

Title: Assets and real estate; Wake up call.

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Seeing the market cap now down to 8ish billions I was wondering; what is the “block and mortar” part of GME really worth.

Disclaimer; I don't use exact numbers because at this point, seeing how fake the price is, why bother using precision.

First, a little bit about earnings and PE ratio (price to earnings). We all know that RC transformed Gamestop into a growth company. Revenues are increasing, and there are many plans for the future. I will not include this “future” value in this discussion, yet it's good to understand the basics of valuation. As we see it nowadays, growth companies reach crazy valuation on the speculation of future revenues. A normal PE ratio for big stable company not growing so much used to be at around 15, we are now seeing 50s market wide and 100s for growth companies. This means that if growth of the underlying company stops, it would take around a hundred years to repay the initial investment with actual earnings. Obviously people investing in these even with these crazy valuation expect growth to continue.

Now with GME, we can't calculate the PE ratio since they reported a loss. The great thing about it is that as soon as they report positive earnings, the PE goes from infinite negative to definite positive. Let's say they hadn't buy for 200M new assets and reported it as earnings. The earnings per share would be 2.85\$. This would give a PE of 40 with the current market price. Far bellow current market average, I'm in.

So, as you can see, they don't even need to report insane earnings to have a great PE ratio. Even better, they actually made more revenues than expenses, but just wisely decided to put it in their assets rather than earnings. I believe GameStop arranged their latest balance sheet on purpose to increase their assets while not showing positive earnings as of yet. If their plan was to sell their newly acquired assets during holidays, the next balance sheet could offer great surprise to investors.

Now, apart from the potential revenue growth, what is the famous “block and mortar” company worth on paper?

On their balance sheet we can find;

3.55B assets

1.69B liabilities

That's around 1.8B net worth.

Now the real estate part is the tricky part to calculate. They supposedly own about 1 128 000 sq/ft commercial real estate.

For most companies, real estate is a liability, for they use the real estate and don't earn revenue from it directly. So they have expenses related to it (electricity, insurance etc). If the company decided to also include it in the assets section, they would often include a deflation to it for tax purposes. Furthermore, they won't readjust the value according to inflation and the volatility on commercial real estate market. So basically the value of the real estate in the assets section, would be the value at the time of acquisition. I do not know when GameStop acquired their real estate and what it is worth now. Maybe we could get some help on that.

Let's ignore real estate and put all these things together.

GME has net assets of approx 1.8B.

(Remember that on top of that there is the increased value of real estate, and if they were to sell the real estate, they would remove the liabilities related to them in their balance sheet. I do not know the net value of all this, but I would estimate it to be between 500M-1B).

This means the business itself, if it was to be sold, would be worth 26-30\$ per share just with cash and other assets. Let's remove this from the market cap, we have around 6.5B left, or around 90-95\$/ share. This would be the "speculative" value of the company. Including it's brand name, future plans, quality of management and all the millions apes following them.

So, here is one for us Apes; are the players, creators, collectors, worth at least 6.5B ? To have a decent PE ratio of 40, at 90\$/share, it would required about 160 in sales. Oh wait, that's about the increase we've seen last month.

TLDR: one doesn't need to have a PhD in market fuckery to see that this is a really great company based on fundamentals alone. Anybody saying otherwise is just shitting in their ■ because they naked sold a company at 3\$/share to get in bankrupt so they could put hands on the 30\$/share worth of assets, but a bunch of ■ found out the cheat sheet.