Market Medals

COMPANY ANALYSIS · DATA AS OF 2026-11-14

COMPANY ANALYSIS · SOFTWARE AND CONSULTING

# Take-Two Interactive Software

Take-Two Interactive Software, Inc.

| Sales growth, last year | Sales growth, 3 years | Operating margin | Net debt to equity |
|---|---|---|---|
| +3% | +6% a year | -1% | 33% |

| Earnings growth the price needs |
|---|
| 13% a year for 5 years |

Grand Theft Auto VI launches on 19 November · scaling

Mobile games: the biggest business, and the soft spot · established

The long tail: GTA VI's online world and a later PC version · option

Best known for Grand Theft Auto, this video game maker gets much of its business from free phone games, where players pay for extras inside.

## Where we land

Take-Two's whole year hangs on Grand Theft Auto VI, which goes on sale on 19 November after four years of operating losses that have narrowed to 84 million dollars. Its shares are among the most expensive we rate, and before we warm to it we want to see the launch turn into profit that lasts beyond the opening rush.

There is no medal this time, because the analysts who follow it are not among the more positive. The podium is reserved for the three in ten companies that analysts back most strongly, so most hold no medal, and its absence is not a warning sign; that is what our chilli rating is for.

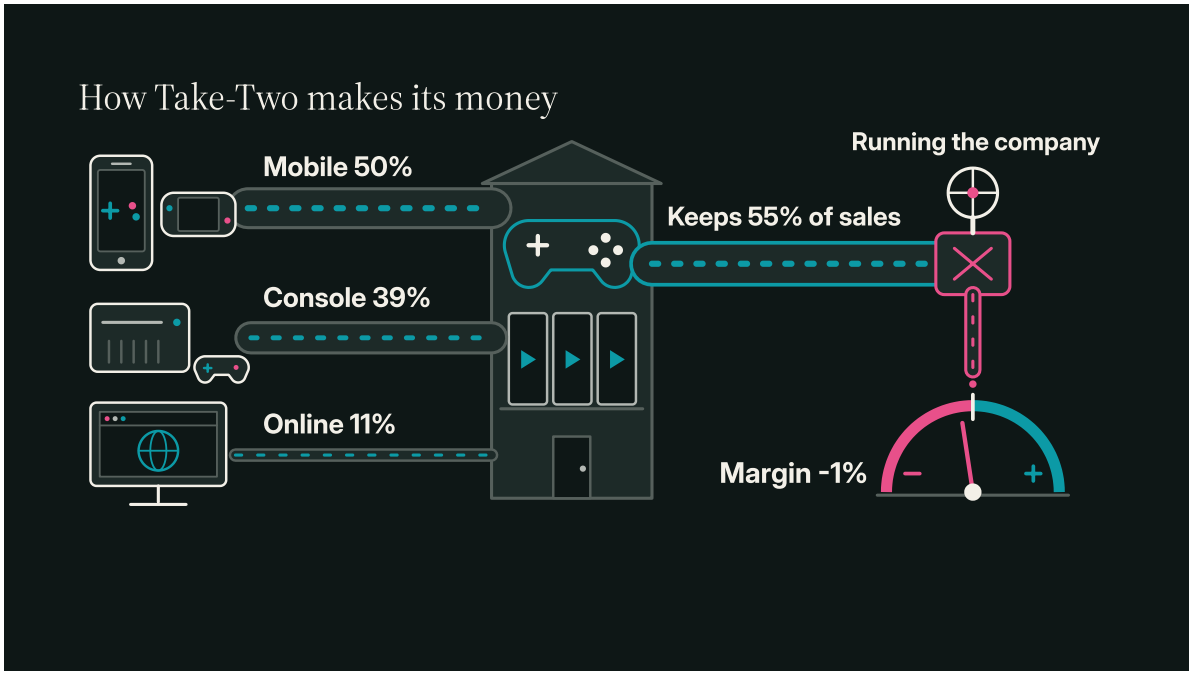



## What the business is

Take-Two makes and sells video games, and the shape of the business may surprise anyone who knows it only for Grand Theft Auto. Half of its revenue comes from games played on phones and handheld devices. Console games, the home of its best-known franchises, make up 39% of sales, and online games and websites supply the remaining 11%.

After paying the direct cost of making and delivering its games, it keeps 55% of every dollar, a healthy figure for the industry. Once the cost of running the company is counted, that cushion disappears, leaving an operating margin of minus 1%: on its ordinary business, it spends slightly more than it earns.

Nor has that first layer of profit been steady. Over five years its gross margin has had a middle value of 52%, typically swinging about 8 points either side. This is not a stable-margin business, which limits how much weight anyone can put on a single good year.



## Why now

The reason to look at Take-Two now falls on 19 November. Grand Theft Auto VI, made by its Rockstar studio, launches on PlayStation 5 and Xbox Series X|S at 79.99 dollars for a standard copy and 99.99 dollars for the Ultimate Edition. The date has already slipped twice, which is why its holding is part of the story rather than a formality.

Management says pre-orders are 'tracking far above our initial expectations', and has called them 'extraordinary', but has given no count. That is the tension at the heart of this moment: an event that could transform the company's earnings, backed so far by enthusiasm rather than figures anyone can check.

Measured against every listed company, Take-Two's growth has improved over the past year, but that has yet to show up as profit. Its listed peers have been profitable almost without interruption over five years; Take-Two has lost money on its operations in four of them. The launch is its chance to change that.

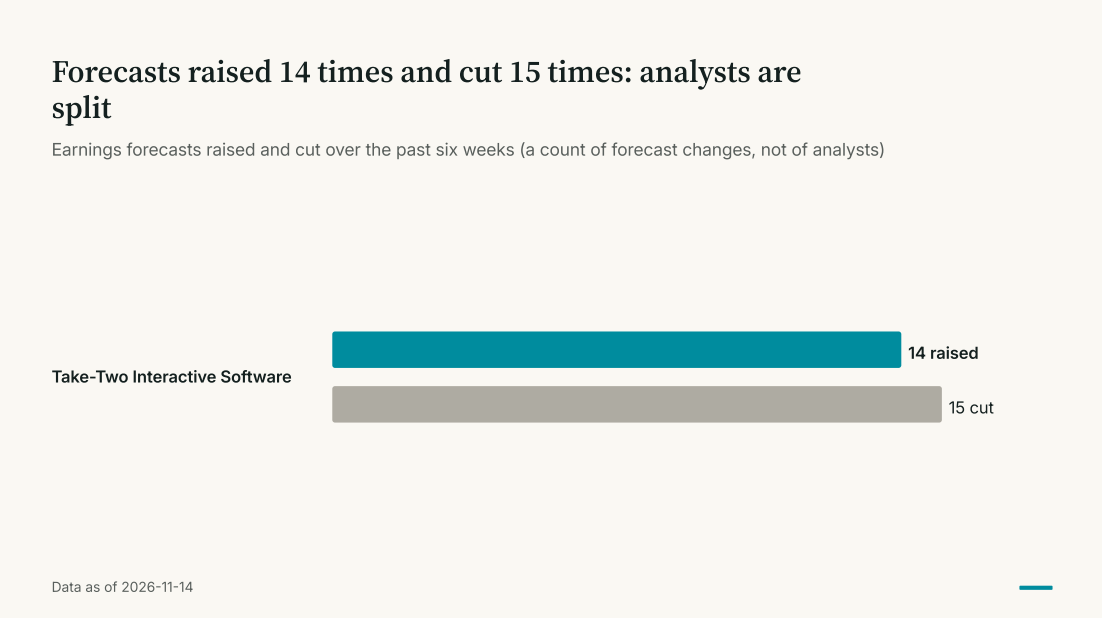



## The case for

The case for Take-Two starts and largely ends with Grand Theft Auto VI. The game was first meant for autumn 2025, then moved to May 2026, and then to 19 November. Since that last move, the company has repeated the date in every results release, most recently on 9 November. A date restated that consistently, this close to launch, suggests a team confident it will ship.

If it does, the earnings lift could be large. Analysts on average expect earnings per share to rise 44% next year, from 6.84 dollars to 9.86 dollars. That is a striking jump for a company of this size, and it explains why investors are prepared to look past the recent losses.

But because Take-Two is loss-making, the usual earnings-based valuations cannot be calculated, and the growth analysts expect is a rebound that only happens if the launch lands, not steady compounding. Even the analysts are torn: over the past 45 days they raised their earnings forecasts 14 times and cut them 15 times. The case for is real, but it is a bet on one event, not on a business that has been quietly growing its profits.




## Where the growth could come from

Despite a weak September quarter, the company held its full-year bookings target, the money players commit to its games, at 8.0 to 8.2 billion dollars. That only makes sense if the second half is enormous, and the second half is dominated by Grand Theft Auto VI. In plain terms, the shares are trading on one launch, which sits within console games software; our figures do not separate the new game from the company's other console titles.

Mobile, largely the Zynga games it acquired, earns its money from in-game purchases in free-to-download titles. It is the largest revenue line and, right now, the soft spot. If it keeps shrinking, it eats into whatever Grand Theft Auto adds and slows growth once the launch year has passed. One commentator argues the market has priced in the upside from the new game far more fully than the declines in mobile. Overall sales grew only 3% over the past year, which shows how little the rest of the company is contributing. The sign of a turn would be mobile bookings growing again year on year in their own right, rather than being masked by console.

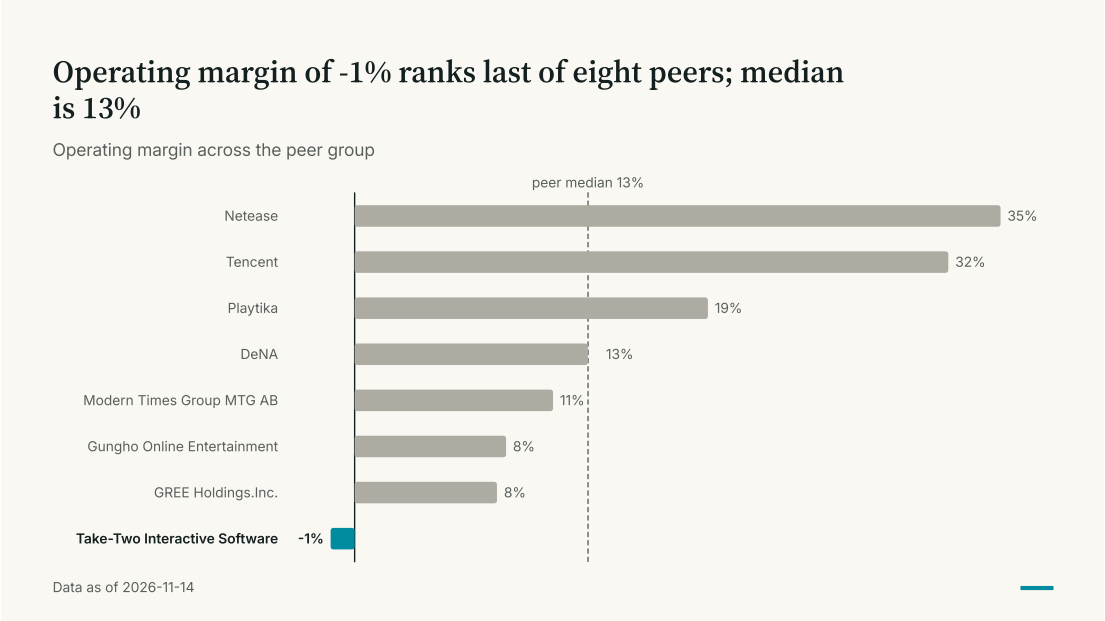
Beyond launch week lies what could make the game an income stream rather than a spike. Grand Theft Auto V's lasting value came from its online world, where players kept spending on in-game items for years. A similar online mode for the new game, and a PC version not yet announced, would stretch its earnings well beyond the opening; neither earns anything today. Whether earnings stay higher after launch matters more to the long-term value of the shares

than any opening-week total, and the evidence would be an announced PC release or online mode, followed by rising recurring in-game spending in later quarters.

Two smaller threads complete the picture. NBA 2K, the annual basketball game, brings in money each autumn from the game and from in-game currency spent building teams; it is a steady base that props up quarters without a Rockstar release, not a growth engine. And Take-Two has signed a new long-term publishing agreement with Xbox, while its chief executive expects the industry to be in 'commercial streaming mode within 3 years', with games played over the internet rather than bought outright. If so, the terms it strikes with platform owners will shape its margins, and it could reach players who never buy a console. For now, that is an option, not income.

## The case against

The first objection is that Take-Two keeps far less of its sales than its rivals do. Its gross margin matches peers such as Tencent, so its games are not unusually expensive to make; the difference lies further down, where its operating margin of minus 1% compares with 8% to 35% across its peer group. On the durability and profitability of the business, it sits close to the bottom of the market.




The second is the most recent quarter. Net bookings in the three months to 30 September came to 1.60 billion dollars, down 18% from 1.96 billion a year earlier and below the company's own forecast of 1.62 to 1.67 billion. Its outlook for the following quarter also came in below what analysts expected.

Third, the business underneath the new game is shrinking on every front. Mobile, 49% of revenue in the quarter at 731.1 million dollars, was 11% lower than a year before. Console revenue fell to 615.4 million dollars from 720.0 million, and PC and other revenue to 150.5

million from 232.2 million. Every line falling at once shows how much now rides on a single release.

Fourth, the strongest piece of good news is the company's own assertion. Without a count, investors cannot tell whether 'extraordinary' pre-orders mean a record or merely a comfortable beat on cautious internal targets.

Finally, the price already assumes success. Investors are paying 11.6 times the company's net assets as shown on its balance sheet and 6.8 times its annual sales, which puts it near the bottom of the whole market for value, with no earnings-based measure to fall back on.

## What the price assumes

One way to see what investors are banking on is to ask what earnings would justify today's share price five years from now. If the price stayed where it is, and the company were then valued the way the typical profitable listed company is valued today, its earnings would need to compound at 13% a year, taking earnings per share to 12.51 dollars.

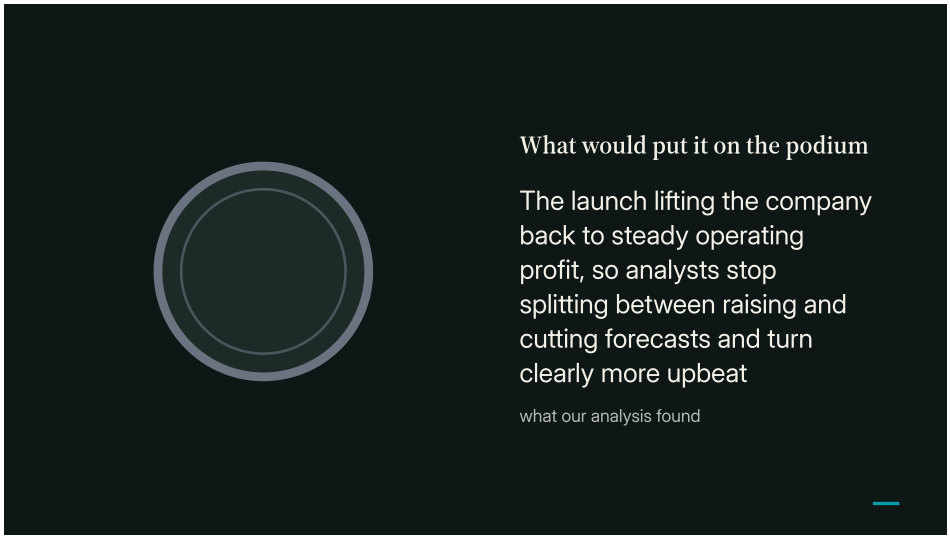
We do not set a projection against that figure: Take-Two's earnings have moved too unevenly, through years of losses, to show a trend worth carrying forward. What is clear is that the requirement starts from a company that is not yet profitable, so the first leg of that climb is simply getting back above zero and staying there.

The market's verdict has been cool. The shares are down 3% over the past year and 6% over the past six months. Investors have not been bidding the price up into the launch; they appear to be waiting, like us, to see the sales.

## What would put it on the podium

The one change that would earn Take-Two a medal is the launch lifting the company back to steady operating profit, because everything else follows from it. Analysts are split today precisely because no one knows whether Grand Theft Auto VI produces one spectacular year or a lasting step up.

If the game sells at the scale hoped for, and the quarters after launch show ongoing in-game spending rather than a cliff, the losses of the past four years would give way to profit, and analysts would have reason to turn clearly more upbeat. The evidence would be analysts turning clearly more confident, alongside an operating profit that holds up once the launch quarter has passed.




## What to watch

The first signal comes almost immediately: whether Take-Two publishes a units-sold figure soon after 19 November. Companies with a hit tend to announce it quickly, so a prompt, large number would replace the unverified pre-order talk with something concrete; silence would say something too. The next check is whether, at its following results, the company keeps or raises its full-year bookings target of 8.0 to 8.2 billion dollars.

The reading fails if Grand Theft Auto VI slips a third time, or launches to sales too weak to fill the second-half gap in that target. Then the shrinking mobile business, the falling back catalogue and the years of losses would become the whole story, and a share price that already assumes success would have little left to lean on.

## The numbers

| | |
|---|---|
| Gross margin | **55.0%** |
| Operating margin | **-1.3%** |
| Net margin | **-3.8%** |
| Return on equity | **-6.5%** |
| Sales growth, year on year | **3.1%** |
| Sales growth, 3-year compound | **5.6%** |
| Operating profit, by year | **2021 707m · 2022 25m · 2023 -1.3bn · 2024 -822m · 2025 -366m · 2026 -84m** |
| Net profit, by year | **2021 564m · 2022 -106m · 2023 -1.5bn · 2024 -3.6bn · 2025 -4.0bn · 2026 -240m** |

> Qualifications that apply to every figure above: currently loss-making: multiples on earnings are undefined and consensus growth is a recovery, not compounding; gross margin has varied by 8% around a 52% median: not a stable-margin business.

## The same industry, for comparison

| | |
|---|---|
| Tencent Holdings Ltd | **55% gross margin, 13x earnings** |
| Netease Inc Sponsored ADR | **67% gross margin, 17x earnings** |
| Take-Two Interactive Software, Inc. (this comp | **55% gross margin** |
| DeNA Co., Ltd. | **50% gross margin, 8x earnings** |
| Modern Times Group MTG AB Class B | **54% gross margin, 44x earnings** |
| Playtika Holding Corp. | **74% gross margin** |
| Gungho Online Entertainment, Inc. | **43% gross margin, 44x earnings** |
| GREE Holdings.Inc. | **47% gross margin, 29x earnings** |


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