



FEATURED OPTIONS RADAR REPORT



Take-Two Calls See Upside into Earnings

Ticker/Price: TTWO \$142

Analysis:

Take-Two (TTWO) buyers of 2,000 August \$145 calls today for \$7.20 to \$7.60, coiled setup and near new highs. TTWO recently had 2,000 January \$120/\$110 bull put spreads open while the December \$155 OTM calls with buyers on 6/15. TTWO shares are flagging just below \$145 and set for new highs with a measured move up to \$165. Shares are consolidating in a big monthly bull flag as well and continuation of the long-term trend targets \$200. The \$15.8B company trades 24.4X earnings, 5.12X sales, and 8X cash with mid-20% growth and a limited but exciting pipeline for the next 3-5 years. TTWO has been executing well with live services, online and digital sales with their core franchises like GTA V, Red Dead Redemption, and Borderlands continuing to drive user engagement. They posted 50% bookings in Q1 while customer spending in-game on DLC, add-ons, and more rose 40%. Video games sales have been consistently strong throughout COVID-19 with May sales up over 50%. Analysts have an average target for shares of \$145. MKM upgrading to Buy recently noting that the 'remastered' GTA V release in 2021 should be a net positive overall to get players to migrate to the next-gen consoles. Baird positive on 6-9 noting that TTWO is well positioned to expand margins and grow the topline by leveraging its core game franchises and also expanding its mobile and PC-browser based titles. Stephens with an interesting note on 5-27 highlighting that a recent 8-K shifted a significant amount of marketing capital into FY24 and this kind of move in the past has predicted when a big game announcement/release is timed and eyes on the next GTA. Short interest is 4.2% and near multi-year lows. Hedge fund ownership rose near 19% in Q1. Melvin Capital a big buyer of 2.28M shares while Point72 a new 1M share position. TTWO last saw a notable insider buy in 2018 but right around current levels when a director added \$10M in stock at \$133.93.

Hawk Vision:



Hawk's Perspective: TTWO is my favorite name of the big developers given their strengths in digital and add-on content while their main franchises are unbeatable w/ optionality from a new GTA announcement; TTWO reports in early August and likely another strong quarter

Confidence Ranking: \$\$