

gamestop is one of the most compelling asymmetric opportunities in the market today  
really i understand how you disagree with that that's why it's the top position in my portfolio and also dr mike berry's portfolio  
but based on prevailing sentiment the market and popular culture many think it's a foolish investment but everyone's wrong  
it's like the big short again or more like the big short squeeze this time right  
anyway let me show you what we're seeing still in 2020 gamestop maintains a healthy market share within the gaming industry  
it's the only major brick and mortar retailer dedicated to gaming in a recent survey indicated that over 25 percent of people buy their new games at gamestop and 40 percent of people buy their used games there its reboot plan is well underway and is comprised of two main components  
the first is optimizing the legacy business by right sizing costs and improving the omni-channel experience this will boost near-term free cash flow which in turn can be used to finance the second more important component reinventing itself is a premier gaming hub within the thriving 150 billion gaming industry game stops modernizing stores partnering with vendors and offering experiential products  
this is the potential upside in its enormous they've been testing four stores in tulsa oklahoma that focus on live experiential concepts  
clearly the new management team is laser focused on gaming and frank hamlin the chief customer officer  
wants gamestop to become the cultural center for gaming they also teamed up with the dallas cowboys with the gamestop performance center  
this space was uniquely designed to be the premier facility for the next evolution of esports  
imagine a handful of these venues around the world where gamers could come together to train perform and just hang

out so could this new management team actually pull off the transformation it's possible they've been doing mostly the right things over the past year plus they have michael berry's support you really going to question the guy who gets his haircut at super cuts and doesn't wear shoes

i'm not but what about the death of physical discs you say let me tell you something

people have been saying this for a decade and you know what microsoft had to say about this at the start of this console cycle millions of people still want disks

period it's a big reason these new consoles have disk drives and that's why physical will remain a part of microsoft's future to be sure the shift to digital is happening just not as quickly as many people think it's true the pandemic may have accelerated some long-term trends but as stores are open and back up people are buying physical disks again and a quick reminder at this point gamestop sells other items besides physical disks this helps drive traffic and wallawa to offer exclusive console bundles to its 60 million rewards members this fall that said the used games business has driven the lion's share of historical free cash flow so let's focus there we know how microsoft feels about physical now let's check into nintendo and their latest pandemic grid and quarter a whopping 44 of game sales were still physical

and this is huge for gamestop because the switch has surged in popularity this year

and i assume it's used games have as well and in particular animal crossing new horizons was 50 physical and after having sold over 20 million units in just a few months that's not one of the top selling video games of all time so how about sony during the same quarter 26 of full game sales were still physical

now the year-over-year decline is certainly notable but two things here first as stores reopened and new

consoles roll out this figure will likely bounce and stabilize for a few years  
in second even just a 26 physical share is still meaningful considering gamestop generator over a billion dollars from free cash flow in the early years of the last cycle and also it's important to remember this is not a zero sum game from april to june video game spending was up 30 year over year that's a massive benefit to physical digital and the whole damn industry  
and that's why sony and nintendo have been boosting their expected output this year  
more consoles and a much larger video game lineup than the last cycle means more software and accessory sales as well and this is a boon to a specialized gaming retailer like gamestop who will also benefit as the go-to destination for folks trading in old consoles and games as part of their upgrade to the new consoles now obviously this thesis is based largely on the fundamentals but gamestop's chart is looking increasingly compelling and this matters because if the price breaks out technical analysts won't even give a about the fundamentals will start piling on to add to this gamestop is by far the most heavily shorted company in the market  
with short interest of around 100 of the float 100  
can you believe that the combination of positive fundamental developments a potentially massively bullish chart  
in an exorbitant short interest suggests to me that an upward move could be explosive  
maybe what the hell do we know  
you