

# *THE BIG PICTURE* *Due Diligence*



*A COMPREHENSIVE DD BY*  
*U/PLANTS69*



THE BIG PICTURE DD - A comprehensive DD suitable for new and old apes alike that broadly covers the entire GME saga to date.

DD

EDIT: some people had a problem with my claim about how the high institutional ownership is indicative of naked shorting so I rephrased that part. Although, I think it's unlikely institutional ownership can be as high as it is without the presence of naked shorting, and this does not even factor in retail ownership.

I originally wrote this up as a 29-slide powerpoint presentation to explain GME to my boomer parents who only invest in index funds, but I decided to convert it to a reddit post because I think it would be useful to new apes or people who wish to see some key DD in one place. I also took out some content about DFV that's widely known by the community here. Anyway:

## The Big Picture DD

This is a **comprehensive** due diligence intended to be both wide-reaching and approachable, but there are some concepts later on that may require more advanced knowledge.

some disclaimers:

- To the best of my knowledge, the information presented is accurate, although I am not infallible and neither are my sources.
- I am not a financial advisor and this is not investment advice.

## Gamestop news prior to Jan. 2021



### 3 Key Takeaways From GameStop's Disastrous Third Quarter



Signs point to a tough year ahead, and the business isn't expected to rebound until late 2020.



## GameStop CEO says company is in 'a tough place' and needs to change



By [Shannon Liao](#), CNN Business

Published 9:30 AM EDT, Thu September 12, 2019



RETAIL

## GameStop to close up to 200 stores by year's end

PUBLISHED WED, SEP 11 2019-1:37 PM EDT | UPDATED WED, SEP 11 2019-3:11 PM EDT



Jasmine Wu  
@JASMINECWU

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Where we are now:

- **GameStop is reshaping its executive suite around former Amazon leaders.**
- **The company's latest hire is Elliott Wilke, who will serve as chief growth officer at GameStop.**
- **Chewy cofounder and former CEO Ryan Cohen is leading a committee overseeing the changes at GameStop.**

RC has hand-selected a dream team at Gamestop!



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GME (Common Stock)

**\$154.69** -1.75 (-1.12%)

Data Provided by Refinitiv. Minimum 15 minutes delayed.

## News Release

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### GameStop Announces Voluntary Early Redemption of Senior Notes

#### Elimination of Long-Term Debt Will Further Strengthen Company's Balance Sheet and Support Transformation

GRAPEVINE, Texas, April 13, 2021 (GLOBE NEWSWIRE) -- GameStop Corp. (NYSE: GME), today issued an irrevocable notice of redemption to redeem \$216.4 million in principal amount of its 10.0% Senior Notes due 2023 (the "Notes") on April 30, 2021. This voluntary early redemption covers the entire amount of the outstanding Notes.

Notes will be redeemed by the Company using cash on hand, at a redemption price of 100% of their principal amount, plus accrued and unpaid interest up to, but excluding, the redemption date of April 30, 2021, plus the applicable premium due to holders of the Notes in connection with an early redemption.

Notes are to be surrendered to U.S. Bank National Association (the "Trustee") in exchange for the payment of the redemption price as more fully described in the notice of redemption sent to the registered holders of Notes.

No more debt!

## Why does the debt repayment matter?

- The bear thesis of Gamestop imminent bankruptcy is **dead**.



- The junk bonds held some concerning clauses, now the takeout opens the gate for many profitable opportunities ahead.



**DOMO Capital Management, LLC**  
@DOMOCAPITAL

**\$GME to be debt free as of 4/30:**  
[news.gamestop.com/news-releases/...](https://news.gamestop.com/news-releases/...)

**Why is it so important to pay off the 10% notes due March 15th, 2023?**

**Page 16 of the 10-K (it significantly increases flexibility):**

*The indenture governing our 10.00% senior notes due March 15, 2023 (the "2023 Senior Notes") and our revolving credit facility restrict our current and future operations, particularly our ability to respond to changes or to take certain actions or take advantage of certain business opportunities.*

The indenture governing our 2023 Senior Notes and our revolving credit facility contain a number of restrictive covenants that impose significant operating and financial restrictions on us and our subsidiaries and may limit our ability to engage in acts that may be in our long-term best interest, including restrictions on our ability to:

- incur, assume or permit to exist additional indebtedness or guaranty certain obligations;
- declare dividends, make payments or redeem or repurchase capital stock or make distributions in respect of capital stock;
- prepay, redeem or purchase certain indebtedness;
- issue certain preferred stock or similar equity securities;
- make loans and certain investments;
- sell assets;
- incur liens;
- engage in transactions with affiliates;
- enter into agreements restricting our subsidiaries' ability to pay dividends; and
- engage in mergers, acquisitions and other business combinations.

In addition, the restrictive covenants applicable to our revolving credit facility require us to maintain a fixed charge coverage ratio covenant of 1.0:1.0 in the event that excess availability under the revolving credit facility is at any time less than the greater of (1) \$12.5 million beginning on August 28, 2020 and (2) 10% of the lesser of the total commitment and the borrowing base. As of January 30, 2021, we would not have been in compliance with the fixed charge coverage ratio covenant if it were in effect and, therefore, our borrowing capacity was effectively reduced by 10% of the borrowing base. The impact of the COVID-19 pandemic on our financial performance may impair our ability to comply with the fixed charge coverage ratio covenant in the future, which would also impact our access to the availability under the revolving credit facility. See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Sources of Liquidity.

- Debt repayment provides flexibility, allowing Gamestop to engage in mergers, make better use of their real estate assets, and perhaps most importantly: **declare a dividend**.
- The importance of the dividend will be covered in greater depth during the short theory section.

DFV has quadrupled down since the congressional hearing in Feb.

He easily could have sold his options and/or held onto cash but **he didn't**. Bullish af.



Quadruple  
Witching Day

DFV  
Quadruple  
Down Day

## Gamestop: the big short squeeze theory

Why the stock holds more than long-term potential and a comprehensive list of strong signals that Gamestop is headed for a short squeeze of unprecedented volatility:

## Other major short squeezes and their SI%, other stats

VW squeeze in 2008

- “On 28 October 2008 a short squeeze on Volkswagen stock propelled this car maker to become the **world's most**

**valuable company for a day.”**

- “In 2008, short sellers had shorted **13% of Volkswagen** (VW) shares... betting the stock would tank because it was too expensive. (At the time, VW traded at 19 times earnings—”
- “On October 26, 2008, Porsche announced that it had bought enough stock and options to control 74% of Volkswagen's shares. twice that of its competitors.)”
- “Another firm, Northern Saxony, held 20% of the company... It wasn't selling. Passive index funds owned another 6%, and they couldn't sell shares either.”
- **“Combined, they accounted for 100% of VW shares... So as soon as Porsche exercised its options, there would be no shares left for short sellers to buy to cover their positions.”**

TSLA squeeze in 2019 – 2020

- “Many of Tesla's short sellers have closed out their positions over the course of 2020, with **short interest falling to less than 6% of the float from nearly 20%** a year ago, according to S3 data.”
- **“With shares up over 730%, Tesla bears have seen more than \$38 billion in mark-to-market losses this year,** according to data from S3 Partners. By comparison, the next-biggest loss for short sellers was on Apple Inc., at just under \$7 billion, S3 data shows.”

## Why didn't Gamestop squeeze in Jan. 2021?

- Gamestop reached an intraday high of \$483 on January 28th The options activity was extremely aggressive this week as far OTM options needed to be hedged by market makers, retail FOMO, and media hype fueled mass-buying as the stock continued to multiply in price.
- Then, major retail brokerages including Robinhood halted and restricted the **buying** of GME shares, artificially decreasing buy volume. The stock plummeted below \$100 in a few days and below \$40 over the following weeks.
- One particular hedge fund, Melvin Capital, had run out of liquidity during the price surge of Jan 28 and was likely on the verge of being margin called until....
- **“GameStop short-seller [Melvin Capital] down 30% this year gets \$2.8 billion bailout from the firms of billionaire investors Steve Cohen and Ken Griffin [at Citadel].”**
- Why would Citadel inject funds into a struggling hedge fund? Likely because the margin calling of this fund would have added jet fuel to GME rocket and collapsed all other shorts with it as they are forced to exit their short positions one by one. The shorts *must* work together or the entire house of cards will fall, leaving behind the biggest bag of financial shit of all time on the DTCC's desk.
- Abusive shorting, the restriction of buying, and aggressive negative MSM campaigns drove a narrative that Gamestop was simply a pump-and-dump meme stock of little value and that the short squeeze was over.

## But wasn't that the squeeze? Short interest dropped off too!

- Market makers and players on the short side of this bet have ways of **hiding the true short interest of stocks**. To summarize the main methods they use:
- Market makers buy deep-ITM call options to reset their FTDs (failures to deliver, aka shares owed to the institutions lending shares to short that are due to be returned at recurring deadlines, see the link for more FTD

stats). <https://wherearetheshares.com/>

- Exchange-traded funds holding Gamestop have been aggressively shorted. ETFs are meant to be passively held funds, and iborrowdesk has shown consistent shorting of **ALL ETFs holding GME**.
- Shady brokers have been diverting retail buying through dark pools in order to suppress buying pressure on the stock to keep the price artificially low. They then dump sell orders on the open market to drop the price.
- “Dark pools are exchange forums that replicate open stock exchanges, closed off to the public designed to hide institutional trading intent. In other words, by Gary Gensler himself, dark pools are designed to lack regulation, transparency and the light of transparency must be shone upon them” - [u/umu68](#)
- Bloomberg terminals indicate >140% institutional ownership of GME. This is difficult to achieve without naked short-selling, essentially selling a synthetic share that isn't supposed to exist, creating new shares in the process. Gamestop is supposed to have 70 million shares outstanding issued by the company itself. Many signs point that the number of synthetic shares far exceed the total of outstanding shares.
- DD for Deep ITM  
calls: [https://www.reddit.com/r/GME/comments/m05jed/mystery\\_solved\\_the\\_deep\\_itm\\_calls\\_are\\_coming\\_from/](https://www.reddit.com/r/GME/comments/m05jed/mystery_solved_the_deep_itm_calls_are_coming_from/)
- DD for Dark  
Pools: [https://www.reddit.com/r/Superstonk/comments/movevb/dance\\_of\\_darkness\\_the\\_sec\\_and\\_dark\\_pools/](https://www.reddit.com/r/Superstonk/comments/movevb/dance_of_darkness_the_sec_and_dark_pools/)
- DD for ETF  
shorting: [https://www.reddit.com/r/GME/comments/ls830a/found\\_the\\_reason\\_for\\_the\\_dip\\_they\\_are\\_shorting/](https://www.reddit.com/r/GME/comments/ls830a/found_the_reason_for_the_dip_they_are_shorting/)
- Bloomberg terminal of institutional  
ownership: [https://www.reddit.com/r/stocks/comments/le7syu/gme\\_institutions\\_hold\\_177\\_of\\_float/](https://www.reddit.com/r/stocks/comments/le7syu/gme_institutions_hold_177_of_float/)

**Damn, that's a lot of shady shit. Why can't they just do that indefinitely...aggressively short to always keep the price down?**

Hedge funds have been abusive shorting over the decades, and they HAVE been getting away with it indefinitely, and Gamestop was their bankruptcy jackpot. But now, there are some key differences:

**Retail investors own the float. Institutional and insider ownership have been squeezing them for much longer than January of 2021, starting as early as last year's annual meeting with share recalls. RC's 9 mil stake purchase in 2020 put even more pressure on shorts.**

- Insiders & Institutions own > 100% of the outstanding shares, even evidenced on the Gamestop website itself.
  - <https://news.gamestop.com/stock-information/institutional-ownership>
- DISCLAIMER: This post is highly speculative in nature. The only people who can know how much of the float is owned by retail investors are the ones on the short side of this bet who know their own positions.
  - [https://www.reddit.com/r/GME/comments/m6vbay/etoro\\_has\\_20mil\\_users\\_905\\_of\\_them\\_is\\_invested\\_in/](https://www.reddit.com/r/GME/comments/m6vbay/etoro_has_20mil_users_905_of_them_is_invested_in/)
- The post above indicates that roughly 2 million Etoro users have bought GME. Across other major US retail-oriented brokerages, similar rates of retail ownership could be estimated with high user counts. The average number of shares per user can be speculated to be 5/user, 10/user, 20/user, and beyond in order to estimate the SI%. It is purely speculative though, but for example, if 10 million Americans own GME and the average shareholder has 20 shares, that is 200 million shares, or nearly 3x the outstanding shares, NOT including institutions or insiders.
- Users on Fidelity are placing >75% ratio of buying to selling orders. This signals extremely bullish retail sentiment.



(Important: these ratios do not indicate the quantity of buy/sell orders, but this ratio has remained consistently very high).

- [https://www.reddit.com/r/wallstreetbets/comments/lajjs2/almost\\_75\\_of\\_all\\_retail\\_gme\\_orders\\_were\\_to\\_buy/](https://www.reddit.com/r/wallstreetbets/comments/lajjs2/almost_75_of_all_retail_gme_orders_were_to_buy/)
- [https://www.reddit.com/r/GME/comments/msyhlq/fidelity\\_users\\_purchased\\_about\\_61\\_million\\_more/](https://www.reddit.com/r/GME/comments/msyhlq/fidelity_users_purchased_about_61_million_more/)

## Remember the VW squeeze info?

- VW squeezed to become the most valuable company for one day on only 13% short interest. This was largely achievable because about 100% of the float was being held by companies and institutions long on VW, drying up the market liquidity, making it extremely difficult for shorts to cover and pumping the stock to infinity and beyond.
- We're in a similar situation with Gamestop at institutional ownership exceeding 140%, not including retail ownership, ETFs shorting, or other maneuvers market makers/hedge funds have used to hide their positions.
- So the float is overwhelmingly held by passive funds and insiders who are **RESTRICTED** as to when they can trade shares... Sounds like a nightmare liquidity situation for shorts who could owe hundreds of millions of naked shares. Even with absolutely massive retail panic selling, the amount of GME float choked by institutions and insiders alone could drive an extremely powerful squeeze far greater than the VW squeeze, with SI% being at unfathomable, systemically questionable levels that compromise the stability of US markets as a whole.
- The thing is, retail investors like the stock. They REALLY like the stock. They don't want to sell either.
- **So the short interest is likely greater than 300-500% (based on institutional ownership knowns, retail ownership estimates, missing FTDs, ITM options hiding of SI%) and nobody is selling. What could possibly go wrong?**

## Now that we know our rocket is primed let's outline the potential catalysts for liftoff

- As mentioned before, now that Gamestop has paid off its junk bonds, it can now issue a **dividend**. And likely a crypto dividend. This is really, *really* bullish news and gone over in greater depth in dividend section.
- The DTCC (Depository Trust & Clearing Corporation) is a \$60 trillion dollar company that settles almost every security transaction in the United States. "DTCC is a holding company of DTC, FICC and NSCC...**DTCC common shareholders include approximately 362 banks, broker-dealers, mutual funds and other companies in the financial services industry participating in one or more of DTCC's clearing agency subsidiaries, including NSCC.**" – US treasury gov website.
- Why does the DTCC matter? **The DTCC has passed several regulations in the recent couple of months that when acted upon at any time, could trigger a squeeze.** And unlike the SEC, the DTCC has incentive to enforce these rules because when Citadel and other hedge funds implode from their reckless activity, the DTCC will be left holding the bag. They want to reduce the weight of it if possible.
- **Share recall for the annual meeting.** This particular catalyst is imminent, as the deadline to recall looms closer. For shareholders to vote in the annual meeting, they must recall their shares from the players who are borrowing them to short sell.
- Any positive news: "RC is the new CEO!" "DFV just went all in!" "Gamestop announces new crypto coin dividend!"



# GameStop Hiring Blockchain Analyst Specializing in Crypto and NFTs



Rahul N.

Mon, April 12, 2021, 12:57 AM · 2 min read

Quote Lookup



- [https://www.reddit.com/r/GME/comments/mqbu5a/gme\\_possible\\_overstock\\_20\\_overstock\\_issued/](https://www.reddit.com/r/GME/comments/mqbu5a/gme_possible_overstock_20_overstock_issued/)
- How does a share dividend work? Shareholders get paid the dividend, whether its \$1 per share \$5 per share. **But shorts do not receive a dividend, in fact they have to PAY the dividend per share.** And since shorts have sold potentially hundreds of millions of shares, they'll have to pay dividends on all of those holdings.
- Overstock was being abusively shorted and the CEO issued a crypto dividend. The stock hovered in the \$3 range in March of 2020, only to squeeze to \$128 later that year after issuing a crypto dividend.
- In the words of [u/Stupidum](#): "Overstock didnt just issue *any* dividend the issued a fucking **CryptoDividend** By doing this they FORCED a share cover... In a normal dividend they can just credit the amount to the account boom\* bam\* done.. with a cryptodividend they reside in the blockchain.. and the only way to receive said dividend is to have that physical share. "
- Crypto Dividend signals company strength, acknowledges the shorts, increases the stock price, and forces shorts to cover unlike a cash dividend. The coin would increase sales and company growth, increasing the brand value of Gamestop as a 'tech stock.' Any shares that are not being held by the lender will have to be returned in order to cash out on the dividend. Many if not most of GME's shares are being lent out and will have to be repurchased in order for the stock owners to receive their dividend.

## DTCC Rules for Dummies

- All credit goes to [u/Antioch\\_Orontes](#) read this DD if you want an ELIAPE explanation for all of the recent DTC, NSCC, and OCC filings.
- [https://www.reddit.com/r/Superstonk/comments/msh5mt/a\\_brief\\_overview\\_of\\_recent\\_filings\\_from\\_the\\_dtc/](https://www.reddit.com/r/Superstonk/comments/msh5mt/a_brief_overview_of_recent_filings_from_the_dtc/)
- The amount of rules that pertain to the market loopholes we're witnessing hedge funds use to manipulate \$GME shows that the DTCC is well-aware of the mess looming around the corner. They want to shrink the bag they'll be holding when Citadel goes under.

Ok so GME is a ticking time bomb waiting to blow up... what are the broader market implications of a squeeze?

I'm so glad you asked!

## The Everything Short – by [u/atobitt](#)

- Nothing I can write here will truly replace a full reading of this post. It covers the systemic risk that Citadel and other institutions have imposed on U.S. markets via abusive short selling U.S. treasury securities. I've included [u/atobitt's](#)

key parts for condensed reading but the full post is a worthy read.

- [https://www.reddit.com/r/GME/comments/mgucv2/the\\_everything\\_short/](https://www.reddit.com/r/GME/comments/mgucv2/the_everything_short/)
- I'm sure most dedicated APES have read The Everything Short DD, but if you haven't I would say it is the single most important DD to read on this sub. I have personally read it 3-4 times and there are some components that go over my head but essentially:
  - Citadel has abusively shorted the U.S. treasuries market to oblivion the same way they've shorted stocks. They use the repo market as a money printer, but now liquidity is drying up and now they're desperate to buy bonds, with a major squeeze signaled in the U.S. Treasury market to come.

## Jerome Powell's Recent 60 Minutes Interview

- <https://www.youtube.com/watch?v=FOm1JM-yxNU>

Watch this 2 and a half minute video until the end. Notice JP's body language change for the last question and listen to his careful word choice.

The interviewer asks questions about what happened to Archegos and the affected institutions that lost big. Could an event like this happen again? Hmmmm...

## New SEC Rule coincides with record-shattering bond selling

Bloomberg

### JPMorgan Sells \$13 Billion of Bonds in Largest Bank Deal Ever



Jack Pitcher and Molly Smith

Thu, April 15, 2021, 3:31 PM · 2 min read

Quote Lookup



Market Extra

# Bank of America tops charts with \$15 billion bond deal, the biggest ever from a bank

Last Updated: April 17, 2021 at 8:45 a.m. ET

First Published: April 16, 2021 at 4:53 p.m. ET

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- On April 15th, news broke that JPMorgan sold \$13bil in bonds to break records and only the next day does BOFA come in and shatter that record with \$15bil bond deal.
- All of this coincides with a new sec ruling:
  - [https://www.sec.gov/news/public-statement/staff-fully-paid-lending?utm\\_medium=email&utm\\_source=govdelivery](https://www.sec.gov/news/public-statement/staff-fully-paid-lending?utm_medium=email&utm_source=govdelivery)
- “SEC rolling out the hits today - Brokers that lend out a customers shares must ensure they have enough capital to cover the customers shares”
  - [https://www.reddit.com/r/Superstonk/comments/msaqew/sec\\_rolling\\_out\\_the\\_hits\\_today\\_brokers\\_that\\_lend/](https://www.reddit.com/r/Superstonk/comments/msaqew/sec_rolling_out_the_hits_today_brokers_that_lend/)
- **This rule is to be implemented on 4/22/21. This means lenders have until this date to secure additional capital or else risk being margin called and liquidated**, triggering a chain reaction that could lead to wide-spread institutional collapse.
- If shorts do not have the capital to cover their positions, they must either raise capital or close out of some of these positions, but they can't close out of these positions without the security prices spiraling out of their control. Game over.
- Wow... the SEC is actually cracking down on these guys? Yes that's thanks to **Gary Gensler, recently appointed chairman of the SEC. About him: “Progressives expect him to look into digital currencies, the GameStop trading mania and how corporate America prioritizes environmental, social and governance issues.”**
  - <https://www.cnbc.com/2021/04/14/gary-gensler-confirmed-to-lead-the-sec.html>

What's going to happen to our economy? What about my life savings and 401k?

I just read The Everything Short and I'm terrified to say the least.

Me too.

There will be collateral damage. It's important to not twist the narrative when the house of cards falls. It was rampant greed and the reckless abuse of short-selling by major institutions that have imposed high risk on U.S. markets, not retail investors.

My biggest hope is that our populace will become more educated about markets as a result and that increased market transparency via new technology and increased regulation efforts will guide us toward a fairer economy after the inevitable occurs.

In the meantime: can't stop. Won't stop. Gamestop.





