

Title: Can we talk about earnings expectations today?

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TL/DR: Q3 (Aug-Oct) revenue is only expected to be +19% Y/Y. That seems low considering a) Q2 was up 25%, b) less Covid, c) more consoles, d) more customers.

* GameStop (NYSE:[GME])(https://seekingalpha.com/symbol/GME?source=content_type%3Areact%7Csection%3Amain_content%7Cbutton%3Abody_link%7Cfirst_level_url%3Anews) is scheduled to announce Q3 earnings results on Wednesday, December 8th, after market close.

* The consensus [EPS Estimate is -\$0.52](https://seekingalpha.com/symbol/gme/earnings/estimates?source=content_type%3Areact%7Csection%3Amain_content%7Cbutton%3Abody_link%7Cfirst_level_url%3Anews) (+1.9% Y/Y) and the consensus Revenue Estimate is \$1.19B (+19.0% Y/Y).

(the above is quoted from [<https://seekingalpha.com/news/3777907-what-to-expect-from-gamestops-q3-performance>])(<https://seekingalpha.com/news/3777907-what-to-expect-from-gamestops-q3-performance>))

The Year over Year growth expectation is what doesn't make sense to me. Let's look at Q3 from last year: This is 2020. ([<https://news.alphastreet.com/earnings-gamestop-corp-nyse-gme-reports-q3-2020-financial-results/>])(<https://news.alphastreet.com/earnings-gamestop-corp-nyse-gme-reports-q3-2020-financial-results/>))

[Q3 2020 Sales were down 30%](<https://preview.redd.it/zvtnnn97ic481.png?width=879&format=png&auto;=webp&s;=8026ad8c20aac3a4733ce021ff14a57343a46440>)

Gamestop Q3 was in the middle of the pandemic, Aug-Oct 2020. Retail sales had cratered across the board. There was no console cycle. [PS5 was announced in September, but didn't actually go on sale until November](https://www.ign.com/wikis/playstation-5/PlayStation_5_Release_Date%2C_Pricing%2C_and_Launch_Games) (Q4). ([Same for Xbox](<https://www.xbox.com/en-US/consoles/xbox-series-x>))

RC hadn't come on board yet. GME stock price was trading between \$4 and \$9 throughout most of August and September. It climbed to \$13 in October. It literally WAS a dying brick and mortar retailer at the time.

However, the revenue estimate for this year (quoted above \$1.19B) is only +19%. That feels crazy to me for several reasons:

Gamestop already beat Q2 revenue by 25%.

There is now a console cycle. Playstation and Xbox both launched with almost no stock available and have since struggled with the supply chain like everyone else. Gamestop has been directly benefiting from re-stocks and drops. There have been a plethora of posts in stonk sub showing lines of people waiting to get into their local Gamestop.

Let's also not forget that GME has a special deal with Microsoft where they get LIFETIME revenue. As they sell more consoles, the ancillary revenue will continue to climb (at least until the end of this cycle).

[<https://news.microsoft.com/2020/10/08/gamestop-announces-multiyear-strategic-partnership-with-microsoft/>](<https://preview.redd.it/0d93pa4omc481.png?width=1013&format=png&auto;=webp&s;=04afdbf3abcc75db20d10459010fee3970c66e>)

There was also that huge Pokemon drop/promo in Q3. Multiple events and promos driving traffic to stores.

Gamestop employees are busy. I'm sure there are labor shortages like everywhere else - but let's face it...if things are slow it only takes one person to hold down the fort. For staff to be working extra days and long hours means that they had customers that needed tending. (They complain about it in the employee sub)

Gamestop has been part of the news cycle. Huge amounts of publicity. Even if the news is just about the stock price, that still carries over to the retail brand.

I also don't want to discount the buying power of apes. According to the SEC, the stock price is purely from individual retail investors buying in...those same retail investors have been pushing for everyone to not just own stock, but to shop at GME.

I would hazard that GME logo merchandise sales have at least doubled. It's why there are introducing new products for a growing segment.

Customer service has continued to improve dramatically. Quite frankly, I've seen plenty of posts praising the phenomenal response to any issue. Customer happiness is an actual priority.

Lastly, GME social media has been on-point. SMRT does an amazing job of interacting and presenting a great corporate image. For a customer base that lives predominately online- this is huge.

I have no idea what the profit/loss per share is going to be. I'm sure they've spent money on business development. It's obvious they've hired some of the best talent available. But even then, the gross revenue for 2Q was already up 25% and they were just getting started. 3Q has less Covid, more consoles, and more customers. I don't see how overall revenue is not going to beat expectations.

Thoughts?