

GameStop Corp.

Q3 mixed and no FY21 guidance. Reddit trading may propel stock near term, but likely to fade in 2022 as digital threats increases and earnings outlook weak. Lowering P/T to \$23.

COMPANY UPDATE

Rating: SELL

Ticker: GME

Price: \$152.14

Target: \$23.00
(from \$24)

Q3 mixed: GameStop recently (on December 8) reported its fiscal Q3 2021 results. Revenue was \$1.30 billion (+29% y-o-y), compared to our estimate of \$1.02 billion and consensus of \$1.19 billion. Pro forma EPS was \$(1.39), compared with our estimate of \$(0.76) and consensus of \$(0.52). There was no Q3 guidance.

Strong Hardware and Collectibles sales again: Hardware sales were +62% (y-o-y) on continued strong sales of new consoles Sony's PS5 and Microsoft Xbox Series S/X (both launched in November 2020) and Nintendo Switch. Collectibles sales were also strong at +31% (y-o-y). Software sales were -2% y-o-y.

No guidance: GameStop again declined to provide forward guidance.

Adjusting estimates: We are adjusting our FY21 estimates for revenue to \$5.86 billion, from \$5.41 billion, and for EPS to \$(1.54) from \$(1.00).

New CEO and CFO: In June, GameStop announced Matt Furlong as its new CEO (replacing George Sherman) and Mike Recupero as its new CFO. Mr. Furlong and Mr. Recupero join from Amazon, where they each held senior roles. Its Q3 earnings conference call was the second call led by Mr. Furlong.

Raised \$1.7 billion: The company completed (in Q2) its ATM stock sale raising \$1.13 billion (5.0 million shares at ~\$225/share). This is on top of the \$551 million (3.5 million shares at ~\$157/share) raised in Q1. The company has a strong \$1.4 billion in cash at Q3.

New initiatives: The company recently acquired a new distribution center in Reno and a customer service center in Florida. There also has been speculation (none confirmed) about potential entry into NFT (non-fungible tokens) and crypto-currencies. The company has discussed emerging opportunities in blockchain, NFTs, and Web 3.0 gaming, though specific details are not available.

However, digital concerns increasing: Recent reports by video game publishers shows that digital revenue is increasing at a fast pace (~90% or more of publishers' revenues). We remain very concerned about the long term prospects for GME's core video game business once hardware sales temper as the installed base matures. Despite very strong (partly abnormally driven by SIP COVID-19 restrictions) video game industry sales in 2021, GameStop's software sales have been about flat.

Incredible stock rally: GameStop's shares have rallied over ~10x in 2021 (the stock was ~\$17 in December and closed recently at \$152 after being as high as \$483 in January) due to wild investor optimism about the company's prospects and valuation and a humongous short squeeze (~140% of the float was shorted at one point). A lot of this share price catalyst was driven from Ryan Cohen (a cofounder of online pet store Chewy.com) who is GameStop's largest shareholder and is now Chairman. Mr. Cohen has lead a drive to hire completely new management (including a new CEO and CFO) and to change its strategic focus.

Meme/Reddit/Stonk trades: Due to the popularity of GameStop on Reddit chat boards and with Robinhood retail investors, its shares no longer trade on traditional fundamental valuations or metrics, but on retail investors sentiment, hope, momentum, and the powers of crowds. This makes short term price movement forecasts nearly impossible (and we acknowledge can drive shares much higher), but we believe that over the long run (over one year) GameStop's current elevated share prices will come back down to match its current weak results and outlook.

VC-type very high risks/high rewards: We acknowledge Mr. Cohen's success and talents and the large cash GameStop now has greatly increases the odds that it can pivot to be a successful e-commerce company. However, we are still very early in its transformation and investors are likely facing a very high risk/rewards scenario.

Maintaining SELL due to risks: We are maintaining our SELL rating, but lowering our 12-month price target to \$23 from \$24, which reflects its estimated current cash value per share. We believe our rating and price target reflects the company's significant digital and execution risks offset by the small chance for a highly successful and valuable company transformation.

Company Description

Based in Grapevine, TX, GameStop is the world's largest specialty retailer of video game and personal computer (PC) entertainment products.

December 24, 2021

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Stock Data

Exchange:	NYSE
52-week Range:	\$17.08 – 483.00
Shares Outstanding (million):	77
Market cap (\$million):	\$11,715
EV (\$million):	\$10,348
Debt (\$million):	\$46
Cash (\$million):	\$1,413
Avg. Daily Trading Vol. (\$million):	\$350
Float (million shares):	62
Short Interest (million shares):	6
Dividend, annual (yield):	\$0 (N/A%)

Revenues (US\$ million)

	2021E (Cur.)	2021E (Old)	2022E (Cur.)	2022E (Old)
Q1 Apr	1,277A		1,150E	
Q2 Jul	1,183A		1,056E	
Q3 Oct	1,297A	1,016E	1,165E	874E
Q4 Jan	2,107E	1,937E	1,810E	1,635E
Total	5,864E	5,414E	5,181E	4,715E
EV/Revs	1.8x		2.0x	

Earnings per Share (pro forma)

	2021E (Cur.)	2021E (Old)	2022E (Cur.)	2022E (Old)
Q1 Apr	(0.45)A		(0.51)E	
Q2 Jul	(0.76)A		(0.60)E	(0.59)E
Q3 Oct	(1.39)A	(0.76)E	(0.57)E	(0.50)E
Q4 Jan	1.01E	0.89E	0.90E	0.77E
Total	(1.54)E	(1.00)E	(0.76)E	(0.81)E
P/E	N/A		N/A	

Important Disclosures

Ascendant Capital Markets LLC seeks to do business with companies covered by its research team. Consequently, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making an investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 10.

OVERVIEW

- GameStop recently (on December 8) reported its fiscal Q3 2021 (ending October 30, 2021) results.
- Revenue was \$1.30 billion (+29% y-o-y), compared to our estimate of \$1.02 billion and consensus of \$1.19 billion.
- The company no longer provides Same Store Comparable Sales %.
- Pro forma EPS was \$(1.39), compared with our estimate of \$(0.76) and consensus of \$(0.52).
- There was no Q3 guidance.
- GameStop again declined to provide specific forward guidance.
- We are adjusting our FY21 estimates for revenue to \$5.86 billion, from \$5.41 billion, and for EPS to \$(1.54) from \$(1.00).
- We are raising our FY22 estimates for revenue to \$5.18 billion, from \$4.72 billion, and for EPS to \$(0.76) from \$(0.81).

ADDITIONAL DETAILS

- Gross profit for the quarter was \$319 million, compared with our estimate of \$273 million.
- Gross margin for the quarter was 24.6%, versus 27.5% last year and our expectation of 26.9%.
- Operating expenses were \$422 million, versus our expectation of \$350 million.
- Pro forma operating loss was \$103 million, versus our expectation of a loss of \$77 million.
- Pro forma net loss was \$105 million, versus our expectation of a loss of \$58 million.
- The company did not provide an updated global stores count for Q3 FY21, compared with 4,642 in Q2 FY21.
- In May 2018, Mike Mauler stepped down as CEO “for personal reasons” abruptly after only 3 months as CEO. The company announced that Shane Kim, current member of the Board, will serve as interim CEO until a permanent one is named, and that CFO Rob Lloyd has been promoted to chief operating officer and CFO.
- In March 2019, the company appointed George Sherman as its new CEO. Mr. Sherman is a retail veteran who was most recently CEO of Victra, the largest exclusive authorized retailer for Verizon Wireless products and services.
- In May 2019, the company appointed James Bell as Chief Financial Officer replacing long time CFO Rob Lloyd.
- In June 2018, GameStop announced that it is pursuing strategic alternatives, including a possible sale of the company.
- In November 2018, GameStop entered into an agreement to sell its Spring Mobile phone business, which owns and operates 1,289 AT&T wireless stores, to Prime Communications, L.P. for \$700 million. This deal closed in Q4 FY18.
- In January 2019, the company abandoned efforts to sell the company due to unfavorable valuations.
- In May 2019, the company sold its Simply Mac business (43 stores selling Apple products). Terms were not disclosed.
- In February 2021, James Bell resigned as CFO and a search for a permanent CFO has begun.
- In June 2021, GameStop announced Matt Furlong as its new Chief Executive Officer (replacing George Sherman) and Mike Recupero as its new Chief Financial Officer. Mr. Furlong and Mr. Recupero join from Amazon, where they each held senior roles and oversaw various growth initiatives during their respective tenures.
- We believe all of these changes are lead by Ryan Cohen (a cofounder of online pet store Chewy.com) who is GameStop’s largest shareholder (~13% ownership). In March 2021, GameStop formed a Strategic Planning and Capital Allocation Committee lead by Mr. Cohen to make major strategic decisions for the company. Mr. Cohen also became Chairman of the Board following its Annual Meeting in June. In addition, GameStop’s Board has several new directors closely affiliated with Mr. Cohen.

Exhibit 1: Sales By Products

Schedule I

Sales Mix

(in millions)

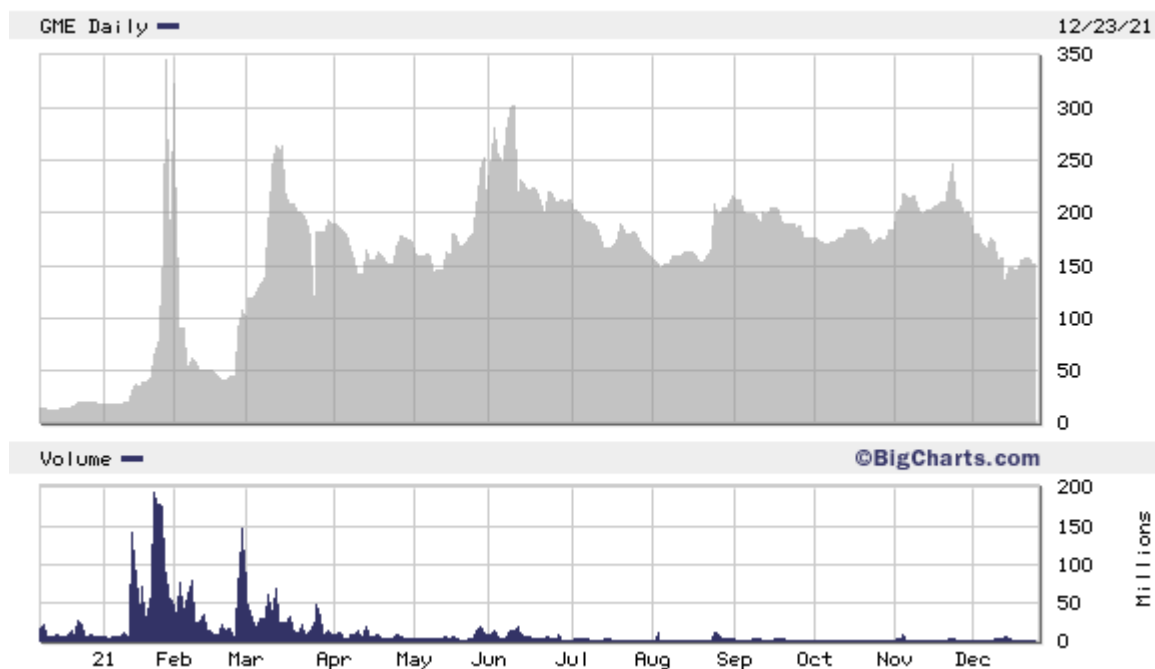
(unaudited)

	13 Weeks Ended October 30, 2021		13 Weeks Ended October 31, 2020	
Net Sales:	Sales	of Total	Sales	of Total
Hardware and accessories ⁽¹⁾	\$ 669.9	51.7%	\$ 413.4	41.2%
Software ⁽²⁾	434.5	33.5	444.4	44.2
Collectibles	192.2	14.8	146.9	14.6
Total	\$ 1,296.6	100.0%	\$ 1,004.7	100.0%

Source: Company report

The company's balance sheet is solid with \$1,413 million in cash and \$46 million in debt (~\$18/share in net cash), compared with \$1,720 million in cash and \$48 million in debt as of July. In Q2, the company completed its ATM (at-the-market) stock sale raising \$1.13 billion (5.0 million shares at ~\$225/share). This is on top of the \$551 million (3.5 million shares at ~\$157/share) raised from its ATM in Q1.

Exhibit 2: GameStop Stock Price (since December 8, 2020 when it reported Q3 FY20 results (closed @ \$16.94))



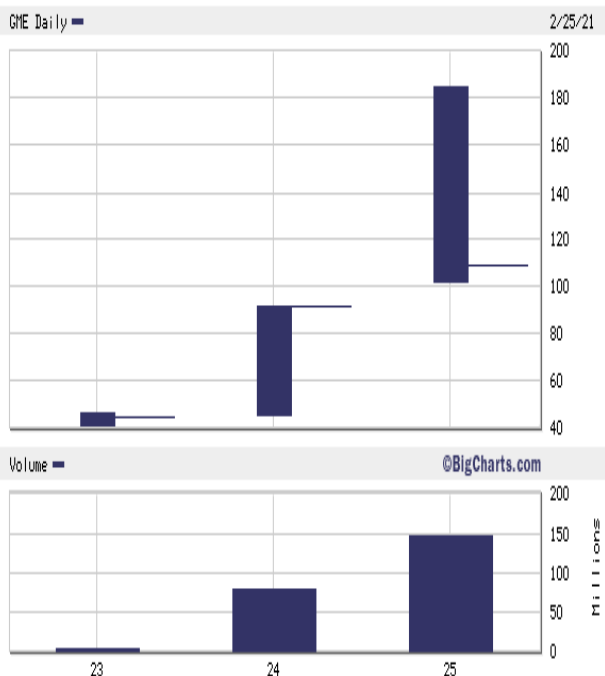
Source: <https://bigcharts.marketwatch.com/>

Exhibit 3: GameStop's Reddit Trading

Ryan Cohen
@ryancohen



10:57 AM · Feb 24, 2021 · Twitter for iPhone



GameStop shares jump another 80% after board member's cryptic tweet about soft-serve ice cream spurs frenzied speculation on Reddit - as Roaring Kitty reveals he has doubled his stake in the 'meme stock'

- GameStop shares surged again on Thursday after a 100% rally the day before
- It spurred fears of more small investors losing big if they buy at inflated prices
- Price move followed cryptic soft serve tweet from board member Ryan Cohen
- Reddit users speculated Cohen was 'taking the reins' after CFO's ouster
- They noted his prior company had McDonald's soft-serve at first board meeting
- GameStop evangelist Roaring Kitty revealed last week he doubled his stake
- Keith Gill spent \$2 million to buy 50,000 shares at an average price of \$40

By **KEITH GRIFFITH FOR DAILYMMAIL.COM**

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Source: <https://twitter.com/ryancohen/status/1364650709669601289>, <https://bigcharts.marketwatch.com/>, <https://www.dailymail.co.uk/>

Exhibit 4: Q3 FY21 Highlights

THIRD QUARTER OVERVIEW

- Net sales were \$1.297 billion for the quarter, compared to \$1.005 billion in the prior year's third quarter.
- Sales attributable to new and expanded brand relationships, such as Samsung, LG, Razer, Vizio and others, contributed to the Company's growth in the quarter.
- Inventory was \$1.141 billion at the close of the quarter, compared to \$861 million at the close of the prior year's third quarter, reflecting the Company's focus on front-loading investments in inventory to meet increased customer demand and mitigate supply chain issues.
- Ended the period with cash and cash equivalents of \$1.413 billion as well as no debt other than a \$46.2 million low-interest, unsecured term loan associated with the French government's response to COVID-19.
- Established new offices in Seattle, Washington and Boston, Massachusetts, which are technology hubs with established talent markets.
- Secured a new \$500 million ABL facility, which closed in November just after the end of the third quarter, with improved liquidity and terms, including reduced borrowing costs, lighter covenants and additional flexibility.

Source: Company report

Exhibit 5: GameStop Strategic Plan (as of March 2021)

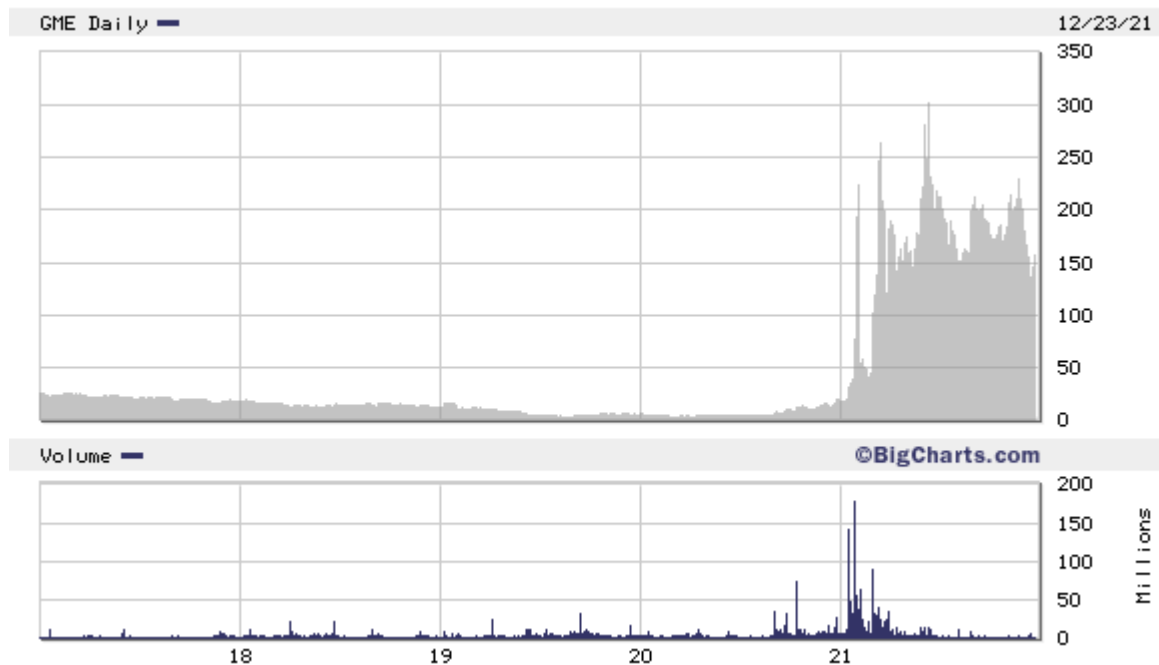
2021 Strategic Initiatives

GameStop is focused on transforming into a customer-obsessed technology company that delights gamers. The Board and management are taking the below steps in fiscal year 2021:

- Investing in technology capabilities, including by in-sourcing talent and revamping systems, and evaluating next-generation assets;
- Building a superior customer experience;
- Expanding product offerings;
- Modernizing U.S. fulfillment operations to improve speed of delivery and service;
- Establishing a U.S.-based customer care operation, and;
- Leveraging the Company's digital assets, including Game Informer and PowerUp Rewards, to increase market share within the growing online gaming community.

Source: Company report

Exhibit 6: GameStop Stock Price (Five Years)



Source: <https://bigcharts.marketwatch.com/>

Exhibit 7: Consensus Expectations (as of 12/8/21)

	Revenue (\$million)			EPS	
	2021E	2022E		2021E	2022E
Q1 Apr	\$1,277A		Q1 Apr	\$(0.45)A	
Q2 Jul	\$1,183A		Q2 Jul	\$(0.76)A	
Q3 Oct	\$1,189E		Q3 Oct	\$(0.52)E	
Q4 Jan	\$2,028E		Q4 Jan	\$1.06E	
Total	\$5,666E	\$5,537E	Total	\$(0.64)E	\$0.15E

*Quarterly estimates may not add to annual estimates due to variations in contributing estimates and rounding.

Source: Company report, Refinitiv, and Ascendant Capital Markets estimates

FINANCIAL MODEL

GameStop Corp.

Income Statement (\$ millions)	Apr-19	Jul-19	Oct-19	Jan-20	2019	Apr-20	Jul-20	Oct-20	Jan-21	2020	Apr-21	Jul-21	Oct-21	Jan-22	2021	Apr-22	Jul-22	Oct-22	Jan-23	2022
Fiscal Year End: January 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Total Revenue	1,548	1,286	1,439	2,194	6,466	1,021	942	1,005	2,122	5,090	1,277	1,183	1,297	2,107	5,864	1,150	1,056	1,165	1,810	5,181
Cost of sales	1,077	887	997	1,597	4,557	739	690	728	1,674	3,830	947	863	978	1,573	4,360	834	755	852	1,359	3,800
Gross profit	471	399	441	597	1,909	282	252	276	449	1,260	330	321	319	534	1,504	316	300	313	451	1,381
Selling, General & Admin expense	431	459	452	512	1,853	387	348	360	419	1,514	370	379	422	401	1,572	334	327	338	326	1,324
Depreciation & Amortization	23	23	24		69					0				35	35	35	35	35		140
Stock-based comp					0					0				0	0	0	0	0	0	0
Restructuring & Other Charges		364	11	10	386	4	(10)	(21)	11	(17)	1				1					0
Operating Income	18	(447)	(46)	75	(400)	(108)	(86)	(63)	19	(238)	(41)	(58)	(103)	98	(104)	(52)	(62)	(60)	91	(83)
Interest expenses (income)	8	7	6	7	27	7	8	10	8	32	25	1	1	1	27	1	1	1	1	2
Other expenses (income)	1	2	0	4	7	1	0		(0)	1				0	0	0	0	0	0	0
Total non-operating (income)/expt	8	9	6	10	34	7	8	10	8	33	25	1	1	1	27	1	1	1	1	2
Pretax Income	9	(455)	(52)	65	(433)	(115)	(93)	(73)	11	(271)	(66)	(58)	(104)	97	(130)	(53)	(62)	(60)	90	(86)
Provision for income taxes	2	(40)	32	44	38	50	18	(54)	(70)	(55)	1	3	2	19	26	(13)	(16)	(15)	18	(26)
Net Income	7	(415)	(83)	21	(471)	(166)	(111)	(19)	80	(215)	(67)	(62)	(105)	78	(156)	(40)	(47)	(45)	72	(60)
Nonrecurring expense/(income)	1	383	43	63	490	62	20	(16)	10	76	37	7	0	0	44	0	0	0	0	0
Net Income (pro forma)	8	(32)	(40)	84	19	(104)	(91)	(34)	91	(139)	(29)	(55)	(105)	78	(112)	(40)	(47)	(45)	72	(60)
EBITDA	43	(60)	(11)	86	57	(76)	(62)	(62)	50	(149)	(1)	(30)	(80)	133	23	(17)	(27)	(25)	126	57
Basic Shares	102	100	82	66	88	65	65	65	65	65	66	73	76	77	73	77	78	79	80	79
Diluted Shares	103	100	82	66	88	65	65	65	68	65	66	73	76	77	73	77	78	79	80	79
Basic EPS (pro forma)	0.07	(0.32)	(0.49)	1.28	0.22	(1.61)	(1.40)	(0.53)	1.39	(2.14)	(0.45)	(0.76)	(1.39)	1.01	(1.54)	(0.51)	(0.60)	(0.57)	0.90	(0.76)
Diluted EPS (pro forma)	0.07	(0.32)	(0.49)	1.27	0.22	(1.61)	(1.40)	(0.53)	1.34	(2.14)	(0.45)	(0.76)	(1.39)	1.01	(1.54)	(0.51)	(0.60)	(0.57)	0.90	(0.76)
Income Statement Ratios																				
Gross margin	30.4%	31.0%	30.7%	27.2%	29.5%	27.7%	26.8%	27.5%	21.1%	24.7%	25.9%	27.1%	24.6%	25.4%	25.6%	27.5%	28.5%	26.9%	24.9%	26.7%
SG&A	27.8%	35.7%	31.4%	23.3%	28.7%	37.9%	37.0%	35.9%	19.7%	29.7%	29.0%	32.0%	32.5%	19.1%	26.8%	29.0%	31.0%	29.0%	18.0%	25.6%
Depreciation&Amortization	1.5%	1.8%	1.6%	0.0%	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.7%	0.6%	3.0%	3.3%	3.0%	1.9%	2.7%
Stock-based comp	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating margin	1.1%	-34.7%	-3.2%	3.4%	-6.2%	-10.6%	-9.1%	-6.3%	0.9%	-4.7%	-3.2%	-4.9%	-7.9%	4.6%	-1.8%	-4.6%	-5.9%	-5.1%	5.0%	-1.6%
Net margin	0.4%	-32.3%	-5.8%	1.0%	-7.3%	-16.2%	-11.8%	-1.9%	3.8%	-4.2%	-5.2%	-5.2%	-8.1%	3.7%	-2.7%	-3.4%	-4.4%	-3.9%	4.0%	-1.2%
Tax Rate	25.3%	8.8%	-61.0%	67.6%	-8.7%	-43.7%	-19.2%	74.1%	-645.4%	20.4%	-2.0%	-5.3%	-1.6%	20.0%	-19.6%	25.0%	25.0%	25.0%	20.0%	30.3%
Year-over-Year Changes																				
Comps	-10.3%	-11.6%	-23.2%	-26.1%	-19.4%	-30.0%	-12.7%	-24.6%	6.5%	-9.5%	25.1%	25.6%	15.0%	13.0%	18.3%	5.0%	5.0%	4.0%	3.0%	4.0%
Store unit growth	-1.4%	-1.5%	-1.6%	-5.6%	-5.6%	-7.5%	-12.3%	-12.0%	-12.9%	-12.9%	-11.2%	-11.6%	-17.1%	-17.7%	-17.7%	-23.0%	-23.9%	-24.9%	-26.0%	-26.0%
Net Sales	-20.0%	-21.9%	-31.0%	-28.4%	-25.9%	-34.0%	-26.7%	-30.2%	-3.3%	-21.3%	25.1%	25.6%	29.1%	-0.7%	15.2%	-9.9%	-10.8%	-10.2%	-14.1%	-11.6%
Cost of goods sold	-15.7%	-15.6%	-28.4%	-31.0%	-24.5%	-31.4%	-22.2%	-27.0%	4.8%	-16.0%	28.2%	25.0%	34.3%	-6.0%	13.8%	-11.9%	-12.4%	-12.9%	-13.6%	-12.8%
Gross Profit	-28.3%	-33.0%	-36.1%	-20.2%	-29.1%	-40.1%	-36.8%	-37.4%	-24.9%	-34.0%	16.9%	27.2%	15.3%	19.1%	19.4%	-4.2%	-6.4%	-1.7%	-15.5%	-8.2%
SG&A	-23.9%	-15.3%	-20.3%	-3.0%	-15.8%	-10.2%	-24.2%	-20.2%	-18.1%	-18.3%	-4.2%	8.8%	17.0%	-4.2%	3.8%	-9.9%	-13.6%	-19.8%	-18.8%	-15.8%
Depreciation&Amortization	-32.3%	-29.8%	-21.9%	-100.0%	-43.0%	-100.0%	-100.0%	-100.0%	#DIV/0!	-100.0%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	0.0%
Operating Income	-69.4%	-2168.1%	-90.8%	-132.4%	-38.2%	-717.1%	-80.8%	38.2%	-75.0%	-40.5%	-62.2%	-32.2%	63.3%	421.0%	-56.4%	28.4%	6.6%	-41.9%	-7.5%	-19.6%
Net Income	-80.8%	-780.9%	-158.9%	-48.9%	-93.1%	-1485.3%	185.0%	-14.4%	8.4%	-830.5%	-71.7%	-39.7%	206.4%	-14.1%	-19.4%	35.0%	-15.0%	-57.1%	-7.5%	-46.7%
Diluted EPS	-80.9%	-795.8%	-173.4%	-20.6%	-92.0%	-2301.5%	338.5%	7.8%	5.0%	-1084.2%	-72.3%	-46.0%	163.2%	-24.3%	-28.1%	15.1%	-21.3%	-58.9%	-11.5%	-50.8%
Diluted Shares Outstanding	0.5%	-2.2%	-19.8%	-35.7%	-14.3%	-37.1%	-35.0%	-20.6%	3.2%	-25.8%	2.3%	11.7%	16.4%	13.4%	12.1%	17.3%	8.0%	4.6%	4.6%	8.3%

Source: Company reports and Ascendant Capital Markets estimates

GameStop Corp.

Balance Sheet (\$ millions)	Apr-19	Jul-19	Oct-19	Jan-20	Apr-20	Jul-20	Oct-20	Jan-21	Apr-21	Jul-21	Oct-21	Jan-22	Apr-22	Jul-22	Oct-22	Jan-23
Fiscal Year End: January 31	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E
Assets																
Cash and equivalents	543	424	290	499	570	735	446	619	695	1,720	1,413	1,620	1,782	1,585	1,374	1,749
Account receivable, net	126	122	146	142	87	83	78	105	102	69	83	34	18	30	33	29
Inventories	1,149	949	1,287	860	655	475	861	603	571	596	1,141	881	634	816	1,022	761
Prepaid expenses and other current assets	102	172	140	133	108	87	267	225	290	272	276	84	78	72	79	72
Deferred tax assets												34	23	21	23	29
Total Current Assets	1,920	1,668	1,863	1,634	1,420	1,380	1,652	1,551	1,657	2,657	2,913	2,652	2,535	2,523	2,531	2,640
Property and equipment, net	313	312	287	276	256	220	193	201	193	187	180	156	156	156	156	156
Goodwill, net	364											0	0	0	0	0
Other non-current assets	1,036	1,008	995	910	793	776	757	720	713	702	669	843	920	844	932	724
Total Assets	\$3,633	\$2,988	\$3,146	\$2,820	\$2,469	\$2,375	\$2,601	\$2,473	\$2,563	\$3,546	\$3,762	\$3,651	\$3,612	\$3,523	\$3,619	\$3,520
Liabilities and Shareholders' Equity																
Accounts payable	458	368	710	381	212	256	440	342	389	410	712	506	506	464	606	434
Accrued liabilities	839	849	864	857	755	800	867	854	781	785	820	820	820	820	820	820
LT Debt - Current					552	256	270	147	48		1	1	1	1	1	1
Total Current Liabilities	1,297	1,217	1,574	1,238	1,520	1,312	1,577	1,343	1,218	1,194	1,533	1,327	1,328	1,286	1,428	1,256
LT debt	469	419	419	420		216	216	216		48	45	45	45	45	45	45
Other LT liability	575	542	536	551	514	495	477	477	465	452	429	429	429	429	429	429
Total Liabilities	2,342	2,178	2,529	2,208	2,034	2,023	2,269	2,036	1,683	1,694	2,007	1,801	1,802	1,760	1,901	1,730
Preferred stock												0	0	0	0	0
Class A common stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Class B common stock												0	0	0	0	0
Additional paid-in capital	29				1	3	5	11	519	1,562	1,568	1,568	1,568	1,568	1,568	1,568
Accumulated other loss	(68)	(75)	(72)	(79)	(91)	(64)	(67)	(49)	(47)	(56)	(54)	(54)	(54)	(54)	(54)	(54)
Retained earnings(deficit)	1,331	885	689	690	525	413	394	475	408	347	241	319	279	233	187	259
Treasury Stock and other												17	17	17	17	17
Stockholders' Equity	1,292	810	617	612	435	352	332	437	880	1,852	1,755	1,850	1,810	1,763	1,718	1,790
Tot. Liabilities/Stockholders' Equity	\$3,633	\$2,988	\$3,146	\$2,820	\$2,469	\$2,375	\$2,601	\$2,473	\$2,563	\$3,546	\$3,762	\$3,651	\$3,612	\$3,523	\$3,619	\$3,520
Activity Ratios																
A/P Days Payable	38	37	64	21	26	33	54	18	37	43	65	29	55	55	64	29
Inventory Turnover	3.7x	3.7x	3.1x	7.4x	4.5x	5.8x	3.4x	11.1x	6.6x	5.8x	3.4x	7.1x	5.3x	3.7x	3.3x	7.1x
Inventory Per Store	0.202	0.167	0.228	0.160	0.124	0.095	0.173	0.129	0.122	0.136	0.277	0.229	0.176	0.244	0.330	0.267
Book & Cash Value (per share)																
Book Value per Share (diluted)	\$12.60	\$8.10	\$7.52	\$9.31	\$6.74	\$5.42	\$5.10	\$6.44	\$13.33	\$25.51	\$23.12	\$24.05	\$23.38	\$22.49	\$21.64	\$22.26
Cash per Share (diluted)	\$5.30	\$4.24	\$3.54	\$7.60	\$8.84	\$11.31	\$6.84	\$9.12	\$10.53	\$23.70	\$18.62	\$21.06	\$23.02	\$20.21	\$17.30	\$21.75
Net Cash per Share	\$0.72	\$0.05	(\$1.57)	\$1.21	\$0.28	\$4.04	(\$0.61)	\$3.77	\$9.80	\$23.04	\$18.01	\$20.46	\$22.42	\$19.62	\$16.72	\$21.17

Source: Company reports and Ascendant Capital Markets estimates

GameStop Corp.

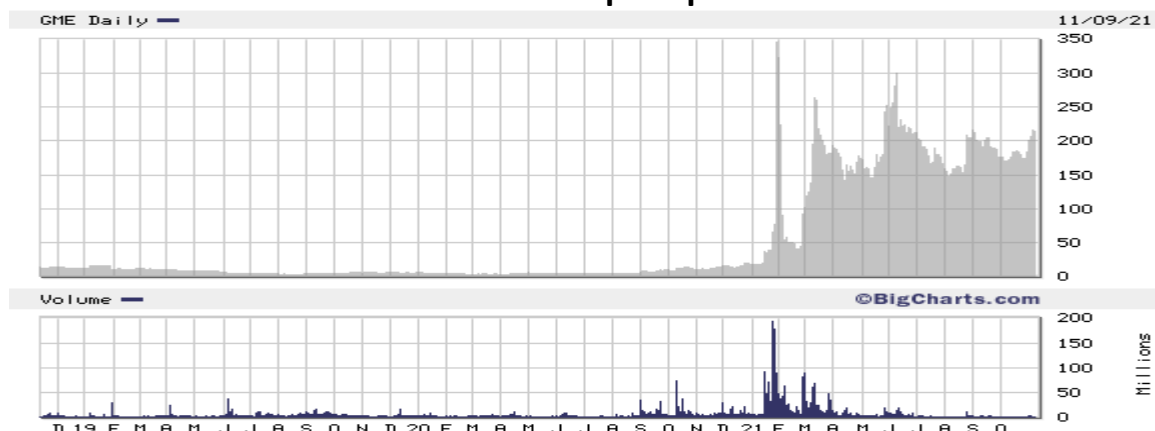
Cash Flow Statement (\$ millions)	Apr-19	Jul-19	Oct-19	Jan-20	2019	Apr-20	Jul-20	Oct-20	Jan-21	2020	Apr-21	Jul-21	Oct-21	Jan-22	2021	Apr-22	Jul-22	Oct-22	Jan-23	2022
Fiscal Year End: January 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Net Cash Flows from Operating Activities																				
Net earnings	7	(415)	(83)	21	(471)	(166)	(111)	(19)	81	(215)	(67)	(62)	(105)	78	(156)	(40)	(47)	(45)	72	(60)
Adjs to reconcile earnings/cash:																				
Depreciation and amortization	23	23	24	26	96	22	20	19	20	81	19	18	17	35	88	35	35	35	35	140
Provision for inventory	16	5	(22)		0					0				0	0	0	0	0	0	0
Amortization of loan cost					0					0				0	0	0	0	0	0	0
Impairment and charges		364	11	10	386	4	1		11	16	19			19	19					0
Loss on disposal of property and equipn	1	0	2	(1)	2	0	(10)	(21)	3	(27)		0		0	0	0	0	0	0	0
Increase in other long-term liabilities					9					0				0	0	0	0	0	0	0
Deferred tax		(12)		73	61	45	48	(58)	35	70				(34)	(34)	11	2	(2)	(6)	5
Increase in other assets	(11)	11			0					0				(173)	(173)	(77)	76	(88)	208	119
Tax benefit & stock options	2	3	3	1	9	2	2	2	2	8	6	9	6	0	21	0	0	0	0	0
Other	(4)	(4)	(5)	17	4	1	(1)	3	(2)	1	(1)	(0)	1		0					0
Changes in net working capital:																				
Receivables, net	7	2	(15)	(4)	(11)	54	6	5	(26)	40	3	33	(15)	50	71	15	(11)	(3)	4	5
Merchandise inventories	73	176	(311)	423	361	196	198	(383)	271	282	32	(31)	(546)	260	(285)	247	(182)	(207)	261	120
Prepaid expenses and other current ass	3	(87)	73	(62)	(72)	28	(4)	(5)	11	31	(4)	(1)	(0)	192	186	6	6	(7)	7	12
Accounts payable and accrued liabilities	(782)	(48)	314	(273)	(789)	(236)	44	271	(240)	(161)	(27)	23	350	(206)	140	0	(42)	141	(171)	(71)
Net cash from Operating Activities	(665)	18	(8)	240	(415)	(49)	193	(185)	165	124	(19)	(12)	(294)	201	(123)	197	(162)	(176)	410	269
Net Cash Flows From Investing Activities																				
Purchases of property and equipment	(19)	(23)	(20)	(17)	(79)	(7)	(11)	(15)	(27)	(60)	(15)	(14)	(13)	(35)	(76)	(35)	(35)	(35)	(35)	(140)
Acquisitions			5		5					0					0					0
Increase in other non-current assets	(0)	(1)	0	13	12	1	53	42	1	97		(0)	(0)	0	(0)	0	0	0	0	0
Net cash from Investing Activities	(19)	(24)	(15)	(4)	(61)	(6)	42	27	(26)	37	(15)	(14)	(13)	(35)	(76)	(35)	(35)	(35)	(35)	(140)
Cash Flows From Financing Activities																				
Issuance of common stock					0					0	552	1,121		0	1,673	0	0	0	0	0
Issuance of shares for stock options	(1)	(0)		(0)	(1)	(1)			4	4	(50)	(87)			(137)					0
Repayment of debt	(353)	(51)			(405)	133	(79)	14	(125)	(58)	(332)			0	(332)	0	0	0	0	0
Treasury Stock		(63)	(114)	(22)	(199)					0				0	0	0	0	0	0	0
Dividends	(40)	(0)			(41)	(0)	(1)			(1)				0	0	0	0	0	0	0
Other financing activities		(0)	0	0	0					0	0			0	0					0
Net Cash From Financing	(394)	(115)	(114)	(22)	(645)	132	(80)	14	(121)	(55)	170	1,034	0	0	1,204	0	0	0	0	0
Effect of exchange rate on cash	(6)	1	3	(5)	(7)	(6)	20	(12)	15	16		(5)	(1)		(6)					0
Net Increase (Decrease) in Cash	(1,084)	(119)	(133)	209	(1,127)	70	175	(156)	32	122	136	1,005	(308)	166	999	162	(197)	(211)	375	129
Cash at beginning of period	1,626	542	423	290	1,626	499	569	744	588	499	620	756	1,761	1,453	620	1,620	1,782	1,585	1,374	1,620
Cash at end of period	\$542	\$423	\$290	\$499	\$499	\$569	\$744	\$588	\$620	\$620	\$756	\$1,761	\$1,453	\$1,620	\$1,620	\$1,782	\$1,585	\$1,374	\$1,749	\$1,749

Source: Company reports and Ascendant Capital Markets estimates

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GameStop Corp.



Source: <https://bigcharts.marketwatch.com/>

Report	Report Date	Rating	Price Target
48	1/17/18	B	20.00
49	3/29/18	B	17.00
50	6/1/18	B	15.00
51	9/7/18	B	18.00
52	12/2/18	B	16.00
53	1/18/19	B	18.00
54	4/3/19	B	11.00
55	6/5/19	H	4.00
56	9/12/19	H	3.75
57	12/15/19	H	3.50
58	1/25/20	H	3.25
59	3/29/20	H	3.00
60	6/10/20	H	4.00
61	9/11/20	H	5.50
62	12/14/20	H	12.00
63	4/10/21	S	10.00
64	7/11/21	S	25.00
65	9/25/21	S	24.00

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Risks to attainment of our share price target include changes in demand for video game products, changes to game release timing, hardware console cycles, competition, piracy of software, digital distribution, weaker macroeconomic factors, changes in stock and market valuations, and investor sentiment for investing in the company's stock.

Ascendant Capital Markets, LLC Rating System

BUY: We expect the stock to provide a total return of 15% or more within a 12-month period.

HOLD: We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.

SELL: We expect the stock to have a negative total return of more than 15% within a 12-month period.

Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Rating System

Prior to January 31, 2014, ASCM used the following rating system:

Strong Buy: We expect the stock to provide a total return of 30% or more within a 12-month period.

Buy: We expect the stock to provide a total return of between 10% and 30% within a 12-month period.

Neutral: We expect the stock to provide a total return of between minus 10% and plus 10% within a 12-month period.

Sell: We expect the stock to provide a total return of minus 10% or worse within a 12-month period.

Speculative Buy: This rating is reserved for companies we believe have tremendous potential, but whose stocks are illiquid or whose equity market capitalizations are very small, often in the definition of a nano cap (below \$50 million in market cap). In general, for stocks ranked in this category, we expect the stock to provide a total return of 50% or more within a 12-month period. However, because of the illiquid nature of the stock's trading and/or the nano cap nature of the investment, we caution that these investments may not be suitable for all parties.

Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Distribution of Investment Ratings (as of October 15, 2021)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	41	98%	14	34%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	42	100%	14	33%

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