

Title: Time For a Controversial Investment Thread - I formatted Buddy Barkers Twitter thread for those looking for a more easily digestible version of his GME Fundamentals DD.

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Created 2022-01-05 02:36:08 UTC

Permalink: /r/TheGloryHodl/comments/rwbth2/time\_for\_a\_controversial\_investment\_thread\_i/

Url: /r/Superstonk/comments/rvvv8f/time\_for\_a\_controversial\_investment\_thread\_i/

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# Time for a controversial investment thread

Here's why I believe this company that ran over 700% in 2021 is one of the most misunderstood stocks in the market and could be comparable to buying Tesla \$TSLA in early 2020.

The company?

**\*\*You guessed it, Gamestop. \$GME\*\***

Everyone thought Tesla was/is an auto OEM. In reality, they're turning into a technology company that also sells cars. Gamestop is being pinned as a brick & mortar retailer. In the future, Gamestop will be a technology first company, that also has a brick & mortar business.

I personally feel a ton of massive overperformers that wow people have been at the intersection of traditional industries/sectors, and technology. The ones people argue if they're a XX company or a technology company.

Also, I'd like to say, I'm not an "Ape" nor is my investment thesis centered around a theoretical MOASS. To be clear, I'm not saying that won't happen. I'm saying I don't know enough about these naked shorting theories, nor do I have the proper access to information.

One thing I will say, is I've seen a ton of fishy activity around the stock. But regardless, that doesn't change my perspective on owning the stock.

I personally believe this entire story has been incredibly misunderstood by most investors, and clouded by a lot of nonsense on (degensub). Although, there are incredibly smart individuals sharing high-quality research on there for free, its inspiring.

I encourage you to give this a read, it might give you a new perspective, if not you can just laugh at me. Lets go 🚀 (to the moon?)

Lets start with a brief history of GameStop and how it managed to be sub \$4/share during the COVID-19 market selloff.

GameStop started operations in 1984, as Babbage's, a software retailer. They slowly shifted to selling more and more videogame related products before taking on the name of GameStop in 1999. Given the gaming boom that was undergoing, they showed incredible success.

They went on to purchase/start various different electronic retailers and build on their GameStop brand, including MovieStop, Eb Games, Rhino video Games, Atrix etc.

[<https://www.gamestop.com/collection/atrx>](<https://www.gamestop.com/collection/atrx>)

They essentially were consolidating the video game retailer market, while exploring different complimentary segments, all typical moves to continue growth for a maturing industry-leader.

They missed the entire point though. For GameStop to succeed, it couldn't just be a retailer. They had to become a technology company.

GameStop went on to perform quite well, and turned into a dividend stock from the years 2012-2019. 2019

is when the most recent CEO, George Sherman entered the picture. George was suppose to be the savior of GameStop and lead the turn around.

The majority of what George Sherman did was buyback shares, and yell omni-channel retailer pivot while slowly generating some of GameStop's revenue online - a true misuse of the world omni-channel, which has become quite the buzzword for nearly every retailer.

All while digital downloads of video games were accelerating, threatening their core business model.

Plus, e-commerce titans like Amazon were swallowing market share.

**\*\*August 2020: Ryan Cohen enters the chat\*\***

Everyone loves to talk about (degensub) triggering the short squeeze. They might've added fuel to the fire, but this man deserves all the credit. And I do mean credit, not blame.

[@ryancohen](https://twitter.com/ryancohen)

Ryan is, in my eyes, an inspiration. For those of you who don't know who Ryan Cohen is, he is the founder and former CEO of Chewy .com. He sold it to PetSmart for \$3.3B back in 2017. He is often referred to as "Wall Street's Darling".

Ryan is an absolute workhorse and genius. With no college degree, he built what is now a \$25B corporation (\$CHWY) on five simple core principles he learnt from his dad.

Most notable to me is "Delight your customers" which sounds outrageously simple, but clearly worked at Chewy. This is extremely relevant for GameStop, considering it has been hated by its customers for many years, yet is still standing today.

Ryan bought 9,001,000 shares of Gamestop (in multiple filings) to accumulate what was 12.9% of the company, now roughly 11.8% after a dilutive cash raise. A substantial purchase. Ryan then put the company on blast, with a passive aggressive statement to management.

[https://www.sec.gov/Archives/edgar/data/1326380/000101359420000821/rc13da3-111620.pdf - 3 page PDF](https://preview.redd.it/gs1p8c64mo981.png?width=1014&format=png&auto=webp&s=e2a8a558d798496a5190f8a22c9ef19cfb0f9ae6)

This was clearly a tactic to gain other shareholder's support. Well it worked, Ryan completed a hostile takeover of Gamestop. The entire BoD and Management team as been overhauled over the past 12 months.

**\*\*@ryancohen\*\***(https://twitter.com/ryancohen) **\*\*is also now the Chairman of Gamestop\*\***.

Probably the most hands on Chairman in history. He has been leading the entire turnaround. Which includes regular visits to Gamestop stores for quality checks.

I reached out to my network working in capital markets, and no one I spoke to even knew of Ryan Cohen, but supposedly knew the \$GME story. The one being pushed by media. Reddit fighting with HFs over a dying brick & mortar retailer. Yeah, I'm sure that's the story.

**\*\*Anyway, why on earth is Gamestop still a buy after a 786% YTD gain?\*\***

Citadel are criminals. That's it, that's all. Jk, I'm sure they are, but lets stay on topic.

I encourage everyone to look at Gamestop from a pure fundamental business perspective. Seriously, ignore the chart. Pretend it didn't trade publicly.

# Investment Thesis I: Store De-densification & Expanded Product Offering

GameStop's lease structure is favorable for incoming management, allowing them to shave poor

performing stores quickly and lean up the business. 38.3% of store leases ended in 2021.

<https://preview.redd.it/i22g3po5mo981.png?width=982&format=png&auto=webp&s=939f2c30b1dbeee990f69008f3534216522732e9>

Management has stated a lot of stores they've already closed are seeing the revenue move to nearby stores and/or move to their website.

Gamestop's fulfillment center expansion plans are evidence of a large expansion in product lines. They're building a 530,000 square foot facility in Reno, Nevada, and a 700,000 square foot facility in York, Pennsylvania. Seems a bit large for some CD's?

The big point on the expanded product offerings is that Gamestop had historically been narrow sighted in products. With E-commerce, they can dramatically expand their product offering. A lot of their stores aren't large enough to support larger product selection.

Look at this homepage. These are all complimentary products for the gaming community that Gamestop never took part in.

<https://preview.redd.it/tgwr0qa6mo981.png?width=975&format=png&auto=webp&s=5106b33958ca43ff06d613f15063be9f3b119041>

If you go to their website now, you'll find a much wider variety of products, such as toys. Good thing the Toys R Us bankruptcy opened a massive hole in that segment. [ @GMEshortsqueeze ](<https://twitter.com/GMEshortsqueeze>) has been tracking the massive growth in product. Remember, those fulfillment centers are much too large to sell just video games, consoles, and some random collectibles.

Also make sure to give [ @GMEshortsqueeze ](<https://twitter.com/GMEshortsqueeze>) account a follow. They do an amazing job at keeping you up to date on \$GME developments. I personally have their notifications on loud for the most timely and insightful \$GME updates.

This part is really just new management doing what should've been done 5 years ago. Trim the fat (stores) and expand product offerings via advanced supply chains and proper utilization of data.

# Investment Thesis II: Uniquely Positioned in a rapidly growing industry

GameStop is the only niche retailer in what was a \$155B industry in 2020 and is expected to grow at a whopping 10.90% CAGR to \$260B in 2025.

It's no secret the gaming industry is growing, and will become more and more relevant in society as we grow our quality of life. Gaming fills the void of an extremely productive society. But maybe that's for another thread.

Obviously there are multiple different subsectors in this space. Like video game creators and console OEMs. One thing Gamestop has done an incredible job at in the past, is making sure they didn't participate in growing segments of the Gaming industry.

Seriously, take this in. Gamestop starting selling gaming PC related products like 10 months ago. That's a serious joke considering the PC side of gaming has been one of the fastest growing hardware sides of gaming over the last five years.

Imagine being a management team seeing this trend and instead relying on 6-7 year apart console drops. PC gaming would've provided some serious smoothing to the hardware side of the business over the years.

Private Label Products are one of my favorite \$GME opportunities. Gamestop can make a Amazon Basics like brand, centered around gamers. Think of cords, controllers, headsets, blue light glasses, anything core to the gaming community.

With the massive set of data they have on a wide variety of gamers, they can optimize this efficiently, just like Amazon has done with Amazon Basics.

Gamestop's customer data on 55 million power up members could be a thesis in and of itself. They've never properly utilized this in the past. A good example of how this data can be leveraged is shown below.

Also, yes, they've hired a full private label product team over the last 10 months. Excited to see where they take it.

### # Investment Thesis III: Digital Transformation - E-Commerce & Blockchain

Gamestop's e-commerce transition has been going much better than anyone has been giving it credit for. I'm tired of hearing the line mall-based retailer. It's not.

29% of sales were generated online in 2020. Today that number is over 40%.

Let's talk about blockchain. This is where the thesis gets more speculative, but I think it's more than enough to justify looking at.

GameStop has hired a shit load of employee's with blockchain experience. In general, Gamestop has been on an absolute hiring spree.

Over 350 higher-level employees so far this year. Seriously, its nuts, check it out in the link below. Credit: [ @GMEdd ](<https://twitter.com/GMEdd>) Amazon, Chewy, Facebook, Apple, Zulily, etc. [<https://onedrive.live.com/View.aspx?resid=D645EE2EDB0B6!2167&authkey;=!AMFLvwFiMulKSHI>](<https://onedrive.live.com/View.aspx?resid=D645EE2EDB0B6!2167&authkey;=!AMFLvwFiMulKSHI>)

The biggest thing for me here is that all these individuals left high-end, high-paying jobs to come here. Imagine leaving an amazon executive position?

To go to a company and get stock options at these prices? Well a lot are doing it.

A great example is Matt Furlong, who was recently the head of Amazon Australia. He doubled revenue both years in his tenure there. Had ton of room to move around Amazon. But left to be \$GME's CEO.

Whatever [ @ryancohen ](<https://twitter.com/ryancohen>) is pitching them must be good. Let's dig a little deeper.

Here's a landing page for Gamestop's upcoming marketplace. [[nft.gamestop.com](http://nft.gamestop.com/)](<http://nft.gamestop.com/>). We know they're working on an NFT marketplace of some sort.

<https://preview.redd.it/k0l89h28mo981.png?width=975&format;=png&auto;=webp&s;=fed7e7fb338ee325105cc4aa8d3fda3efb39d353>

The NFT market is set to grow at 52.9% CAGR

Loopring is rumored to be working with Gamestop on an NFT marketplace.

There's some substantial evidence of this.

<https://preview.redd.it/hj0ttfk9mo981.png?width=784&format;=png&auto;=webp&s;=306fdb2587a3b69279d049af9e39078d4c6581ad>

[ @GMEdd ](<https://twitter.com/GMEdd>) does great job at due diligence on \$GME. The whole team is awesome, I've been following some like [ @RodAlzmann ](<https://twitter.com/RodAlzmann>) since last fall. Checkout [ [gmedd.com](http://gmedd.com/) ](<http://gmedd.com/>), along with some key contributors

[@Toast](https://twitter.com/Toast), [@vestro](https://twitter.com/vestro),  
[@AlphaHound3](https://twitter.com/AlphaHound3), @jeffamazonxm, and  
[@MileHighStocks](https://twitter.com/MileHighStocks).

<https://preview.redd.it/exijbw7amo981.png?width=711&format=png&auto=webp&s=7b056c1604a43b600cc49c869393de7320abdfa2>

If this is true, which I have a high level of confidence in, Gamestop could eliminate gas fees from NFTs. Gas fees can be incredibly high, and are a massive drop-off point for NFT participation.

Remember when shipping fees were a massive drop-off point for e-commerce? Then Amazon solved that, which helped accelerate the entire e-commerce boom? Gamestop is going to do that to NFTs.

Get rid of painful gas fees and high friction multi-step setups, you just 10xed the NFT market.

**\*\*What exactly will their NFT platform do?\*\***

Well this part is unclear. So let's look at a few potential massive opportunities that make sense for Gamestop.

**\*\*Tokenizing Digital Downloads.\*\***

The biggest problem with downloading games vs buying disks, is that you can't resell the game. Gamestop could tokenize download licenses via NFTs and have a digital marketplace where you can buy and sell games.

This could actually change how the entire video game space works over the long-term. Video game developers could justify selling games for cheaper, and focus on building community to drive the resell value and volume of the game. New updates could mean increased volumes, driving more revenue for game developers.

**\*\*In-Game Items\*\***.

In-game items, such as skins, is a \$40B industry. That's huge.

Gamestop could partner with game developers to have a marketplace for in-game items, allowing for people to resell items, and providing a new revenue stream for developers, as they would get a % of resales. Similar to current NFT art projects.

We've already seen this trend with Fortnite, which is free, but thrives on in game purchases. Worked out incredibly for them.

Not only is this a huge opportunity already, Gamestop could accelerate the market size, as people would be much more likely to buy in-game items knowing how easy it is to resell them.

Now, over the long-term, this could all be turned into a gaming metaverse.

**\*\*Metaverse\*\***

Imagine a Gamestop metaverse where it's all about the gaming community. Like a big gaming lobby for gamers. You can hangout with people. Then you could also buy and sell games, along with in-game items in there. Then enter your favorite game with friends, like walking through a Call of Duty door. There could be digital parties, etc, you get the metaverse vibe.

**\*\*What's the big picture?\*\***

I imagine Gamestop is trying to position themselves right at the center of gaming. I see a yearly subscription, similar to Amazon Prime, which gives you access to the NFT platforms, Metaverse, 1-day shipping on gaming items, etc.

Okay, so at this point many would argue that if GameStop pulls off this pivot, that there's no upside left and that we'd already maxed out in terms of share price or market capitalization.

I understand why people think Gamestop is overvalued by looking at their chart. However, ignoring the price, I don't quite understand the obnoxiously overvalued narrative that's being pushed around.

I personally believe in the coming months/years analysts should be changing their view on how they give price targets on GameStop, and it's from adjusting the multiple applied from a price-to-earnings ratio to a price-to-sales ratio.

The first analyst has already recognized this. Stephanie Wissink at Jefferies moved their price target from \$15 to \$180 on GameStop by pivoting to the P/S multiple. Even at a 20% discount to peers. Her \$180 target has actually been a magnet of a price point as well!

<https://preview.redd.it/dmvt2zpbmo981.png?width=975&format=png&auto=webp&s=e2d05fd61ec46abb6bc237b9ca7a93fb50a6af11>

Also, big shoutout to [@GMEdD](http://twitter.com/GMEdd). They made a great report on \$GME last year. Their price target? \$169, right around that mean reversion point.

Their new 2023 price targets are \$306.85 (Bear), \$498.24 (Base), and \$1069.80 (Bull).

Check out their model/research here. [<https://gmedd.com/report-model/>](<https://gmedd.com/report-model/>) This model does a great job at outlining potential scenarios.

**\*\*So, why isn't Gamestop overvalued?\*\***

Below you can see how \$GME's P/S multiple isn't that outrageous when looking at some specialty retailing peers.

<https://preview.redd.it/x6amqgbcmo981.png?width=975&format=png&auto=webp&s=68f6430fbf2a99783d3e179e71ed2e529fca98a6>

When looking at some sectors that GME is moving into, the P/S multiples get outrageous. I'm not gonna break them down because this thread is already too long, but every valid Web 3.0 play I can find trades over 10x sales, expect for \$FB at 8.33x.

How TF did they end up with a 0.04x sales multiple?

<https://preview.redd.it/l0e54kaqmo981.png?width=975&format=png&auto=webp&s=faa78e7862985505d81367bade2414f139da42cf>

These charts are from [@joininvs](http://twitter.com/joininvs).

INVRS is a free collaborative investment research platform launching publicly in 2022. Do-it-yourself (DIY) investing reimaged into Do-it-together (DIT) investing. Get early access by joining the waitlist. [<https://www.invs.com/>](<https://www.invs.com/>)

Newegg is a e-commerce website that focused on PC components and recently pushing into complementary segments, such as gaming. Probably the most apples-to-apples comparison to Gamestop right now.

\$NEGG trades at 3.17x sales with 14% gross margins. \$GME trades at 1.93x sales with 25% gross margins.

Okay, lets talk about Opensea for a minute. Here's their GMV over the last few months.

Currently at 200,000 MAUs, Opensea is valued at \$10B. 50K per user.

Remember, Gamestop has a customer base of 55 million, or 16.6% of the US. Gamestop has the opportunity to drive NFT participation rates.

I personally believe GME's financials (company in whole obv) are at an inflection point.

**\*\*Revenue\*\***

<https://preview.redd.it/6kx9gsuqmo981.png?width=975&format;=png&auto;=webp&s;=909c0ca807521aab532cce7b24892826a0ca4f42>

**\*\*Assets - Liabilities strengthen\*\***

<https://preview.redd.it/zdlizlnwcp981.png?width=975&format;=png&auto;=webp&s;=6baf6de7ffa5c5366822719bc66a151ef91507a8>

**\*\*Wait FCF was positive in FY2021?\*\***

<https://preview.redd.it/8alwansrmo981.png?width=975&format;=png&auto;=webp&s;=5983fa958bb3fdd1a0d7d0e9446ba2842874b5b7>

**\*\*Gross Income accelerating\*\***

<https://preview.redd.it/w14kol9smo981.png?width=975&format;=png&auto;=webp&s;=8de1a130f88f49a1a5602f5de69ac170e819a303>

**\*\*Same with pre-tax profit\*\***

<https://preview.redd.it/jxlg6zmsmo981.png?width=975&format;=png&auto;=webp&s;=f07f3262c35f6a26848c87cfe1b5b5ff593a81d5>

I'm not saying Gamestop is incredibly undervalued. I'm saying that \$GME's valuation isn't as outrageous as some may think, and by no metric is the company in trouble.

I chose not to model \$GME due to unknown revenue lines. Here's a link to a great valuation breakdown from [ @mgregersen95](<http://twitter.com/mgregersen95>), arguing \$GME is worth \$769. [<https://www.linkedin.com/pulse/gamestop-ordinary-stock-nor-failing-brick-and-mortar-retail-michal/>](<https://www.linkedin.com/pulse/gamestop-ordinary-stock-nor-failing-brick-and-mortar-retail-michal/>)

It can easily grow into higher valuations, much higher imo.

Now, what if all the theories of Citadel never closing their shorts are true? Well great, you will own an asset that hedge funds will have to pay an arm and leg for. However, that's not the only thesis behind Gamestop, which is what's being portrayed by the media.

I've done some digging into some of the theories regarding the naked shorting, and quite honestly I can't tell if they're true. But I also could not say they're debunked. Some of the activity regarding this stock has been incredibly odd.

# Apes, this one's for you.

Just in-case they're true, I've DRSED my shares to support the movement.

The price could easily have a massive pullback, but many companies that have built cult like followings have sustained "outrageously high valuations" until they hit an exponential growth curve. Look at \$TSLA.

I expect Gamestop to grow their underlying business exponentially, and we'll likely see the same story as

Tesla. "It's a Brick and Mortar store, why is it worth \$40B?"

I can't believe I made it all the way through this thread and didn't even mention E-Sports. While they aren't strongly positioned there yet, they're a perfect company to take part in that space that's also growing at a 15% CAGR.

If they did build a gaming metaverse, there would be plenty of different ways to implement and benefit from e-sports through that. Basically, Gamestop is a startup with \$1.4B in cash in a rapidly growing space, supply chain infrastructure, proven executors from top companies globally, and 55 million customers.

Shifting to a technology first company, growing the underlying business dramatically, tied in with multiple expansion is a powerful force.

**\*\*I would not be short this stock.\*\***

[#PowerToThePlayers](https://pingthread.com/hashtag/PowerToThePlayers)

**\*\*\*This is not financial advice.\*\*\***

This is for entertainment purposes only.

Disclosure: I own \$GME shares.