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| **Company: Gamestop Corporation** | **Ticker: GME Current Price: $ 17.85** | **Industry: Electronics Stores** | |
| Target Price: $ 24  Stop Loss: $15.30 (15%)  52 Week High/ Low: $15.85 / $ 26.85 | TTM P/E: 5.03  Forward P/E: 5.02  EPS: $3.42 | Beta: 1.25  Credit Rating: Ba1 (S&P)  Rating Outlook: Stable | Market Cap: $1.7b  Avg Vol (12 M): 3.92m  Dividend Yield: 9.02% |

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| **Company Background:** |
| GameStop Corp. is a global family of specialty retail brands that makes the most popular technologies affordable and simple. Within our family of brands, we are the world’s largest omnichannel video game retailer, the largest AT&T authorized retailer, the largest Apple certified products reseller, a Cricket Wireless reseller and the owner of www.thinkgeek.com, one of the world’s largest sellers of collectible pop-culture themed products. As of January 28, 2017, GameStop's retail network and family of brands include 7,535 company-operated stores in the United States, Australia, Canada and Europe. |
| **Industry Outlook:** |
| While GameStop’s core business was new and used video game sales, the company is actively shifting with the industry as video game sales move to a digital platform. With this shift, the company as actively expanding and moving into the memorabilia and collectables spaces that accompanies the video game industry. Stores will allocate half their shelf space to collectibles by 2018. Collectibles business has grown over 36% this past year and is expected to continue to grow into the future. Collectibles have comparable margins to software sales and their growth will replace what was lost from digitization trends. Further, GameStop has branched into the authorized reseller space with the acquisition of Simply Mac, and Spring Mobile brands. Simply Mac is an authorized reseller of Apple products and acts as a local Apple store for areas underserved by Apple’s current footprint. Simply Mac is the largest authorized retailer for AT&T |
| **Investment Thesis:** |
| Please see attached Documentation outlining our thesis on GameStop. |
| **Investment Risks:** |
| * Economic conditions in the U.S. and in certain international markets could adversely affect demand for the products we sell * Technological advances in the delivery and types of video games and PC entertainment software, as well as changes in consumer behavior related to these new technologies, could lower our sales. * The continued growth of our Technology Brands segment is dependent in large part on our relationship with AT&T and any material adverse change to this relationship would affect our results. * Restrictions on our ability to take trade-ins of and sell pre-owned video game products or pre-owned mobile devices could negatively affect our financial condition and results of operations. |
| **Most recent quarter financial highlights (Aug- Oct 2017):** |
| * Q3 Same store sales up 1.9 pct * Profit Forecast raised from $3.10 per share to $3.40 per share * Net sales rose 1.5 percent while Hardware sales rose 8.8% * Net Income rose 16.9% to $59.4, or 59 cents per share |

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| **Financial Performance:** | **Discounted Cash Flow** |
| |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | | In Millions of USD | 2013 | 2014 | 2015 | 2016 | 2017 | 2018  Est | 2019 Est | | Revenue | 8886.7 | 9039.5 | 9296.0 | 9363.8 | 8607.9 | 8765.7 | 8634.2 | | Operating Profit | 2,651.5 | 2,661.1 | 2,783.0 | 2,918.3 | 3,009.3 | 3,052.3 | 3,055.3 | | Net Income | 392.2 | 355.3 | 395.5 | 418.5 | 385.3 | 333.9 | 329.0 | | Revenue Growth % | -7.0 | 1.7 | 2.8 | 0.7 | -8.1 | 1.8 | -1.5 | | EBITDA% | 9.2 | 8.2 | 8.6 | 8.8 | 9.0 | 8.4 | 8.4 | | Operating Profit % | 29.8 | 29.4 | 29.9 | 31.2 | 35.0 | 34.8 | 35.4 | | Net Income Margin | 4.4 | 3.9 | 4.3 | 4.5 | 4.5 | 3.8 | 3.8 | | D/E | 0.69 | 0.82 | 1.05 | 1.08 | 1.21 | n/a | n/a | | EPS | 3.10 | 3.00 | 3.49 | 3.93 | 3.71 | 3.33 | 3.33 | | PE Ratio | 7.96 | 11.69 | 10.10 | 6.67 | 6.55 | 5.03 | 5.03 | | Current Ratio | 1.20 | 1.13 | 1.26 | 1.08 | 1.22 | n/a | n/a | | ROE | -10.12 | 15.61 | 18.20 | 19.42 | 16.29 | n/a | n/a | | ROA | -6.19 | 8.90 | 9.43 | 9.39 | 7.59 | n/a | n/a | | Dividend Per share | 0.80 | 1.10 | 1.32 | 1.44 | 1.48 | 1.54 | 1.59 | | FCF | 470.6 | 637.1 | 320.9 | 483.6 | 394.4 | 272.4 | 477.1 | | |  |  |  | | --- | --- | --- | |  | 2013-17 | 2018-22 | | Avg Revenue growth | -1.9% | 0.43% | | Avg EBITDA Margin | 8.8% | 8.4% | | Avg Net Income Margin | 4.3% | 3.8% | | Avg Debt/Equity | 0.97% | 1.5% | | Avg FCF / Margin | 5.11% | 4.32% | | Cost of Debt | | 4% | | Tax Rate | | 30% | | Cost of Equity | | 9.7% | | WACC | | 7.8% | | Perpetuity growth rate | | 2.0% |   **Analyst Opinion**   |  |  |  | | --- | --- | --- | | Buy:6 | Hold: 8 | Sell:0 | | Target Price Range | 18.00~28.00 | Avg. 22.05 | |  |  |  | |  |  |  | | Source: Yahoo Finance | | | |

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| **Relative Valuation** | **Total Return** |
| |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  | PRTY | ULTA | BKS | SBH | Industry Avg. | | P/E | 12 | 28 | 22 | 8.6 | 11 | | P/B | 1.43 | 8.03 | 0.95 | n/a | n/a | | Dividend Yield | n/a | n/a | 8.4 | n/a | 8.7 | | Revn Grth | 4.9% | 20.6% | -6.6% | 0% | n/a | | NI Grth | 2.57 | 30.33 | -32.93 | -2.77 | -2.72 | | Operating Margin | 12.38 | 13.92 | 1.58 | 12.73 | 12.38 | | Debt / Equity | 162.09 | -16.69 | 12.98 | n/a | 12.97 | | Market Cap | 1490.64 | 12897.98 | 519.29 | 1989.46 | 1694.87 | | Revenue TTM | -0.49 | 23.7 | -6.46 | -0.36 | -0.36 | | Net Income TTM | 115.66 | 470.2 | 25.28 | 231.98 | 210.78 | | FCF TTM | 141.02 | 133.00 | 13.48 | 192.77 | 120.06 |   \* Resource: Bloomberg. | |  |  |  |  | | --- | --- | --- | --- | |  | GME | Spec Retail | S&P 500 | | YTD | -29.26 | 51.86 | 13.08% | | Last Year | -22.25 | 46.09 | 11.24% | | Last 3 Years | -18.11 | 22.85 | 36.37% | | Last 5 Years | -2.83 | 22.3 | 77.29% |   **CSR Characteristics**   |  |  |  | | --- | --- | --- | |  | GME | Industry | | Governance Disclosure Score | 55.4 | 48.2 | | ESG Disclosure: | 18.7 | 11.5 | | Social Disclosure Score | 14 | 14 | | Environmental Disclosure Score | n/a | n/a |   Data: Bloomberg data of FY 2016 (CSR) |