
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) **May 16, 2018**

TAKE-TWO INTERACTIVE SOFTWARE, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-34003
(Commission
File Number)

51-0350842
(IRS Employer
Identification No.)

110 West 44th Street, New York, New York
(Address of principal executive offices)

10036
(Zip Code)

Registrant's telephone number, including area code **(646) 536-2842**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

Item 2.02 Results of Operations and Financial Condition

On May 16, 2018, Take-Two Interactive Software, Inc. (the “Company”) issued a press release announcing the financial results of the Company for its fourth fiscal quarter and fiscal year ended March 31, 2018. A copy of the press release is attached to this Current Report as Exhibit 99.1 and is incorporated by reference herein.

The information included in this Current Report on Form 8-K, including Exhibit 99.1 hereto, that is furnished pursuant to this Item 2.02 shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section or Sections 11 and 12(a)(2) of the Securities Act of 1933, as amended. In addition, the information included in this Current Report on Form 8-K, including Exhibit 99.1 hereto, that is furnished pursuant to this Item 2.02 shall not be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing, unless expressly incorporated by specific reference into such filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits:

99.1 [Press Release dated May 16, 2018 relating to Take-Two Interactive Software, Inc.’s financial results for its fourth fiscal quarter and fiscal year ended March 31, 2018.](#)

EXHIBIT INDEX

| Exhibit | Description |
|----------------|--|
| 99.1 | Press Release dated May 16, 2018 relating to Take-Two Interactive Software, Inc.'s financial results for its fourth fiscal quarter and fiscal year ended March 31, 2018. |

SIGNATURES

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

TAKE-TWO INTERACTIVE SOFTWARE, INC.
(Registrant)

By: /s/ Matthew Breitman
Matthew Breitman
Senior Vice President, Deputy General Counsel & Corporate Secretary

Date: May 16, 2018



FOR IMMEDIATE RELEASE

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Take-Two Interactive Software, Inc. Reports Strong Results for Fiscal Year 2018

GAAP Net revenue grew to \$1.793 billion

GAAP Net income more than doubled to \$1.54 per diluted share

Net cash provided by operating activities grew 19% to \$393.9 million

Net Bookings grew 5% to \$1.991 billion

Company repurchased 3.11 million shares of its common stock for \$308.3 million during fiscal year 2018 and fiscal first quarter 2019 to date

New York, NY — May 16, 2018 — Take-Two Interactive Software, Inc. (NASDAQ:TTWO) today reported results for its fourth quarter and fiscal year 2018, ended March 31, 2018, and provided its initial financial outlook for its fiscal first quarter 2019, ending June 30, 2018, and fiscal year 2019, ending March 31, 2019.

Fiscal Fourth Quarter 2018 GAAP Financial Highlights

Net revenue was \$450.3 million, as compared to \$571.6 million in last year's fiscal fourth quarter. Recurrent consumer spending (virtual currency, add-on content and in-game purchases) grew 42% year-over-year and accounted for 44% of total net revenue. The largest contributors to net revenue in fiscal fourth quarter 2018 were *Grand Theft Auto® Online* and *Grand Theft Auto V, NBA® 2K18, Sid Meier's Civilization VI, WWE® 2K18* and *WWE SuperCard*, and *Dragon City* and *Monster Legends*.

Digitally-delivered net revenue grew 8% to \$301.4 million, as compared to \$278.7 million in last year's fiscal fourth quarter. The largest contributors to digitally-delivered net revenue in fiscal fourth quarter 2018 were *Grand Theft Auto Online* and *Grand Theft Auto V, NBA 2K18, Sid Meier's Civilization VI*, and *WWE 2K18* and *WWE SuperCard*.

Net income was \$90.9 million, or \$0.77 per diluted share, as compared to \$99.3 million, or \$0.89 per diluted share, for the year-ago period.

The following data, together with a management reporting tax rate of 22%, are used internally by the Company's management and Board of Directors to adjust the Company's GAAP financial results in order to facilitate comparison of its operating performance between periods and to better understand its core business and future outlook:

Three Months Ended March 31, 2018

| <u>\$ in thousands</u> | Financial Data | | | | | | <u>Business reorganization</u> |
|-----------------------------------|--------------------------------|--|---------------------------------|--|-------------------------------------|--|--------------------------------|
| | <u>Statement of operations</u> | <u>Change in deferred net revenue and related cost of goods sold</u> | <u>Stock-based compensation</u> | <u>Non-cash amounts related to convertible notes</u> | <u>Acquisition related expenses</u> | <u>Amortization & impairment of acquired intangible assets</u> | |
| Net revenue | \$ 450,274 | (38,905) | | | | | |
| Cost of goods sold | 189,211 | (24,661) | (1,325) | | | (5,292) | |
| Gross profit | 261,063 | (14,244) | 1,325 | | | 5,292 | |
| Operating expenses | 173,238 | | (18,912) | | 142 | (2,691) | (1,727) |
| Income from operations | 87,825 | (14,244) | 20,237 | | (142) | 7,983 | 1,727 |
| Interest and other, net | (3,451) | | | 193 | | | |
| Income before income taxes | 91,276 | (14,244) | 20,237 | 193 | (142) | 7,983 | 1,727 |

In order to calculate net income per diluted share for management reporting purposes, the Company uses its fully diluted share count of 118.7 million and adds back to net income the interest expense, net of tax, on its convertible notes of \$0.01 million.

Fiscal Fourth Quarter Operational Metric — Net Bookings

Total Net Bookings grew to \$411.4 million, as compared to \$407.1 million during last year's fiscal fourth quarter. Net Bookings from recurrent consumer spending grew 15% year-over-year and accounted for 58% of total Net Bookings. The largest contributors to Net Bookings were *Grand Theft Auto Online* and *Grand Theft Auto V*, *NBA 2K18*, *Dragon City* and *Monster Legends*, *WWE 2K18* and *WWE SuperCard*, and *Sid Meier's Civilization VI*.

Catalog accounted for \$293.1 million of Net Bookings led by *Grand Theft Auto*, *Dragon City* and *Monster Legends*, and *Sid Meier's Civilization VI*.

Digitally-delivered Net Bookings grew 12% to \$333.1 million, as compared to \$298.5 million in last year's fiscal fourth quarter. The largest contributors to digitally-delivered Net Bookings in fiscal fourth quarter 2018 were *Grand Theft Auto Online* and *Grand Theft Auto V*, *NBA 2K18*, *Sid Meier's Civilization VI*, *Monster Legends* and *Dragon City*, and *WWE SuperCard* and *WWE 2K18*.

Fiscal Year 2018 GAAP Financial Highlights

Net revenue grew to \$1.793 billion, as compared to \$1.780 billion in fiscal year 2017. Recurrent consumer spending grew 63% and accounted for 42% of total net revenue. The largest contributors to net revenue in fiscal year 2018 were *Grand Theft Auto V* and *Grand Theft Auto Online*, *NBA 2K17* and *NBA 2K18*, *WWE 2K18* and *WWE SuperCard*, *Sid Meier's Civilization VI*, and *Dragon City* and *Monster Legends*.

Digitally-delivered net revenue grew 23% to \$1.131 billion, as compared to \$921.7 million in fiscal year 2017. The largest contributors to digitally-delivered net revenue in fiscal year 2018 were *Grand Theft Auto Online* and *Grand Theft Auto V*, *NBA 2K17* and *NBA 2K18*, *WWE 2K18* and *WWE SuperCard*, and *Sid Meier's Civilization VI*.

Net income increased 158% to \$173.5 million, or \$1.54 per diluted share, as compared to \$67.3 million, or \$0.72 per diluted share, in fiscal year 2017.

Net cash provided by operating activities grew 19% to \$393.9 million, as compared to \$331.4 million in fiscal year 2017. As of March 31, 2018, the Company had cash and short-term investments of \$1.424 billion.

The following data, together with a management reporting tax rate of 22%, are used internally by the Company's management and Board of Directors to adjust the Company's GAAP financial results in order to facilitate comparison of its operating performance between periods and to better understand its core business and future outlook:

Twelve Months Ended March 31, 2018

| \$ in thousands | Financial Data | | | | | | |
|-----------------------------------|-------------------------|---|--------------------------|---|------------------------------|---|-------------------------|
| | Statement of operations | Change in deferred net revenue and related cost of goods sold | Stock-based compensation | Non-cash amounts related to convertible notes | Acquisition related expenses | Amortization & impairment of acquired intangible assets | Business reorganization |
| Net revenue | \$ 1,792,892 | 197,710 | | | | | |
| Cost of goods sold | 898,311 | (32,063) | (24,610) | | | 19,344 | |
| Gross profit | 894,581 | 229,773 | 24,610 | | | (19,344) | |
| Operating expenses | 759,004 | | (91,739) | | 7,080 | (26,368) | (12,318) |
| Income from operations | 135,577 | 229,773 | 116,349 | | (7,080) | 7,024 | 12,318 |
| Interest and other, net | 1,048 | | | 10,762 | | | |
| Income before income taxes | 136,625 | 229,773 | 116,349 | 10,762 | (7,080) | 7,024 | 12,318 |

In order to calculate net income per diluted share for management reporting purposes, the Company uses its fully diluted share count of 117.6 million and adds back to net income the interest expense, net of tax, on its convertible notes of \$0.83 million.

Fiscal Year 2018 Operational Metric — Net Bookings

Total Net Bookings grew 5% to \$1.991 billion, as compared to \$1.904 billion in fiscal year 2017. Net Bookings from recurrent consumer spending grew 48% and accounted for 48% of total Net Bookings. The largest contributors to Net Bookings were *Grand Theft Auto Online* and *Grand Theft Auto V*, *NBA 2K18* and *NBA 2K17*, *WWE 2K18* and *WWE SuperCard*, *Dragon City* and *Monster Legends*, and *Sid Meier's Civilization VI*.

Digitally-delivered Net Bookings grew 25% to \$1.350 billion, as compared to \$1.081 billion in fiscal year 2017. The largest contributors to digitally-delivered Net Bookings in fiscal year 2018 were *Grand Theft Auto Online* and *Grand Theft Auto V*, *NBA 2K18* and *NBA 2K17*, *Monster Legends* and *Dragon City*, and *WWE SuperCard* and *WWE 2K18*.

Management Comments

“During the fourth quarter, Take-Two delivered Net Bookings growth driven by increased recurrent consumer spending — including better-than-expected results from *Grand Theft Auto Online*”, said Strauss Zelnick, Chairman and CEO of Take-Two. “Our solid performance marked the completion of another outstanding year for our Company, highlighted by growth in Net Bookings, earnings and net cash provided by operating activities, along with margin expansion. *Grand Theft Auto Online* and *NBA 2K* generated record results, exceeding our original expectations, and we benefited from strong ongoing sales of *Grand Theft Auto V* and other catalog titles.

“We expect fiscal 2019 to be another year of profitable growth for Take-Two, including both record Net Bookings and record net cash provided by operating activities, led by the launch of *Red Dead Redemption 2* along with new annual releases from *NBA 2K* and *WWE 2K*. We will also continue to support our titles with offerings designed to drive engagement and recurrent consumer spending. The highly-anticipated title from one of 2K’s biggest franchises, which had been planned for release during the current fiscal year, is now planned for launch during fiscal 2020 to allow for additional development time. We remain as excited as ever about this title, and expect it to enhance our results next fiscal year.

“This year is the 25th anniversary of Take-Two and, over that time, we have built our Company into a diversified and profitable enterprise. Take-Two is exceedingly well-positioned — creatively, strategically and financially — for continued growth and returns for our shareholders over the long-term.”

Business and Product Highlights

Since January 1, 2018:

Take-Two:

- During fiscal year 2018, the Company repurchased 1.51 million shares of its common stock for \$154.8 million. During fiscal first quarter 2019 to date, the Company has repurchased 1.60 million shares of its common stock for \$153.5 million.
- Effective March 19, 2018, Take-Two was added to the S&P 500® index.

Rockstar Games:

- Released *Grand Theft Auto V: Premium Online Edition* for PlayStation 4, Xbox One and PC. The *Premium Online Edition* includes the complete *Grand Theft Auto V* story experience, the ever-evolving world of *Grand Theft Auto Online*, and all existing gameplay upgrades and content. Purchasers also receive the *Criminal Enterprise Starter Pack* that gives players access to a huge range of content including properties, vehicles, weapons and more valued at over GTAS\$10,000,000 plus GTAS\$1,000,000 Bonus Cash.
- Released *LA Noire: The VR Case Files*, featuring seven select cases from the original game rebuilt specifically for a virtual reality experience, for Oculus Rift. *LA Noire: The VR Case Files* is also available for the HTC VIVE™ system.
- Released new free content updates for *Grand Theft Auto Online*, including:
 - *The Southern San Andreas Super Sport Series*, which introduced two new racing modes — Hot Ring Circuit and Target Assault, additional Transform races and Special Vehicle races, two new Adversary modes: *The Vespucci Job* and *Trap Door*, 13 new vehicles, and new tools for the Race Creator.
 - The *Air Quota* and *Hardest Target* Adversary Modes.
 - Numerous all-new vehicles and aircraft.
- Announced that *Red Dead Redemption 2* will launch for PlayStation 4 and Xbox One on October 26, 2018.

2K:

- *NBA 2K18* became our highest-selling sports title ever, with sell-in to date of over 9 million units.
- Released the *Sid Meier's Civilization VI: Rise and Fall* expansion pack for PC. This expansion builds upon the critically acclaimed gameplay experience of *Civilization VI* giving players new choices, strategies, and challenges as they guide a civilization through the ages. The expansion introduces new Golden Ages and Dark Ages, a new city Loyalty system, and Governors who can be stationed in players' cities. *Civilization VI: Rise and Fall* also adds nine new leaders and eight new civilizations from across the world, giving players even more variety and diversity in how they play *Civilization VI*.
- Announced that it is working in partnership with Tencent to co-develop *NBA 2K Online 2* in China. The title currently is in closed Beta testing and planned for commercial release this fall. *NBA 2K Online 2* is based on the console edition of *NBA 2K* and features 2K's legendary gameplay, 27 customizable position types, new player trading systems, eSports-optimized features, localized commentary and more.
- Announced that Hangar 13 — the critically acclaimed storytellers and developer of *Mafia III* — has expanded with the opening of a new location in Brighton, United Kingdom, furthering the studio's efforts to tap into the world's most talented development pools and build a globally diverse team. Hangar 13 is currently working on an unannounced AAA project for 2K and will continue to scale in both the U.S. and Europe at a pace consistent with the development of the game.

Private Division:

- Released *Kerbal Space Program Enhanced Edition*, the new console version of the beloved space simulation game, for digital download on PlayStation 4 and Xbox One. *Kerbal Space Program Enhanced Edition* is built from the ground up to include re-worked and console-optimized UI, a new control scheme exclusively for consoles, and more ways to enjoy launching spaceships into orbit.
 - Released *Kerbal Space Program: Making History Expansion* for PC. This first expansion for the critically acclaimed space simulation adds a wealth of new and exciting content to the game, including a robust Mission Builder that lets players create and share their own scenarios, and a History Pack containing missions inspired by historical moments in space exploration.
 - Announced that *Kerbal Space Program* will be released on Tencent's WeGame distribution platform as a premium PC game at a date to be determined.
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Financial Outlook for Fiscal 2019

Take-Two is providing its initial financial outlook for its fiscal first quarter ending June 30, 2018 and its fiscal year ending March 31, 2019.

First Quarter Ending June 30, 2018

- GAAP net revenue is expected to range from \$345 to \$395 million
- GAAP net income is expected to range from \$62 to \$74 million
- GAAP diluted net income per share is expected to range from \$0.53 to \$0.63
- Share count used to calculate GAAP diluted net income per share is expected to be 116.7 million (1)
- Net Bookings (operational metric) are expected to range from \$215 to \$265 million

The Company is also providing selected data and its updated management reporting tax rate of 20% that are used internally by its management and Board of Directors to adjust the Company's GAAP financial outlook in order to facilitate comparison of its operating performance between periods and to better understand its core business and future outlook:

| \$ in millions | Three Months Ending June 30, 2018 | | | |
|-----------------------------------|-----------------------------------|---|------------------------------|--|
| | GAAP outlook (2) | Financial Data | | |
| | | Change in deferred net revenue and related cost of goods sold | Stock-based compensation (3) | Amortization of acquired intangible assets |
| Net revenue | \$345 to \$395 | \$ (130) | | |
| Cost of goods sold | \$83 to \$109 | \$ (8) | \$ (6) | \$ (4) |
| Operating Expenses | \$190 to \$200 | | \$ (30) | \$ (2) |
| Interest and other, net | (\$1) | | | |
| Income before income taxes | \$73 to 87 | \$ (122) | \$ 36 | \$ 6 |

Fiscal Year Ending March 31, 2019

- GAAP net revenue is expected to range from \$2.50 to \$2.60 billion
- GAAP net income is expected to range from \$180 to \$211 million
- GAAP diluted net income per share is expected to range from \$1.53 to \$1.80
- Share count used to calculate GAAP diluted net income per share is expected to be 117.2 million (4)
- Net cash provided by operating activities is expected to be approximately \$710 million
- Capital expenditures are expected to be approximately \$60 million
- Net Bookings (operational metric) are expected to range from \$2.67 to \$2.77 billion

The Company is also providing selected data and its updated management reporting tax rate of 20% that are used internally by its management and Board of Directors to adjust the Company's GAAP financial outlook in order to facilitate comparison of its operating performance between periods and to better understand its core business and future outlook:

| \$ in millions | Twelve Months Ending March 31, 2019 | | | |
|-----------------------------------|-------------------------------------|---|------------------------------|--|
| | GAAP outlook (2) | Financial Data | | |
| | | Change in deferred net revenue and related cost of goods sold | Stock-based compensation (3) | Amortization of acquired intangible assets |
| Net revenue | \$2,500 to \$2,600 | \$ 170 | | |
| Cost of goods sold | \$1,411 to \$1,434 | \$ 100 | \$ (176) | \$ (4) |
| Operating Expenses | \$885 to \$925 | | \$ (122) | \$ (2) |
| Interest and other, net | (\$7) | | | |
| Income before income taxes | \$211 to 248 | \$ 70 | \$ 298 | \$ 6 |

- (1) For the fiscal first quarter ending June 30, 2018, the Company's diluted share count used for management reporting purposes is expected to be 116.3 million, which includes 112.8 million basic shares and 3.5 million shares representing the potential dilution from unvested employee stock grants, because using the "if converted" method and the Company's

fully-diluted share count of 116.7 million, which includes 0.4 million shares representing the potential dilution from convertible notes, would be anti-dilutive.

- (2) The individual components of the financial outlook may not foot to the totals as the Company does not expect actual results for every component to be at the low end or high end of the outlook range simultaneously.
- (3) The Company's stock-based compensation expense for the periods above includes the cost of approximately 0.6 million restricted stock units previously granted to ZelnickMedia that are subject to variable accounting. Actual expense to be recorded in connection with these shares is dependent upon several factors, including future changes in Take-Two's stock price.
- (4) For the fiscal year ending March 31, 2019, the Company's fully diluted share count used for both GAAP and management reporting purposes is expected to be 117.2 million, which includes 113.6 million basic shares and 3.6 million shares representing the potential dilution from unvested employee stock grants. The interest expense, net of tax, on the convertible notes, which is added back to net income to calculate diluted net income per share for management reporting purposes is \$0.03 million.

Key assumptions and dependencies underlying the Company's financial outlook include: the timely delivery of the titles included in this financial outlook; continued consumer acceptance of Xbox One and PlayStation 4; the ability to develop and publish products that capture market share for these new-generation systems while also leveraging opportunities on Nintendo Switch, Xbox 360, PlayStation 3, PC and mobile platforms; and stable foreign exchange rates. See also "Cautionary Note Regarding Forward Looking Statements" below.

Product Releases

The following titles were released since January 1, 2018:

| Label | Title | Platforms | Release Date |
|------------------|---|-------------------|---------------------|
| Private Division | <i>Kerbal Space Program Enhanced Edition</i> | PS4, Xbox One | January 16, 2018 |
| 2K | <i>WWE 2K18: Enduring Icons Pack (DLC)</i> | PS4, Xbox One, PC | January 16, 2018 |
| 2K | <i>XCOM 2 Collection</i> | PC | February 1, 2018 |
| 2K | <i>Sid Meier's Civilization VI: Rise and Fall (DLC)</i> | PC | February 8, 2018 |
| 2K | <i>XCOM 2 Collection</i> | PS4, Xbox One | February 21, 2018 |
| Private Division | <i>Kerbal Space Program: Making History Expansion (DLC)</i> | PC | March 13, 2018 |
| Rockstar Games | <i>L.A. Noire: The VR Case Files</i> | Oculus Rift | March 29, 2018 |
| Rockstar Games | <i>Grand Theft Auto V: Premium Online Edition</i> | PS4, Xbox One, PC | April 20, 2018 |

Take-Two's lineup of future titles announced to date includes:

| Label | Title | Platforms | Release Date |
|----------------|------------------------------|------------------|---------------------|
| Rockstar Games | <i>Red Dead Redemption 2</i> | PS4, Xbox One | October 26, 2018 |
| 2K | <i>NBA 2K19</i> | TBA | Fall 2018 |
| 2K | <i>WWE 2K19</i> | TBA | Fall 2018 |

Conference Call

Take-Two will host a conference call today at 4:30 p.m. Eastern Time to review these results and discuss other topics. The call can be accessed by dialing (877) 407-0984 or (201) 689-8577. A live listen-only webcast of the call will be available by visiting <http://ir.take2games.com> and a replay will be available following the call at the same location.

Final Results

The financial results discussed herein are presented on a preliminary basis; final data will be included in Take-Two's Annual Report on Form 10-K for the period ended March 31, 2018.

About Take-Two Interactive Software

Headquartered in New York City, Take-Two Interactive Software, Inc. is a leading developer, publisher and marketer of interactive entertainment for consumers around the globe. The Company develops and publishes products principally through its wholly-owned labels Rockstar Games and 2K, as well as its new Private Division label and Social Point, a leading developer of mobile games. Our products are designed for console systems and personal computers, including smartphones and tablets, and are delivered through physical retail, digital download, online platforms and cloud streaming services. The Company's common stock is publicly traded on NASDAQ under the symbol TTWO. For more corporate and product information please visit our website at <http://www.take2games.com>.

All trademarks and copyrights contained herein are the property of their respective holders.

Cautionary Note Regarding Forward-Looking Statements

The statements contained herein which are not historical facts are considered forward-looking statements under federal securities laws and may be identified by words such as “anticipates,” “believes,” “estimates,” “expects,” “intends,” “plans,” “potential,” “predicts,” “projects,” “seeks,” “should,” “will,” or words of similar meaning and include, but are not limited to, statements regarding the outlook for the Company’s future business and financial performance. Such forward-looking statements are based on the current beliefs of our management as well as assumptions made by and information currently available to them, which are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Actual outcomes and results may vary materially from these forward-looking statements based on a variety of risks and uncertainties including: our dependence on key management and product development personnel, our dependence on our *Grand Theft Auto* products and our ability to develop other hit titles, the timely release and significant market acceptance of our games, the ability to maintain acceptable pricing levels on our games, and risks associated with international operations. Other important factors and information are contained in the Company’s most recent Annual Report on Form 10-K, including the risks summarized in the section entitled “Risk Factors,” the Company’s most recent Quarterly Report on Form 10-Q, and the Company’s other periodic filings with the SEC, which can be accessed at www.take2games.com. All forward-looking statements are qualified by these cautionary statements and apply only as of the date they are made. The Company undertakes no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

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TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

| | Three months ended March 31, | | Twelve Months Ended March 31, | |
|---|------------------------------|-------------------|-------------------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net revenue | \$ 450,274 | \$ 571,556 | \$ 1,792,892 | \$ 1,779,748 |
| Cost of goods sold: | | | | |
| Internal royalties | 88,271 | 90,071 | 383,020 | 330,782 |
| Product costs | 47,177 | 85,787 | 203,301 | 255,914 |
| Software development costs and royalties | 26,981 | 116,922 | 191,400 | 335,675 |
| Licenses | 26,782 | 22,120 | 120,590 | 100,588 |
| Total cost of goods sold | <u>189,211</u> | <u>314,900</u> | <u>898,311</u> | <u>1,022,959</u> |
| Gross profit | 261,063 | 256,656 | 894,581 | 756,789 |
| Selling and marketing | 47,451 | 38,312 | 256,092 | 285,453 |
| General and administrative | 60,450 | 62,042 | 247,828 | 211,409 |
| Research and development | 54,128 | 36,421 | 196,373 | 137,915 |
| Depreciation and amortization | 9,479 | 8,378 | 43,969 | 30,707 |
| Business reorganization | 1,730 | — | 14,742 | — |
| Total operating expenses | <u>173,238</u> | <u>145,153</u> | <u>759,004</u> | <u>665,484</u> |
| Income from operations | 87,825 | 111,503 | 135,577 | 91,305 |
| Interest and other, net | 3,451 | (392) | 1,048 | (15,690) |
| Gain on long-term investments, net | — | — | — | 1,350 |
| Income before income taxes | 91,276 | 111,111 | 136,625 | 76,965 |
| (Benefit from) provision for income taxes | 423 | 11,831 | (36,908) | 9,662 |
| Net income | <u>\$ 90,853</u> | <u>\$ 99,280</u> | <u>\$ 173,533</u> | <u>\$ 67,303</u> |
| Earnings per share: | | | | |
| Basic earnings per share | \$ 0.80 | \$ 0.97 | \$ 1.57 | \$ 0.73 |
| Diluted earnings per share | \$ 0.77 | \$ 0.89 | \$ 1.54 | \$ 0.72 |
| Weighted average shares outstanding: | | | | |
| Basic | 113,330 | 100,490 | 110,210 | 90,180 |
| Diluted | 118,675 | 117,245 | 112,864 | 94,073 |
| Computation of Basic EPS: | | | | |
| Net income | \$ 90,853 | \$ 99,280 | \$ 173,533 | \$ 67,303 |
| Less: net income allocated to participating securities | (82) | (1,370) | (159) | (1,275) |
| Net loss for basic and diluted EPS calculation | <u>\$ 90,771</u> | <u>\$ 97,910</u> | <u>\$ 173,374</u> | <u>\$ 66,028</u> |
| Weighted average shares outstanding - basic | 113,330 | 101,896 | 110,210 | 91,921 |
| Less: weighted average participating shares outstanding | (102) | (1,406) | (101) | (1,741) |
| Weighted average common shares outstanding - basic | <u>113,228</u> | <u>100,490</u> | <u>110,109</u> | <u>90,180</u> |
| Basic earnings per share | \$ 0.80 | \$ 0.97 | \$ 1.57 | \$ 0.73 |
| Computation of Diluted EPS: | | | | |
| Net income | \$ 90,853 | \$ 99,280 | \$ 173,533 | \$ 67,303 |
| Less: net income allocated to participating securities | (78) | (1,191) | (155) | (1,246) |
| Add: interest expense, net of tax, on Convertible Notes | 249 | 4,980 | — | — |
| Net income for diluted EPS calculation | <u>\$ 91,024</u> | <u>\$ 103,069</u> | <u>\$ 173,378</u> | <u>\$ 66,057</u> |
| Weighted average common shares outstanding - basic | 113,228 | 101,896 | 110,109 | 91,921 |
| Add: dilutive effect of common stock equivalents | 5,447 | 15,349 | 2,755 | 2,152 |
| Total weighted average shares outstanding - diluted | <u>118,675</u> | <u>117,245</u> | <u>112,864</u> | <u>94,073</u> |
| Less: weighted average participating shares outstanding | (102) | (1,406) | (101) | (1,741) |
| Weighted average common shares outstanding - diluted | <u>118,573</u> | <u>115,839</u> | <u>112,763</u> | <u>92,332</u> |
| Diluted earnings per share | \$ 0.77 | \$ 0.89 | \$ 1.54 | \$ 0.72 |

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

| | March 31, 2018 | March 31, 2017 |
|--|---------------------|---------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 808,973 | \$ 943,396 |
| Short-term investments | 615,406 | 448,932 |
| Restricted cash | 437,398 | 337,818 |
| Accounts receivable, net of allowances of \$54,290 and \$66,483 at March 31, 2018 and 2017, respectively | 247,649 | 219,558 |
| Inventory | 15,162 | 16,323 |
| Software development costs and licenses | 33,284 | 41,721 |
| Deferred cost of goods sold | 117,851 | 127,901 |
| Prepaid expenses and other | 133,454 | 59,593 |
| Total current assets | <u>2,409,177</u> | <u>2,195,242</u> |
| Fixed assets, net | 102,478 | 67,300 |
| Software development costs and licenses, net of current portion | 639,369 | 381,910 |
| Deferred cost of goods sold, net of current portion | 26,719 | — |
| Goodwill | 399,530 | 359,115 |
| Other intangibles, net | 103,681 | 110,262 |
| Other assets | 56,887 | 35,325 |
| Total assets | <u>\$ 3,737,841</u> | <u>\$ 3,149,154</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 35,029 | \$ 31,892 |
| Accrued expenses and other current liabilities | 914,748 | 750,875 |
| Deferred revenue | 777,152 | 903,125 |
| Total current liabilities | <u>1,726,929</u> | <u>1,685,892</u> |
| Long-term debt | 8,068 | 251,929 |
| Non-current deferred revenue | 355,589 | 10,406 |
| Other long-term liabilities | 158,285 | 197,199 |
| Total liabilities | <u>2,248,871</u> | <u>2,145,426</u> |
| Stockholders' equity: | | |
| Preferred stock, \$.01 par value, 5,000 shares authorized | — | — |
| Common stock, \$.01 par value, 200,000 shares authorized; 132,743 and 119,813 shares issued and 114,038 and 102,621 outstanding at March 31, 2018 and 2017, respectively | 1,327 | 1,198 |
| Additional paid-in capital | 1,888,039 | 1,452,754 |
| Treasury stock, at cost; 18,705 and 17,192 common shares at March 31, 2018 and 2017, respectively | (458,180) | (303,388) |
| Retained earnings (accumulated deficit) | 73,516 | (99,694) |
| Accumulated other comprehensive loss | (15,732) | (47,142) |
| Total stockholders' equity | <u>1,488,970</u> | <u>1,003,728</u> |
| Total liabilities and stockholders' equity | <u>\$ 3,737,841</u> | <u>\$ 3,149,154</u> |

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

| | Twelve Months Ended March 31, | |
|---|-------------------------------|-------------------|
| | 2018 | 2017 |
| Operating activities: | | |
| Net income | \$ 173,533 | \$ 67,303 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Amortization and impairment of software development costs and licenses | 77,887 | 221,911 |
| Depreciation | 32,202 | 30,707 |
| Amortization of intellectual property | 34,830 | 6,738 |
| Impairment of in-process research and development | 11,257 | — |
| Stock-based compensation | 116,349 | 81,879 |
| Deferred income taxes | (32,523) | 3,020 |
| Amortization of discount on Convertible Notes | 15,662 | 21,222 |
| Gain on redemption of Convertible Notes | (4,900) | — |
| Amortization of debt issuance costs | 578 | 1,227 |
| Gain on long-term investments, net | — | (1,350) |
| Other, net | 6,375 | (3,410) |
| Changes in assets and liabilities: | | |
| Restricted cash | (99,580) | (76,474) |
| Accounts receivable | (26,998) | (41,956) |
| Inventory | 3,917 | (4,942) |
| Software development costs and licenses | (225,269) | (252,951) |
| Prepaid expenses and other current and other non-current assets | (74,544) | (22,155) |
| Deferred revenue | 198,397 | 126,285 |
| Deferred cost of goods sold | (11,959) | (14,969) |
| Accounts payable, accrued expenses and other liabilities | 198,733 | 189,344 |
| Net cash provided by operating activities | <u>393,947</u> | <u>331,429</u> |
| Investing activities: | | |
| Change in bank time deposits | (40,918) | 89,076 |
| Proceeds from available-for-sale securities | 241,012 | 155,936 |
| Purchases of available-for-sale securities | (369,998) | (221,671) |
| Purchases of fixed assets | (61,557) | (21,167) |
| Proceeds from sale of long-term investments | — | 1,350 |
| Purchase of long-term investments | (5,000) | (1,885) |
| Asset acquisition | (25,965) | — |
| Business acquisition, net of cash acquired | (9,401) | (130,669) |
| Net cash used in investing activities | <u>(271,827)</u> | <u>(129,030)</u> |
| Financing activities: | | |
| Excess tax benefit from stock-based compensation | — | 1,990 |
| Tax payment related to net share settlements on restricted stock awards | (112,884) | (51,762) |
| Repurchase of common stock | (154,792) | — |
| Other | (13,791) | — |
| Net cash used in financing activities | <u>(281,467)</u> | <u>(49,772)</u> |
| Effects of foreign currency exchange rates on cash and cash equivalents | 24,924 | (7,973) |
| Net change in cash and cash equivalents | <u>(134,423)</u> | <u>144,654</u> |
| Cash and cash equivalents, beginning of year | 943,396 | 798,742 |
| Cash and cash equivalents, end of period | <u>\$ 808,973</u> | <u>\$ 943,396</u> |

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES

Net Revenue and Net Bookings by Geographic Region, Distribution Channel, and Platform Mix

(in thousands)

| | Three Months Ended March 31, 2018 | | Three Months Ended March 31, 2017 | |
|---|--------------------------------------|------------|--------------------------------------|------------|
| | Amount | % of Total | Amount | % of Total |
| Net revenue by geographic region | | | | |
| United States | \$ 255,710 | 57% | \$ 296,040 | 52% |
| International | 194,564 | 43% | 275,516 | 48% |
| Total net revenue | \$ 450,274 | 100% | \$ 571,556 | 100% |
| Net bookings by geographic region | | | | |
| United States | \$ 232,272 | 56% | \$ 239,360 | 59% |
| International | 179,096 | 44% | 167,767 | 41% |
| Total net bookings | \$ 411,368 | 100% | \$ 407,127 | 100% |
| | Three Months Ended March 31, 2018 | | Three Months Ended March 31, 2017 | |
| | Amount | % of Total | Amount | % of Total |
| Net revenue by distribution channel | | | | |
| Digital online | \$ 301,382 | 67% | \$ 278,683 | 49% |
| Physical retail and other | 148,892 | 33% | 292,873 | 51% |
| Total net revenue | \$ 450,274 | 100% | \$ 571,556 | 100% |
| Net bookings by distribution channel | | | | |
| Digital online | \$ 333,135 | 81% | \$ 298,485 | 73% |
| Physical retail and other | 78,233 | 19% | 108,642 | 27% |
| Total net bookings | \$ 411,368 | 100% | \$ 407,127 | 100% |
| | Three Months Ended March 31, 2018 | | Three Months Ended March 31, 2017 | |
| | Amount | % of Total | Amount | % of Total |
| Net revenue by platform mix | | | | |
| Console | \$ 363,464 | 81% | \$ 479,958 | 84% |
| PC and other | 86,810 | 19% | 91,598 | 16% |
| Total net revenue | \$ 450,274 | 100% | \$ 571,556 | 100% |
| Net bookings by platform mix | | | | |
| Console | \$ 313,368 | 76% | \$ 318,648 | 78% |
| PC and other | 98,000 | 24% | 88,479 | 22% |
| Total net bookings | \$ 411,368 | 100% | \$ 407,127 | 100% |

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES

Net Revenue and Net Bookings by Geographic Region, Distribution Channel, and Platform Mix

(in thousands)

| | Twelve Months Ended March 31, 2018 | | Twelve Months Ended March 31, 2017 | |
|---|---------------------------------------|------------|---------------------------------------|------------|
| | Amount | % of Total | Amount | % of Total |
| Net revenue by geographic region | | | | |
| United States | \$ 1,052,313 | 59% | \$ 999,128 | 56% |
| International | 740,579 | 41% | 780,620 | 44% |
| Total net revenue | \$ 1,792,892 | 100% | \$ 1,779,748 | 100% |

| | | | | |
|--|--------------|------|--------------|------|
| Net bookings by geographic region | | | | |
| United States | \$ 1,161,502 | 58% | \$ 1,077,484 | 57% |
| International | 829,100 | 42% | 826,462 | 43% |
| Total net bookings | \$ 1,990,602 | 100% | \$ 1,903,946 | 100% |

| | Twelve Months Ended March 31, 2018 | | Twelve Months Ended March 31, 2017 | |
|--|---------------------------------------|------------|---------------------------------------|------------|
| | Amount | % of Total | Amount | % of Total |
| Net revenue by distribution channel | | | | |
| Digital online | \$ 1,130,946 | 63% | \$ 921,734 | 52% |
| Physical retail and other | 661,946 | 37% | 858,014 | 48% |
| Total net revenue | \$ 1,792,892 | 100% | \$ 1,779,748 | 100% |

| | | | | |
|---|--------------|------|--------------|------|
| Net bookings by distribution channel | | | | |
| Digital online | \$ 1,349,508 | 68% | \$ 1,081,262 | 57% |
| Physical retail and other | 641,094 | 32% | 822,684 | 43% |
| Total net bookings | \$ 1,990,602 | 100% | \$ 1,903,946 | 100% |

| | Twelve Months Ended March 31, 2018 | | Twelve Months Ended March 31, 2017 | |
|------------------------------------|---------------------------------------|------------|---------------------------------------|------------|
| | Amount | % of Total | Amount | % of Total |
| Net revenue by Platform Mix | | | | |
| Console | \$ 1,463,307 | 82% | \$ 1,440,724 | 81% |
| PC and other | 329,586 | 18% | 339,024 | 19% |
| Total net revenue | \$ 1,792,892 | 100% | \$ 1,779,748 | 100% |

| | | | | |
|-------------------------------------|--------------|------|--------------|------|
| Net bookings by platform mix | | | | |
| Console | \$ 1,611,625 | 81% | \$ 1,554,319 | 82% |
| PC and other | 378,977 | 19% | 349,627 | 18% |
| Total net bookings | \$ 1,990,602 | 100% | \$ 1,903,946 | 100% |

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
 ADDITIONAL DATA
 (in thousands)

| <u>Three Months Ended March 31, 2018</u> | <u>Net Revenue</u> | <u>Cost of Goods Sold- Internal Royalties</u> | <u>Cost of Goods Sold- Software Development Costs and Royalties</u> | <u>Cost of Goods Sold- Product Costs</u> | <u>Cost of Goods Sold- Licenses</u> | <u>Selling and Marketing</u> |
|--|--------------------|---|---|--|---|----------------------------------|
| As reported | \$ 450,274 | \$ 88,271 | \$ 26,981 | \$ 47,177 | \$ 26,782 | \$ 47,451 |
| Net effect from deferral and related cost of goods sold | (38,905) | | (3,244) | (12,397) | (9,020) | |
| Stock-based compensation | | | (1,325) | | | (4,471) |
| Amortization and impairment of acquired intangibles | | | (5,292) | | | (852) |

| <u>Three Months Ended March 31, 2018</u> | <u>General and Administrative</u> | <u>Research and Development</u> | <u>Depreciation and Amortization</u> | <u>Business Reorganization</u> | <u>Interest and Other, net</u> |
|--|---------------------------------------|-------------------------------------|--|--------------------------------|------------------------------------|
| As reported | \$ 60,450 | \$ 54,128 | \$ 9,479 | \$ 1,730 | \$ 3,451 |
| Stock-based compensation | (9,408) | (5,030) | | (3) | |
| Non-cash amounts related to convertible notes | | | | | 193 |
| Acquisition related expenses | 142 | | | | |
| Amortization and impairment of acquired intangibles | | (1,705) | (134) | | |
| Impact of business reorganization | | | | (1,727) | |

| <u>Three Months Ended March 31, 2017</u> | <u>Net Revenue</u> | <u>Cost of Goods Sold- Internal Royalties</u> | <u>Cost of Goods Sold- Software Development Costs and Royalties</u> | <u>Cost of Goods Sold- Product Costs</u> | <u>Cost of Goods Sold- Licenses</u> | <u>Selling and Marketing</u> |
|--|--------------------|---|---|--|---|----------------------------------|
| As reported | \$ 571,556 | \$ 90,071 | \$ 116,922 | \$ 85,787 | \$ 22,120 | \$ 38,312 |
| Net effect from deferral and related cost of goods sold | (164,429) | | (67,678) | (47,535) | (3,072) | |
| Stock-based compensation | | | (5,083) | | | (2,694) |
| Amortization of intangibles | | | (2,630) | | | (1,497) |

| <u>Three Months Ended March 31, 2017</u> | <u>General and Administrative</u> | <u>Research and Development</u> | <u>Depreciation and Amortization</u> | <u>Interest and Other, net</u> |
|--|---------------------------------------|-------------------------------------|--|--------------------------------|
| As reported | \$ 62,042 | \$ 36,421 | \$ 8,378 | \$ (392) |
| Stock-based compensation | (16,047) | (2,634) | | |
| Non-cash amounts related to convertible notes | | | | 3,351 |
| Acquisition related expenses | (1,598) | | | |
| Amortization of intangibles | | (989) | (78) | |

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
ADDITIONAL DATA
(in thousands)

| <u>Twelve Months Ended March 31, 2018</u> | <u>Net Revenue</u> | <u>Cost of Goods Sold- Internal Royalties</u> | <u>Cost of Goods Sold- Software Development Costs and Royalties</u> | <u>Cost of Goods Sold- Product Costs</u> | <u>Cost of Goods Sold- Licenses</u> | <u>Selling and Marketing</u> |
|--|---------------------------------------|---|---|--|--|----------------------------------|
| As reported | \$ 1,792,892 | \$ 383,020 | \$ 191,400 | \$ 203,301 | \$ 120,590 | \$ 256,092 |
| Net effect from deferral and related cost of goods sold | 197,710 | | (5,812) | 6,912 | 5,900 | |
| Stock-based compensation | | | (24,610) | | | (13,258) |
| Amortization and impairment of acquired intangibles | | | (19,719) | | | (8,107) |
| <u>Twelve Months Ended March 31, 2018</u> | <u>General and Administrative</u> | <u>Research and Development</u> | <u>Depreciation and Amortization</u> | <u>Business Reorganization</u> | <u>Interest and Other, net</u> | |
| As reported | \$ 247,828 | \$ 196,373 | \$ 43,969 | \$ 14,742 | \$ 1,048 | |
| Stock-based compensation | (58,037) | (18,020) | | (2,424) | | |
| Non-cash amounts related to convertible notes | | | | | 10,762 | |
| Acquisition related expenses | 7,080 | | | | | |
| Amortization and impairment of acquired intangibles | | (6,494) | (11,767) | | | |
| Impact of business reorganization | | | | (12,318) | | |
| Other, net | | | | | | (93) |
| <u>Twelve Months Ended March 31, 2017</u> | <u>Net Revenue</u> | <u>Cost of Goods Sold- Internal Royalties</u> | <u>Cost of Goods Sold- Software Development Costs and Royalties</u> | <u>Cost of Goods Sold- Product Costs</u> | <u>Cost of Goods Sold- Licenses</u> | <u>Selling and Marketing</u> |
| As reported | \$ 1,779,748 | \$ 330,782 | \$ 335,675 | \$ 255,914 | \$ 100,588 | \$ 285,453 |
| Net effect from deferral and related cost of goods sold | 124,198 | | (6,709) | 2,536 | 8,167 | |
| Stock-based compensation | | | (21,056) | | | (9,963) |
| Amortization of intangibles | | | (2,630) | | | (1,497) |
| <u>Twelve Months Ended March 31, 2017</u> | <u>General and Administrative</u> | <u>Research and Development</u> | <u>Depreciation and Amortization</u> | <u>Interest and Other, net</u> | <u>Gain on long-term investments</u> | |
| As reported | \$ 211,409 | \$ 137,915 | \$ 30,707 | \$ (15,690) | \$ 1,350 | |
| Stock-based compensation | (42,908) | (7,952) | | | | |
| Non-cash amounts related to convertible notes | | | | 21,254 | | |
| Acquisition related expenses | (1,916) | | | | | |
| Amortization of intangibles | | (989) | (78) | | | |
| Proceeds from sale of long-term investments | | | | | | (1,350) |