

TAKE TWO INTERACTIVE SOFTWARE INC
Form 10-Q
October 31, 2012

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2012

OR

o **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 0-29230**

TAKE-TWO INTERACTIVE SOFTWARE, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

51-0350842
(I.R.S. Employer
Identification No.)

622 Broadway
New York, New York
(Address of principal executive offices)

10012
(Zip Code)

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 ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ý No o

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

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Act. (Check one):

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

(Do not check if a
smaller reporting company)

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

As of October 24, 2012, there were 90,753,166 shares of the Registrant's Common Stock outstanding.

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(All other items in this report are inapplicable)

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(in thousands, except per share amounts)

	September 30, 2012 (Unaudited)	March 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 328,284	\$ 420,279
Accounts receivable, net of allowances of \$61,008 and \$51,002 at September 30, 2012 and March 31, 2012, respectively	154,951	45,035
Inventory	60,568	22,477
Software development costs and licenses	212,547	211,224
Prepaid expenses and other	41,593	44,602
Total current assets	797,943	743,617
Fixed assets, net		
Software development costs and licenses, net of current portion	21,879	18,949
Goodwill	68,881	104,755
Other intangibles, net	228,588	228,169
Other assets	11,101	16,266
	36,353	37,671
Total assets	\$ 1,164,745	\$ 1,149,427
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 125,079	\$ 46,681
Accrued expenses and other current liabilities	172,104	156,768
Deferred revenue	38,284	13,864
Liabilities of discontinued operations	1,464	1,412
Total current liabilities	336,931	218,725
Long-term debt		
Other long-term liabilities	325,539	316,340
Liabilities of discontinued operations, net of current portion	16,193	16,316
	1,573	2,319
Total liabilities	680,236	553,700
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value, 5,000 shares authorized		
Common stock, \$.01 par value, 200,000 and 150,000 shares authorized at September 30, 2012 and March 31, 2012, respectively; 92,093 and 90,215 shares issued and outstanding at September 30, 2012 and March 31, 2012, respectively	921	902
Additional paid-in capital	811,036	799,431

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Accumulated deficit	(334,668)	(211,339)
Accumulated other comprehensive income	7,220	6,733
Total stockholders' equity	484,509	595,727
Total liabilities and stockholders' equity	\$ 1,164,745	\$ 1,149,427

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 September 30,		Six Months Ended September 30,	
	2012	2011	2012	2011
Net revenue	\$ 273,084	\$ 107,034	\$ 499,223	\$ 441,414
Cost of goods sold	158,487	74,703	345,218	285,922
Gross profit	114,597	32,331	154,005	155,492
Selling and marketing	65,851	28,773	144,858	103,456
General and administrative	30,809	25,785	74,011	56,362
Research and development	19,320	15,998	34,632	32,517
Depreciation and amortization	2,550	3,284	5,319	6,529
Total operating expenses	118,530	73,840	258,820	198,864
Loss from operations	(3,933)	(41,509)	(104,815)	(43,372)
Interest and other, net	(7,419)	(4,333)	(15,468)	(8,013)
Loss from continuing operations before income taxes	(11,352)	(45,842)	(120,283)	(51,385)
Provision for income taxes	1,085	1,419	2,926	4,495
Loss from continuing operations	(12,437)	(47,261)	(123,209)	(55,880)
Loss from discontinued operations, net of taxes	(54)	(110)	(120)	(204)
Net loss	\$ (12,491)	\$ (47,371)	\$ (123,329)	\$ (56,084)
Earnings (loss) per share:				
Continuing operations	\$ (0.15)	\$ (0.57)	\$ (1.45)	\$ (0.68)
Discontinued operations				
Basic earnings (loss) per share	\$ (0.15)	\$ (0.57)	\$ (1.45)	\$ (0.68)
Continuing operations	\$ (0.15)	\$ (0.57)	\$ (1.45)	\$ (0.68)
Discontinued operations				
Diluted earnings (loss) per share	\$ (0.15)	\$ (0.57)	\$ (1.45)	\$ (0.68)

See accompanying Notes.

Table of Contents**TAKE-TWO INTERACTIVE SOFTWARE, INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (Unaudited)**

(in thousands)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2012	2011	2012	2011
Net loss	\$ (12,491)	\$ (47,371)	\$ (123,329)	\$ (56,084)
Other comprehensive income (loss):				
Foreign currency translation adjustment	11,654	(9,508)	318	(9,240)
Change in unrealized gains on derivative instruments, net	272		169	
Other comprehensive income (loss)	\$ 11,926	\$ (9,508)	\$ 487	\$ (9,240)
Comprehensive loss	\$ (565)	\$ (56,879)	\$ (122,842)	\$ (65,324)

See accompanying Notes.

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TAKE-TWO INTERACTIVE SOFTWARE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(in thousands)

	Six Months Ended September 30,	
	2012	2011
Operating activities:		
Net loss	\$ (123,329)	\$ (56,084)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization and impairment of software development costs and licenses	142,286	84,361
Depreciation and amortization	5,319	6,529
Loss from discontinued operations	120	204
Amortization and impairment of intellectual property	4,944	716
Stock-based compensation	14,097	12,660
Amortization of discount on Convertible Notes	9,199	4,060
Amortization of debt issuance costs	1,017	626
Other, net	362	91
Changes in assets and liabilities, net of effect from purchases of businesses:		
Accounts receivable	(109,916)	64,645
Inventory	(38,091)	(20,499)
Software development costs and licenses	(111,317)	(87,584)
Prepaid expenses, other current and other non-current assets	3,319	(14,734)
Deferred revenue	24,420	3,759
Accounts payable, accrued expenses and other liabilities	96,066	(7,821)
Net cash used in discontinued operations	(814)	(1,161)
Net cash used in operating activities	(82,318)	(10,232)