

# GameStop Corp. (NYSE:GME)



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## Trading Statistics (USD)

<b>Market Cap (bb)</b>	1.39	<b>LTM EPS</b>	-4.22	<b>Update Date</b>	12 Jan 2021
<b>Current Price</b>	19.94	<b>LTM P/E</b>	N/A	<b>Recommendation</b>	BUY
<b>52 Wk L - H</b>	0.0661 - 2.6200	<b>EV / EBITDA</b>	N/A	<b>Price Target</b>	NONE

## Business Description

- Physical gaming retailer with over 5000 stores in 10 countries
- Sells consoles, video games, collectibles, and gaming magazines
- Brands: GameStop, EB Games, Micromania, Think Geek, Game Informer and Zing Pop Culture
- Moving towards e-commerce (34% of sales in last holiday Seasons)

## Financial Summary

	FY16	FY17	FY18	FY19	TTM
<b>Revenue (mm)</b>	7,965	8,547	8,285	6,466	5,162
<b>EBITDA (mm)</b>	649	593	-569	-292	-91
<b>Margins</b>	8.1%	6.9%	-6.9%	-4.5%	-1.8%
<b>FCF (mm)</b>	394	322	231	-493	150
<b>Margins</b>	4.9%	3.8%	2.8%	-7.6%	2.9%

## Investment Thesis

### GameStop New Board

- 3 New members added effective immediately with current board increasing from 10 directors to 13
- Three addition to board results from activism from Ryan Cohen (VC Ventures)
- 4 directors not standing for reelection in June (including Chairman Kathy Vrabeck). Board size decreases to 9

Director	Position	Shares	Ownership	Dec-20	Jan-21	Jun-21
Lizabeth Dunn	Pro4ma Founder	62,258	0.09%			
Raul Fernandez	Proxicom Founder	67,408	0.10%			
James Symancyk	CEO Petsmart		0.00%			
Kathy Vrabeck	Chairman	129,537	0.19%			
Alan Attal	Former COO/CMO Chewy		0.00%			
Ryan Cohen	Founder Chewy	9,001,000	12.90%			
Paul Evans	Permit Capital	1,951,000	2.80%			
Reginald Fils-Aime	Former CEO Nintendo America		0.00%			
Jim Grube	Former CFO Chewy		0.00%			
George Sherman	CEO	2,361,670	3.39%			
William Simon	Fomer COO Walmart USA		0.00%			
Carrie Teffner	Former CFO Petsmart	84,758	0.12%			
Kurt Wolf	Hestia Capital	1,355,100	1.94%			
<b>Other Insiders</b>		8,260,000	11.84%			
<b>Total Insiders</b>			<b>33.37%</b>			

### New directors:

#### 1. Ryan Cohen

- Founder and Former CEO of Chewy (sold to Petsmart in 2018)
- Largest individual investor in Apple and investor in Wells Fargo (concentrated investor)
- Owns about 13% of GameStop

- Appointed to the Nominating and Corporate Governance Committee of the Board of GameStop
- Not taking any compensation from GameStop
- Ryan Cohen cannot do the following without the approval of the board during the standstill period (until around February 2022)
  - Buy more than 20% of the company - doing so will qualify him as an interested stockholder
  - Change the board of directors
  - Bring any proposal to shareholders

## 2. Alan Attal

- Appointed to the Compensation Committee of the Board of GameStop
- Former Chief Marketing Officer (2017-2018) of Chewy
- Former COO (2011-2017) of Chewy

## 3. Jim Grube

- Appointed to the Audit Committee of the Board of GameStop
- Former CFO Vacasa
- Former Senior VP of Finance of Hilton
- Former CFO of Chewy
- One of the Directors of Finance at Amazon (2007-2009)

## Analysis and Conclusion

- We will need to see concrete changes first to know quantitative impacts.
- As for qualitative impacts, it can only be positive. The board of directors now have more skin in the game with the total insider ownership at 33%.
- Insiders cannot loan their shares to short sellers and we know that 97% of shares are short. This can only mean that these short positions are highly leveraged and shares are being counted several times. Short squeeze is very likely.
- Company now calls itself “a *digital-first* omni-channel retailer, offering games and entertainment products in its over 5,000 stores and *comprehensive e-commerce* properties across 10 countries.” With 34% of sales in the holiday seasons online, they are finally moving towards e-commerce. Ryan Cohen is a big asset.
- Ryan Cohen could possibly become chairman in June
- All of the board members are highly qualified
- I keep my buy rating on GameStop (currently 20% of my portfolio)