

NOVEMBER 2021 REPORT



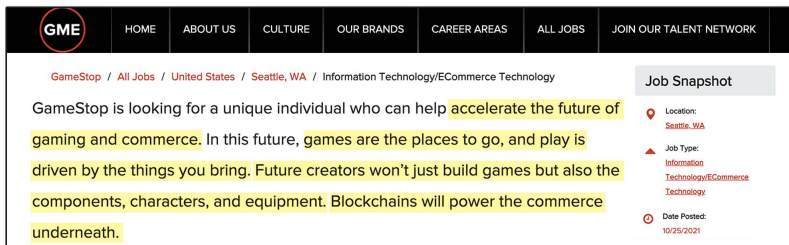
GMEdd.com

GameStop (GME) Valuation

GME Remains Undervalued; Tech Transformation Points to Bull Case Target of \$1069.00

November 16, 2021

GameStop closed on November 15, 2021 at \$209.24, **up more than 7,000%** from an all-time low of \$2.80 on April 3, 2020. Although a persistent narrative is that this rise is unsustainable and related to an ill-informed retail trading frenzy, we believe that GameStop is **rapidly transforming into a technology company**—kicking off with the **launch of an NFT marketplace in Q4 2021**—and that this move will result in a **substantial correction** from severe undervaluation based on where GameStop is quickly heading. We further believe that it currently has **significant remaining upside** in comparison to similar e-commerce and technology names that are just beginning to explore blockchain implementations and lack GameStop's industry and customer relationships in the **fast-growing gaming market**.



Although the years-long short thesis implied a terminal value of zero—bankruptcy—we see this outcome as **virtually impossible** given the current state of **GameStop's financials, digital-first and fulfillment initiatives**, and proven e-commerce results trajectory. In fact, our analysis clearly shows **3 distinct paths to sustained profitability and growth**:

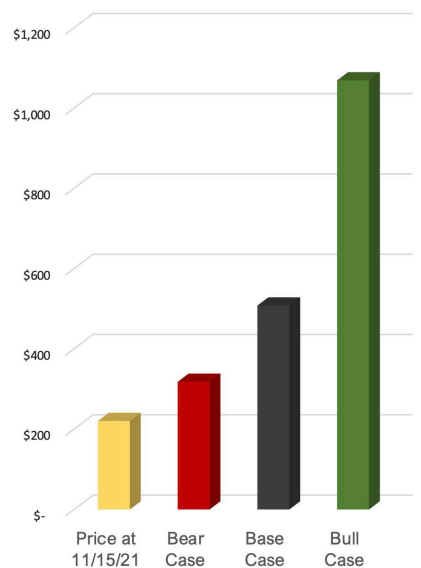
- **A Bear Case (\$304.00)** tracking a delayed or thwarted NFT project launch alongside a plunge in the crypto sector due to potential regulation, industry average e-commerce growth with majority of sales deriving from brick-and-mortar locations, and a continued market decline in physical games not offset by major business model updates.
- **A Base Case (\$498.00)** that is similar, but with a material increase in e-commerce revenue contribution, a successful but substandard NFT marketplace plus greater impact from digital revenue sharing with vendors, and some participation in other digital-first businesses.
- **A Bull Case (\$1069.00)** based on an evolution into the "technology company that delights gamers" hinted at by Ryan Cohen, with early-adoption of successfully implemented blockchain technology, a significant increase in revenue attributed to e-commerce, new vendor partnerships, meaningful participation in the advertising revenue pool for gaming, and growth acceleration in the overall TAM for gaming.

VALUATION

RATING:	UNDERVALUED
PRICE ¹ :	\$209.24
MARKET CAP:	\$15.9B
BEAR CASE PT:	\$304.00
BASE CASE PT:	\$498.00
BULL CASE PT:	\$1069.00

¹ Prior day market close

GAMESTOP CORP (GME) PRICE TARGET



FULL-DISCLOSURE MODEL
DO YOUR OWN DUE DILIGENCE

Don't trust Wall Street. Download our interactive spreadsheet (.xls), including full open-source data, and perform your **own** analysis.



The content of this report reflects independent research and analysis conducted by a collective of independent retail investors in GameStop Corporation, is for informational purposes only, and is provided "as is" with no warranty of any kind, express or implied. Any content or statement herein should not be construed as investment advice, or as an offer to buy, sell, or solicit the purchase or sale of any security or financial instrument. Your use of the information contained herein is solely at your own risk. Do your own due diligence.

GameStop (GME) Valuation

Bear Case: Delayed or thwarted NFT project launch alongside a plunge in the crypto sector, industry average e-commerce growth with successful footprint rationalization, and a continued market decline in physical games not offset by major business model updates

Our downside scenario **discounts the influence of the company's initiatives** to transform into a technology company, instead operating as a legacy retailer with a gradual sales shift toward e-commerce. It also **discounts potential macro growth drivers** in the overall gaming market, such as the increasing demand for higher-margin merchandise.

In this case, we assume **industry-standard growth in e-commerce**, and GameStop's investments throughout 2021 into fulfillment and customer service do not accelerate results or allow the company to catch-up to e-commerce peers.

Line of Business	Category	CAGR			Bear Case		
		Bear	Base	Bull	2021	2022	2023
Brick & Mortar	Retail	-6.00%	3.00%	12.00%	\$3,440,000,000	\$2,939,636,364	\$2,763,258,182
eCommerce	eComm	7.50%	15.00%	30.00%	\$1,860,000,000	\$1,999,500,000	\$2,149,462,500
NFT Marketplace	Web 3.0	82.00%	164.00%	328.00%	\$100,000,000	\$182,000,000	\$331,240,000
Digital Partnerships	Software	5.00%	10.00%	15.00%	\$6,890,000	\$7,234,500	\$7,596,225
eSports	eSports	12.00%	24.00%	48.00%	\$0	\$1,575,000	\$1,764,000
PowerUp & AdTech	Software	0.00%	10.00%	40.00%	\$345,000,000	\$345,000,000	\$345,000,000
Total Revenue					\$5,751,890,000	\$5,474,945,864	\$5,598,320,907
Adjusted Revenue Attributable To					2021	2022	2023
	Retail				\$3,440,000,000	\$2,672,396,694	\$2,283,684,448
	E-Com				\$1,860,000,000	\$1,817,727,273	\$1,776,415,289
	Web 3.0				\$100,000,000	\$165,454,545	\$273,752,066
	eSports				\$0	\$1,431,818	\$1,457,851
	Software				\$351,890,000	\$320,213,182	\$291,401,839
Total Adj. Rev					\$5,751,890,000	\$4,977,223,512	\$4,626,711,493
P/S					2.69	3.11	3.34
SHARE PRICE IMPLIED BY LINE-OF-BUSINESS COMPS							
	Category	P/S			2021	2022	2023
	Retail	0.95			\$42.72	\$33.19	\$28.36
	eComm	4.05			\$98.48	\$96.25	\$94.06
	Web 3.0	41.5			\$4.26	\$89.77	\$148.53
	eSports	36.08			\$0.00	\$0.68	\$0.69
	Software	6.5			\$39.10	\$35.58	\$32.38
Implied Share Price					\$235	\$255.46	\$304.02
Implied P/S					3.12	3.93	5.03

As can be seen, the primary revenue driver in the bear case will **continue to be legacy businesses** including hardware, physical software, limited revenue share of digitally-distributed software, and tepid moves into higher-margin digital businesses such as customer loyalty, adtech, eSports, and NFTs.

OUR TAKE AND PROBABILITIES

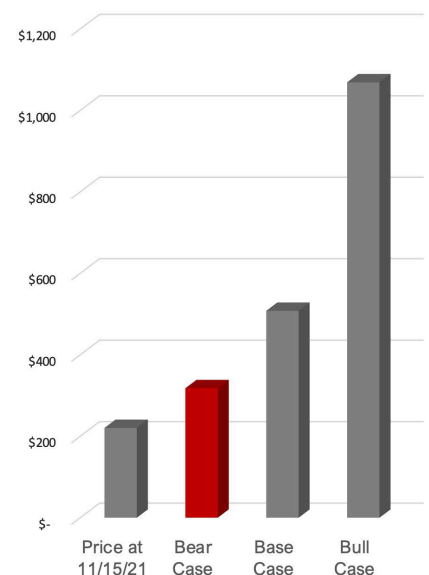
- Our bear case is presented to reflect the existing state of the **legacy brick & mortar business** and a gradual transition to e-commerce. There is clear profitability for years, even if management's efforts in 2021 do not yield acceleration in e-commerce.
- Based on the recent actions of Ryan Cohen and the CHWY cohort, we do not believe that this case represents a probable outcome at this time.
- In the unlikely event of this case, the current valuation is still **meaningfully below fair market value** given the legacy businesses and conservative estimates for management's success in **digital-first and Web 3.0 efforts**.

VALUATION

RATING:	UNDERVALUED
PRICE ¹ :	\$209.24
MARKET CAP:	\$15.9B
BEAR CASE PT:	\$304.00
BASE CASE PT:	\$498.00
BULL CASE PT:	\$1069.00

¹ Prior day market close

GAMESTOP CORP (GME)
PRICE TARGET



FULL-DISCLOSURE MODEL
DO YOUR OWN DUE DILIGENCE

Don't trust Wall Street. Download our interactive spreadsheet (.xls), including full open-source data, and perform your **own** analysis:



GameStop (GME) Valuation

Base Case: Material increase in e-commerce revenue contribution, a successful but substandard NFT marketplace that grows on-par with the overall industry, greater impact from digital revenue sharing with vendors, improved customer support, fulfillment, and some participation in other digital-first businesses

Our base scenario assumes a reduced but continued rate of growth in e-commerce (web, mobile, and “web-in-store” endless aisle), culminating in a **conservative 40% of physical goods revenue by 2025**. It also accounts for **expansion of private label brands** and macro gaming market tailwinds such as the increasing demand for higher-margin items, and enhanced pre-owned inventory velocity & scale through innovative self-service automation.

It also accounts for a **middling NFT Marketplace** – one which grows at a rate similar to the overall market for NFTs, but **does not seize any meaningful market share** from existing platforms or help accelerate NFT adoption among new users.

Line of Business	Category	CAGR	Base Case			Base Case		
			Bear	Base	Bull	2021	2022	2023
Brick & Mortar	Retail	-6.00%	3.00%	12.00%	\$3,440,000,000	\$3,543,200,000	\$3,649,496,000	
eCommerce	eComm	7.50%	15.00%	30.00%	\$1,860,000,000	\$2,139,000,000	\$2,459,850,000	
NFT Marketplace	Web 3.0	82.00%	164.00%	328.00%	\$6,000,000	\$264,000,000	\$696,960,000	
Digital Partnerships	Software	5.00%	10.00%	15.00%	\$6,880,000	\$7,579,000	\$8,336,900	
eSports	eSports	12.00%	24.00%	48.00%	\$0	\$3,150,000	\$3,936,000	
PowerUp & AdTech	Software	0.00%	10.00%	40.00%	\$345,000,000	\$379,500,000	\$417,450,000	
Total Revenue					\$5,751,880,000	\$6,336,429,000	\$7,235,998,900	
Adjusted Revenue Attributable To					2021	2022	2023	
	Retail				\$3,440,000,000	\$3,221,090,909	\$3,016,112,397	
	E-com				\$1,860,000,000	\$1,944,545,455	\$2,032,933,884	
	Web 3.0				\$100,000,000	\$240,000,000	\$578,000,000	
	eSports				\$0	\$2,863,636	\$3,228,099	
	Software				\$351,880,000	\$351,890,000	\$351,890,000	
	Total Adj. Rev				\$5,751,880,000	\$5,760,399,000	\$5,980,164,380	
P/S					2.69	2.68	2.58	
SHARE PRICE IMPLIED BY LINE-OF-BUSINESS COMPS								
	Category	P/S			2021	2022	2023	
	Retail	0.95			\$42.72	\$40.01	\$37.46	
	eComm	4.05			\$96.48	\$102.96	\$107.64	
	Web 3.0	41.5			\$54.28	\$130.21	\$312.51	
	eSports	36.08			\$0.00	\$1.35	\$1.52	
	Software	6.5			\$36.10	\$39.10	\$39.10	
	Implied Share Price				\$235	\$313.63	\$498.24	
	Implied P/S				3.12	4.16	6.37	

In this case, **digital shifts contribute meaningfully** to margin and CLV improvements, while more successful entries into new digital-first and Web 3.0 business segments **more than double the potential valuation**.

OUR TAKE AND PROBABILITIES

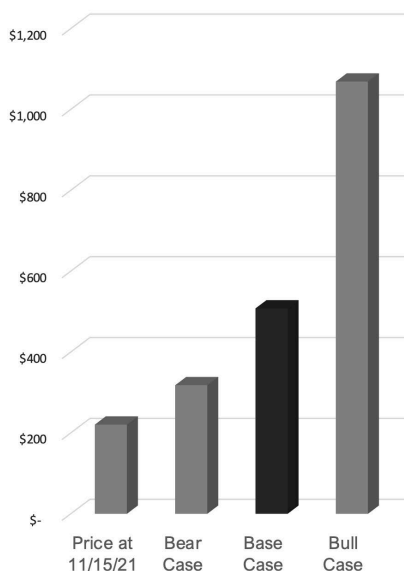
- Our base case is presented to model a **conservative transformation of GameStop** into an e-commerce retailer with some exposure to new markets.
- Assumes growth in NFT & Web 3.0 on-par with the broader NFT market and no accretive benefit from existing industry or customer relationships.
- Although we believe this case is far **more likely than the bear scenario**, the entrepreneurial history of Ryan Cohen and experience of the Matthew Finestone-led blockchain team still indicates that our **bull case is the most likely at this time**.

VALUATION

RATING:	UNDERVALUED
PRICE ¹ :	\$209.24
MARKET CAP:	\$15.9B
BEAR CASE PT:	\$304.00
BASE CASE PT:	\$498.00
BULL CASE PT:	\$1069.00

¹ Prior day market close

GAMESTOP CORP (GME) PRICE TARGET



FULL-DISCLOSURE MODEL DO YOUR OWN DUE DILIGENCE

Don't trust Wall Street. Download our interactive spreadsheet (.xls), including full open-source data, and perform your **own** analysis.



GameStop (GME) Valuation

Bull Case: Evolution into a technology company that delights gamers, early-adoption in Web 3.0 technologies benefit from industry and customer relationships, significant growth in gaming TAM, and a majority of revenue derived from digital channels

Our final scenario weighs the significant impact of the new board and senior executive hiring frenzy on Cohen's vision of transforming GameStop into a **"technology-driven sector leader"**.

In our bull case, **e-commerce revenues will grow above industry average** as GameStop's investments in **fulfillment and customer service** help accrue market share from competitors. However, physical goods retailing in both brick & mortar and e-commerce channels represent only 25% of total revenues by 2025, as **fully-evolved digital businesses become GameStop's principal focus**. This case assumes that GameStop's industry relationships and 55 million PowerUp members are successfully leveraged to grow Web 3.0, eSports, and digital businesses above industry trend, and **produce cross-selling synergies with its traditional retailing businesses**.

			2021	2022	2023
	Adjusted Revenue Attributable To	Retail	\$3,440,000,000	\$3,502,545,455	\$3,566,228,099
		E-Com	\$1,860,000,000	\$2,188,181,818	\$2,597,851,240
		Web 3.0	\$100,000,000	\$389,090,909	\$1,513,917,355
Discount Rate	10.00%	eSports	\$0	\$5,727,273	\$7,705,785
Shares as-of Nov 12	76,490,000	Software	\$351,890,000	\$446,294,091	\$566,373,574
Price as-of Nov 12	\$202.10	Total Adj. Rev	\$5,751,890,000	\$6,541,839,545	\$8,252,076,054
				P/S	
				2.69	1.87
SHARE PRICE IMPLIED BY LINE-OF-BUSINESS COMPS					
	Category	P/S	2021	2022	2023
	Retail	0.95	\$42.72	\$43.50	\$44.29
	eComm	4.05	\$98.48	\$116.39	\$137.55
	Web 3.0	41.5	\$54.26	\$211.10	\$821.38
	eSports	38.98	\$0.00	\$2.70	\$3.63
	Software	8.5	\$39.10	\$49.59	\$62.94
		Implied Share Price	\$235	\$423.29	\$1,069.80
		Implied P/S	3.12	4.95	9.92

Based on GameStop moves toward higher-margin technology businesses, and CEO Matt Furlong's remarks on Q2 2021 earnings call reflecting **net sales as the relevant metric for company success**, we believe a valuation multiple of 9.5x P/S is reasonable in comparison to other technology companies experimenting with Web 3.0. **This does not include a full "first-mover" scenario**, where GameStop's early entrance into the space and centrality in the gaming market allows it to **create a durable competitive advantage and its own NFT gaming ecosystem** – which would justify a still-higher valuation ratio.

OUR TAKE AND PROBABILITIES

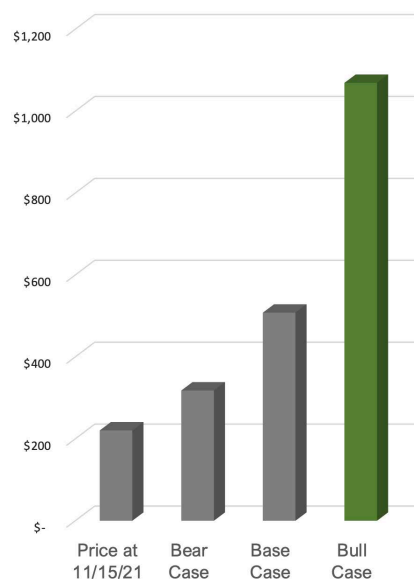
- This case models the **most likely outcome and business trajectory** given **management's observed actions** throughout 2021.
- Forecasts are based on evolution of the existing business using known elements of Cohen's business history and potential plans, as well as prevailing trends in the e-commerce, gaming, and Web 3.0 technology industries.
- Based on the hiring of 270+ e-commerce and technology executives / engineers throughout 2021, and Ryan Cohen's tenure as Board Chairman, **we firmly believe this case is the most likely outcome at this junctures**.

VALUATION

RATING:	UNDERVALUED
PRICE ¹ :	\$209.24
MARKET CAP:	\$15.9B
BEAR CASE PT:	\$304.00
BASE CASE PT:	\$498.00
BULL CASE PT:	\$1069.00

¹ Prior day market close

GAMESTOP CORP (GME) PRICE TARGET



FULL-DISCLOSURE MODEL DO YOUR OWN DUE DILIGENCE

Don't trust Wall Street. Download our interactive spreadsheet (.xls), including full open-source data, and perform your own analysis.



