

TAKE TWO INTERACTIVE SOFTWARE INC  
Form 10-Q  
June 11, 2007

# 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 April 30, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 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)  
**622 Broadway**  
**New York, New York**  
(Address of principal executive offices)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act).

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

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 June 5, 2007, there were 73,593,883 shares of the Registrant's Common Stock outstanding.



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(All other items in this report are inapplicable)

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

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

	April 30, 2007 (Unaudited)	October 31, 2006
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 108,516	\$ 132,480
Accounts receivable, net of allowances of \$52,847 and \$91,509 at April 30, 2007 and October 31, 2006, respectively	70,406	143,199
Inventory, net	80,228	95,520
Software development costs and licenses	117,632	85,207
Prepaid taxes and taxes receivable	39,710	60,407
Prepaid expenses and other	34,712	28,060
Total current assets	451,204	544,873
Fixed assets, net	48,784	47,496
Software development costs and licenses, net of current portion	37,880	31,354
Goodwill	190,693	187,681
Other intangibles, net	34,845	43,248
Other assets	12,173	14,154
Total assets	\$ 775,579	\$ 868,806
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 77,818	\$ 123,947
Accrued expenses and other current liabilities	132,408	128,282
Deferred revenue	36,678	11,317
Total current liabilities	246,904	263,546
Deferred revenue	25,000	50,000
Other long-term liabilities	6,437	4,868
Total liabilities	278,341	318,414
Commitments and contingencies		
Stockholders' Equity:		
Common Stock, \$.01 par value, 100,000 shares authorized; 72,971 and 72,745 shares issued and outstanding at April 30, 2007 and October 31, 2006, respectively	730	727
Additional paid-in capital	494,934	482,104
Retained earnings (accumulated deficit)	(12,138 )	60,659
Accumulated other comprehensive income	13,712	6,902
Total stockholders' equity	497,238	550,392
Total liabilities and stockholders' equity	\$ 775,579	\$ 868,806

See accompanying Notes.

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

	Three months ended April 30,		Six months ended April 30,	
	2007	2006	2007	2006
Net revenue	\$ 205,436	\$ 265,122	\$ 482,776	\$ 530,103
Cost of goods sold:				
Product costs	105,679	130,940	269,822	291,793
Software development costs and royalties	53,903	116,410	93,985	164,871
Total cost of goods sold	159,582	247,350	363,807	456,664
Gross profit	45,854	17,772	118,969	73,439
Selling and marketing	28,159	32,194	63,183	73,838
General and administrative	40,471	33,705	79,085	72,158
Research and development	11,936	16,097	26,086	33,806
Business reorganization and related	8,962		8,962	
Impairment of long-lived assets		6,249		6,249
Depreciation and amortization	7,076	6,695	13,737	13,346
Total operating expenses	96,604	94,940	191,053	199,397
Loss from operations	(50,750 )	(77,168 )	(72,084 )	(125,958 )
Interest income, net	1,022	4	1,884	257
Loss before income taxes	(49,728 )	(77,164 )	(70,200 )	(125,701 )
Provision (benefit) for income taxes	1,521	(26,791 )	2,597	(46,206 )
Net loss	\$ (51,249 )	\$ (50,373 )	\$ (72,797 )	\$ (79,495 )
Basic and diluted loss per share	\$ (0.71 )	\$ (0.71 )	\$ (1.02 )	\$ (1.12 )
Basic and diluted weighted average shares outstanding	71,736	70,979	71,548	70,890

See accompanying Notes.

**TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**  
**(in thousands)**

	Six months ended April 30,	
	2007	2006
<b>Operating activities:</b>		
Net loss	\$ (72,797 )	\$ (79,495 )
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Amortization and write-off of software development costs, licenses and intellectual property	49,688	94,007
Depreciation and amortization of long-lived assets	13,737	13,346
Impairment of long-lived assets		6,249
Stock-based compensation	8,777	8,694
Benefit for deferred income taxes	(135 )	(29,654 )
Provision for price concessions, sales allowances and doubtful accounts	38,388	94,524
Foreign currency transaction gain and other	(959 )	(1,252 )
Changes in assets and liabilities, net of effect from purchases of businesses:		
Accounts receivable	37,869	(24,542 )
Inventory	15,292	45,348
Software development costs and licenses	(77,589 )	(74,722 )
Prepaid expenses, other current and other non-current assets	16,150	(199 )
Accounts payable, accrued expenses, deferred revenue and other liabilities	(42,461 )	(9,661 )
Total adjustments	58,757	122,138
Net cash (used for) provided by operating activities	(14,040 )	42,643
<b>Investing activities:</b>		
Purchase of fixed assets	(13,090 )	(13,009 )
Payments for purchases of businesses, net of cash acquired	(982 )	(191 )
Net cash used for investing activities	(14,072 )	(13,200 )
<b>Financing activities:</b>		
Proceeds from exercise of stock options	802	1,944
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