Decrease) in Cash	3.9	74.5	51.6	19.1	151.3	(16.8)	(31.6)	21.0	183.6	(58.2)	114.7	(77.9)	74.7	(104.2)	229.9	122.5
Cash at beginning of period	102.1	106.0	180.5	232.1	145.8	297.1	280.4	248.8	269.7	453.3	280.4	395.1	317.2	391.9	287.7	395.1
Cash at end of period	**106.0**	**180.5**	**232.1**	**251.2**	**297.1**	**280.4**	**248.8**	**269.7**	**453.3**	**395.1**	**395.1**	**317.2**	**391.9**	**287.7**	**517.6**	**517.6**

Source: Company reports and Ascendiant Capital Markets estimates

Public Companies Under Coverage Mentioned in this Report (priced as of close 3/15/12)

COMPANY	TICKER	RATING	PRICE	PRICE TARGET
MAJESCO ENTERTAINMENT	COOL	BUY	$2.63	$3.50

ANALYST CERTIFICATION

Each analyst hereby certifies that the views expressed in this report reflect the analyst's personal views about the subject securities or issuers. Each analyst also certifies that no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The analyst who prepared this report is compensated based upon the overall profitability of Ascendiant Capital Markets, LLC, which may, from time to time, include the provision of investment banking, financial advisory and consulting services. Compensation for research is based on effectiveness in generating new ideas for clients, performance of recommendations, accuracy of earnings estimates, and service to clients.

IMPORTANT DISCLOSURES

This report has been distributed by Ascendiant Capital Markets, LLC and is for the sole use of our clients. This report is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. This report contains information from various sources, including United States government publications, The Wall Street Journal and other periodicals, Yahoo! Finance and other sources, and is for informational purposes only and is not a recommendation to trade in the securities of the companies mentioned within the report. We seek to update our research and recommendations as appropriate, but the large majority of reports are published at irregular intervals as we consider appropriate and, in some cases, as constrained by industry regulations.

We may have a business relationship with companies covered in this report. Ascendiant Capital Markets, LLC may make a market in the securities of the subject company. We and our affiliates, officers, directors, and employees will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives (including options and warrants) thereof of covered companies referred to in this report. This report is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any information in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to in this report may fluctuate. Ascendiant Capital Markets, LLC has not received compensation for advisory or investment banking services from the company in the past 12 months.

Following are some general risks that can adversely impact future operational and financial performance and share price valuation: (1) industry fundamentals with respect to legislation, mandates, incentives, customer demand, or product pricing; (2) issues relating to competing companies or products; (3) unforeseen developments with respect to management, financial condition or accounting policies or practices; or (4) external factors that affect the interest rates, currency, the economy or major segments of the economy. Past performance is not a guide to future performance, future returns are not guaranteed, and loss of original capital may occur. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Our report is disseminated primarily electronically, and, in some cases, in printed form. Electronic dissemination is simultaneous to all clients. The information contained in this report is not incorporated into the contents of our website and should be read independently thereof.

Risks & Considerations

Risks to attainment of our share price target include changes in demand for the company's products, changes to game release timing, competition, piracy of software, and weaker macroeconomic factors.

Ascendiant Capital Markets, LLC Rating System

Strong Buy: We expect the stock to provide a total return of 30% or more within a 12-month period.

Buy: We expect the stock to provide a total return of between 10% and 30% within a 12-month period.

Neutral: We expect the stock to provide a total return of between minus 10% and plus 10% within a 12-month period.

Sell: We expect the stock to provide a total return of minus 10% or worse within a 12-month period.

Speculative Buy: This rating is reserved for companies we believe have tremendous potential, but whose stocks are illiquid or whose equity market capitalizations are very small, often in the definition of a nano cap (below $50 million in market cap). In general, for stocks ranked in this category, we expect the stock to provide a total return of 50% or more within a 12-month period. However, because of the illiquid nature of the stock's trading and/or the nano cap nature of the investment, we caution that these investments may not be suitable for all parties.

Total return is defined as price appreciation plus dividend yield.

Ascendiant Capital Markets, LLC Distribution of Investment Ratings

Ascendiant Capital Markets, LLC Distribution of Investment Ratings (as of March 15, 2012): 74% rated Strong Buy/Buy, 13% rated Neutral, 13% rated Sell, 0% rated Speculative Buy. Within these ratings categories, 0% of Strong Buy/Buy-rated, 100% of Neutral-rated, and 0% of Sell-rated companies were provided investment banking services within the past 12 months.

Other Important Disclosures

Our analysts use various valuation methodologies including discounted cash flow, price/earnings (P/E), enterprise value/EBITDAS, and P/E to growth rate, among others. Risks to our price targets include failure to achieve financial results, product risk, regulatory risk, general market conditions, and the risk of a change in economic conditions.

Dissemination of Research

Ascendiant Capital Markets, LLC research is distributed electronically via the Thomson Reuters platforms, Bloomberg, Capital IQ and FactSet. Please contact your investment advisor or institutional salesperson for more information. All of our research is made widely available simultaneously to all Ascendiant Capital Markets, LLC clients entitled to our research.

General Disclaimer

The information and opinions in this report were prepared by Ascendiant Capital Markets, LLC. This information is not intended to be used as the primary basis of investment decisions and because of individual client objectives it should not be construed as advice designed to meet the particular investment needs of any investor. This material is for information purposes only and is not an offer or solicitation with respect to the purchase or sale of any security. The reader should assume that Ascendiant Capital Markets, LLC may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein. The opinions, estimates, and projections contained in this report are those of Ascendiant Capital Markets, LLC as of the date of this report and are subject to change without notice. Ascendiant Capital Markets, LLC endeavors to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, Ascendiant Capital Markets, LLC makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein, and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to Ascendiant Capital Markets, LLC, or its affiliates that is not reflected in this report. This report is not to be construed as an offer or solicitation to buy or sell any security.

Additional Disclosures

Ascendiant Capital Markets, LLC is a broker-dealer registered with the United States Securities and Exchange Commission (SEC) and a member of the FINRA and SIPC. Ascendiant Capital Markets, LLC is not a Registered Investment Advisor nor is it an investment advisor registered with the Securities and Exchange Commission or with the securities regulators of any state, and at the present time is not eligible to file for federal registration.