



## FEATURED OPTIONS RADAR REPORT



### Bulls See Better Times Ahead for Intellectual Property Leader

**Ticker/Price:** TTWO (\$158.3)

#### Analysis:

**Take Two Interactive (TTWO)** on 8/6 with 2000 December \$160 calls bought to open for around \$2.3M in large trades, a name that has 1500 December \$185 short puts in OI from trades in May, 1000 January \$130 short puts, and notable OI in January \$185, \$190, and \$195 calls for over 1000X each. TTWO shares have been pulling back most of 2021 with videogame stocks under pressure from tough comp concerns as we come out of the pandemic. TTWO's ugly candle last week took shares back to a 50% retracement of the March 2020 low to early 2021 high range, also VWAP off those March lows at \$160.25 and shares moved outside the lower weekly Bollinger Band, very oversold and at support of a falling wedge pattern. TTWO is a leading publisher of videogames though Rockstar Games, 2K, Private Division, Social Point, and Playdots. It has industry-leading titles such as Grand Theft Auto, Red Dead Redemption, NBA 2K, Borderlands, and Max Payne while top mobile grossing names include Monster Legends, WWE SuperCard, and Dragon City. The global videogame market is expanding at a 5% CAGR and seen reaching \$286B by 2025. TTWO has its strongest development pipeline in company history with 21 releases due for FY22 and another 41 for FY23/24 and has hired 1500 developers the last two years. TTWO currently has a market cap of \$18.3B and trades 23.1X Earnings, 5.45X Sales and 39X FCF with revenues seen rising just 2.2% in FY22 and then accelerating in FY23 to 18% growth. TTWO has been a consistent growth name with a 17% net bookings CAGR since FY17 and now sits on over \$2.7B in cash which can be used for M&A. TTWO guidance underwhelmed last week mainly due to game delays and 2022 looks set-up strong for GTA Online and Red Dead Online. Analysts have an average target of \$217 with short interest low at 2% of the float. Wedbush raised its target to \$222 citing strong engagement trends. MoffettNathanson in June started shares Buy with a \$214 target calling it the best IP collection of franchises in the industry and sees margin expansion opportunities. Hedge Fund ownership dropped more than 14% in the latest quarterly filings.

#### Hawk Vision:



**Hawk's Perspective:** TTWO and the other videogame plays remain great long-term investments for a strongly growing industry. I would like to see TTWO close above \$162 and then be trading against the \$155.5 level.

**Confidence Ranking:** \$\$\$