

TAKE TWO INTERACTIVE SOFTWARE INC
Form 10-Q
February 06, 2019

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
 QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended December 31, 2018

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from _____ to _____
Commission file number 001-34003

TAKE-TWO INTERACTIVE SOFTWARE, INC.
(Exact Name of Registrant as Specified in Its Charter)
Delaware 51-0350842
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)
110 West 44th Street 10036
New York, New York (Zip Code)
(Address of principal executive offices)

Registrant's Telephone Number, Including Area Code: (646) 536-2842

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company 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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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As of January 25, 2019, there were 113,161,938 shares of the Registrant's Common Stock outstanding, net of treasury stock.

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(All other items in this report are inapplicable)

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	December 31, 2018	March 31, 2018
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,054,911	\$ 808,973
Short-term investments	545,734	615,406
Restricted cash	240,584	437,398
Accounts receivable, net of allowances of \$1,003 and \$54,290 at December 31, 2018 and March 31, 2018, respectively	823,482	247,649
Inventory	39,786	15,162
Software development costs and licenses	33,542	33,284
Deferred cost of goods sold	57,280	117,851
Prepaid expenses and other	179,454	133,454
Total current assets	2,974,773	2,409,177
Fixed assets, net	114,672	102,478
Software development costs and licenses, net of current portion	597,497	639,369
Deferred cost of goods sold, net of current portion	7,819	26,719
Goodwill	383,110	399,530
Other intangibles, net	79,903	103,681
Deferred tax assets	146,216	4,930
Other assets	83,170	51,957
Total assets	\$ 4,387,160	\$ 3,737,841
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 74,615	\$ 35,029
Accrued expenses and other current liabilities	1,206,332	914,748
Deferred revenue	818,411	777,152
Total current liabilities	2,099,358	1,726,929
Long-term debt	—	8,068
Non-current deferred revenue	69,137	355,589
Other long-term liabilities	191,198	158,285
Total liabilities	\$ 2,359,693	\$ 2,248,871
Commitments and contingencies (See Note 13)		
Stockholders' equity:		
Preferred stock, \$.01 par value, 5,000 shares authorized; no shares issued and outstanding at December 31, 2018 and March 31, 2018	—	—
Common stock, \$.01 par value, 200,000 shares authorized; 134,396 and 132,743 shares issued and 113,094 and 114,038 outstanding at December 31, 2018 and March 31, 2018, respectively	1,344	1,327
Additional paid-in capital	1,976,853	1,888,039
Treasury stock, at cost; 21,302 and 18,705 common shares at December 31, 2018 and March 31, 2018, respectively	(720,572)	(458,180)

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Retained earnings	820,796	73,516
Accumulated other comprehensive loss	(50,954) (15,732)
Total stockholders' equity	2,027,467	1,488,970
Total liabilities and stockholders' equity	\$4,387,160	\$3,737,841

See accompanying Notes.

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

	Three Months Ended		Nine Months Ended		
	December 31,		December 31,		
	2018	2017	2018	2017	
Net revenue	\$1,248,738	\$480,840	\$2,129,387	\$1,342,618	
Cost of goods sold	898,484	267,983	1,264,730	709,100	
Gross profit	350,254	212,857	864,657	633,518	
Selling and marketing	161,322	79,513	313,793	208,641	
General and administrative	70,638	65,951	205,693	187,378	
Research and development	62,305	49,977	173,582	142,245	
Depreciation and amortization	10,140	7,864	29,151	34,490	
Business reorganization	(5,930) 700	(6,172) 13,012	
Total operating expenses	298,475	204,005	716,047	585,766	
Income from operations	51,779	8,852	148,610	47,752	
Interest and other, net	8,071	3,374	19,647	(2,403)
Income before income taxes	59,850	12,226	168,257		