

Title: We're the MSM now...■

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Body:

So MSM isn't going to cover this and it needs to be covered. How many of you have read the last earnings report from end to end? I'm going to guess not many. Let's take a moment to revisit not only the latest quarter reporting, but also the previous years quarter which will be used as a benchmark once GameStop actually reports earnings.

# But wait, what is the current market expectation?

\*\*-\$0.66/share with \$1.12B estimated revenue\*\*

<https://preview.redd.it/7pk4prsw4ul71.png?width=1190&format;=png&auto;=webp&s;=04f37d830ae5576c91f0c2388724408e9be8394d>

So on first look, some might say \*wow, that's not good!\* It's actually great if we start to think about what Q2FY2020 looked like:

EPS:

\* Expected: -\$1.14/share

\* Reported: -\$1.40/share

Revenue:

\* Expected: \$1.02B

\* Reported: \$942M

And we should make sure there isn't a "what about before the pandemic" argument, Q2FY2019:

EPS:

\* Expected: -\$0.22/share

\* Reported: -\$0.32/share

Revenue:

\* Expected: \$1.37B

\* Reported: \$1.29B

([Source](<https://www.marketbeat.com/stocks/NYSE/GME/earnings/>))

# Or wait, was it actually -\$0.41/share? Nasdaq wat doing?

[<https://www.nasdaq.com/market-activity/stocks/gme/earnings> - screenshot taken on 9V5](<https://preview.redd.it/0ecys9645ul71.png?width=1236&format;=png&auto;=webp&s;=79da9214eeabdd5e15a354785e0fea38c056efad>)

Why are the earnings different? I'm not sure at all and honestly it's complete bullshit we don't have more transparency. Here is from the Nasdaq website fine-print on my source, but they don't cite sources on the earnings consensus:

>Estimate Momentum measures change in analyst sentiment over time and may be an indicator of future

price movements. The Change in Consensus chart shows the current, 1 week ago, and 1 month ago consensus earnings per share (EPS\\*) forecasts. For the fiscal quarter ending Jul 2021, the consensus EPS\\* forecast has remained the same over the past week at -0.41 and remained the same over the past month at -0.41. none raised and none lowered their forecast. For the fiscal year ending Jan 2022, the consensus EPS\\* forecast has remained the same over the past week at 0.02 and remained the same over the past month at 0.02. none raised and none lowered their forecast.

It has \*\*2\*\* estimates in it, that's a great consensus between Frank and Bill!

\*(I have no clue who the two entities actually are)\*

# Okay - What Da Fuq...

Every source around the "Consensus" Earnings Per Share is wildly different. Just comparing the values between Nasdaq and Yahoo Finance are very different:

[Yahoo Finance](https://preview.redd.it/0bkevvpe5ul71.png?width=1294&format;=png&auto;=webp&s;=6a3738131148a3062b587008dd0045ff54e7c022)

[Nadaq](https://preview.redd.it/z30z4x3k5ul71.png?width=838&format;=png&auto;=webp&s;=569dacea4f84c82901deda37994b3141c84fc499)

Now this shouldn't be a surprise to anyone, but the consensus always has been (and always will be) complete bullshit. The consensus is always different because they have different analysts, that makes sense! Soooooo we for sure should be covering this ourselves and not just leaving it to MSM right?

# So somewhere in-between -\$0.41 and -\$0.66 is the expectation

Cool, we can work with this range. This includes 6 analysts which is so small when thinking about it. Now why don't we start highlighting what we've seen from GameStop's past reports!

# Condensed Consolidated Balance Sheets

[Q2FY2020 - https://news.gamestop.com/static-files/V2d565e82-f8b2-432f-a13c-2c0a3e9aaeff](https://preview.redd.it/16dnjgxm5ul71.png?width=1378&format;=png&auto;=webp&s;=d86b698bc0cf0e0668ec1091392d79b9982b4b2e)

I know, lots of numbers, but everyone who is a serious investor in GameStop should be able to read this table. I want to help you understand what is going on here. This is a standard reporting format that is very commonly used in GAAP accounting and you'll see it used in all of GameStop's past reports. You should take a moment to glance over the numbers and then look over the most recent filing for Q1FY2021:

[Q1FY2021 - I left off past years to focus on the now, but you can check them out yourself: https://news.gamestop.com/static-files/Vc48c7a03-2683-407c-95d0-83584d1a2b70](https://preview.redd.it/wkgn603p5ul71.png?width=1016&format;=png&auto;=webp&s;=4f405ced109947112689fab18803a90a64659f83)

A couple things jump out at me in this:

\* Long-term debt and overall total liabilities is down ~\$400M which should be of no surprise. We see that Operating lease liabilities is down slightly, but we should expect that to take larger drops in 2022.

\* "Additional paid-in capital" - I never really knew what this was until doing this DD and having to research. So it was \$2.9M in Q2FY2020 and then \$518M in Q1FY2021 [■](https://emojipedia.org/exploding-head/)

"Additional paid-in capital"

I can't explain it to you without doing my own searching, [investopedia](https://www.investopedia.com/terms/a/additionalpaidincapital.asp#:~:text=Additional%20paid%2Din%20capital%20(APIC)%20is%20the%20difference%20between,the%20company%20during%20its%20IPO):

>Additional paid-in capital (APIC) is the difference between the par value of a stock and the price that investors actually pay for it.

So the last financials had [GameStop ATM offering which was \$551M](<https://news.gamestop.com/news-releases/news-release-details/gamestop-completes-market-equity-offering-program>) raised, which means they are saying that \$31M was the price investors actually paid for it but the value came into the company. I know that might hurt your head, but let's revisit a certain equation for business:

**\*\*Assets = Liabilities + Shareholders Equity\*\*** (\*see edit 2\*)

Ahhh so "Total stockholders' equity raise from \$352M in Q2FY2020 to \$879M in the most recent filing. That's a difference of \$527M and explains why the "Additional paid-in capital" is high. The value is so large because of the great decisions the previous CEO made in stock repurchases:

>In aggregate, during fiscal 2019, we repurchased a total of 38.1 million shares of our Class A common stock, totaling \$198.7 million, for an average price of \$5.19 per share. We did not repurchase shares during fiscal 2018 or fiscal 2017. As of February 1, 2020, we have \$101.3 million remaining under the repurchase authorization.

[Page 23 of FY2019 report](<https://news.gamestop.com/static-files/9d2139e1-31c7-498f-ad95-63db1e6d085a>)

Share repurchases = greater Shareholders Equity, we're gaining wrinkles today!

**\*\*That means we're going to see a much bigger change on the coming financial reports, remember we raised again in June?\*\***

[\$1.126B was announced on June 22, 2021](<https://news.gamestop.com/news-releases/news-release-details/gamestop-completes-market-equity-offering-program-0>) and sent our world into a frenzy. Since we already saw what the first raise did to our report, we're going to see that "Additional paid-in capital" value be high again, but it's going to be more interesting this time. GameStop sold 3.5M shares for the \$518M, then 5M shares for the \$1.126B; there was a difference in average share price raised.

In the calculation of "Additional paid-in capital" there is a value used for the "par" value of that stock price. Did the first round of funding increase the par value and we'll see the gap be less? My suspicion is that the "Additional paid-in capital" is actually a balancing row for the financial report in this case. There will be more "Cash and Cash Equivalents" on the books next quarter, but if the money was used effectively, the difference should be getting less overtime. This is something we can directly measure:

$\$518.5\text{M} / 3.5\text{M shares} = \$148.14$  is the additional capital paid per share

What was the price of GameStop during that time again, before (4/26/2021)?

<https://preview.redd.it/wobnkv8s5ul71.png?width=1976&format=png&auto=webp&s=e93b1bcdb9087d7eae99c5baf80aed333c42d6af>

■ So GameStop definitely sold shares above \$148.14 and I honestly don't know what number they would/could use as the "Par" value of the stop. If they can use historical numbers, I'm sure they would pick the lowest number they could which would be somewhere in the \$5-20 range. The math works out here for sure.

Looking forward, we'll want to see the **\*\*Additional paid-in capital\*\*** reporting to compare to here, we'll have a formula like:

Reported Additional paid-in capital / 5M shares = \$XXX is the additional capital paid per share

**\*\*I'm expecting the number to be less but honestly don't know, it will be good to see either way. If any other apes want to share their knowledge on the topic (Additional paid-in capital), that would be very helpful!\*\***

## # Condensed Consolidated Statements of Operations

<https://preview.redd.it/lozhirrt5ul71.png?width=1390&format;=png&auto;=webp&s;=f827f65f882f67825beb627fd4ec4591f1820fa6>

Q2FY2020

[Q1FY2021](<https://preview.redd.it/6w1akkru5ul71.png?width=1384&format;=png&auto;=webp&s;=355cfbc734fb211d06fb79a95a67dc33f89efd39>)

It looks like net sales are on a steep decline when looking at Q2FY2020, but the Q1FY2021 report shows a clear turn around. MSM is quick to point out that the stock is overvalued, but I would argue on these numbers that the analyst consensus is putting aggressive measures to justify the valuation. Follow the numbers on this one, you can see the "Basic loss per share" go from -\$4 in previous years to -\$1.71 in Q2FY2020 and to -\$1.01 in Q1FY2021. So there has been continual improvement in a key metrics, losses per share.

I also notice that "Net loss from continuing operations" has decreased significantly overtime! This was part of the original thesis from RC, I always love seeing data points that show the plan in action.

## # New Reporting Sections for top of report

If you look at Page 8 of the Q1FY2021 report, GameStop is now reporting a breakdown of the revenue by category which wasn't done in the past:

	May 1, 2021	May 2, 2020
Hardware and accessories	\$703.5 M	\$513.1 M
Software	\$397.9 M	\$417.0 M
Collectibles	\$175.4 M	\$90.9 M
Total	\$1,276.8 B	\$1,021.0 B

So collectibles almost doubled year over year, gotcha. Those top brands I've been doing DD on have some awesome brands in the collectibles category! We'll want to keep a look out for the new data coming out next quarter in this category!

Apes are finding their old gift cards■

I just thought this was hilarious, I imagine \$21.2M in gift cards were found at parents houses around the world because of everything that has happened

## # Summary

The biggest thing I notice from all of this is the expected revenue numbers, Yahoo is showing \$1.12B with the highest estimate \$1.15B; GameStop had "Net Sales" of \$942M in Q2FY2020. The estimates bring an expectations of 22% Year-over-year (YoY) growth in annual sales.

The previous quarter (Q1FY2021) brought in \$1.276B for net sales; Q1FY2020 brought in \$1.021B for net sales. This was a YoY growth of 24.97%.

So I guess the real question for you as an individual investor, do you think GameStop had a better Q1 this year or a better Q2? I personally think this earnings will be pushing that 25% growth number. Just remember last quarter sales were \$1.276B, consoles still sold out, e-commerce constantly expanding, I've been buying a lot at GameStop so that will probably have a material impact.

# tldr; if you weren't jacked for earnings, you should get jacked

If you want to look at any of the financial reporting, I get it from the best source: [<https://news.gamestop.com/financial-information/quarterly-results>](<https://news.gamestop.com/financial-information/quarterly-results>)

I can't wait to hear the comments that this isn't news!

Edit: fixed date in column table header. Both columns showed "2021"

Edit 2: Adjusting the accounting equation as what I have is technically wrong and I'm changing it. Liabilities is typically always a negative so my brain has that assumption but I didn't make any notes. The correct business equation:

**\*\*Assets = Liabilities + Shareholders Equity\*\***

[https://en.m.wikipedia.org/wiki/Accounting\\_equation](https://en.m.wikipedia.org/wiki/Accounting_equation)

Also adding some clarity on the par value after getting provided some more links. It seems that par value is probably \$0.01 meaning the average share sale price was probably around ~\$148/share.

<https://www.investopedia.com/ask/answers/why-would-stock-have-no-par-value/>

> No-par value stock doesn't have a redeemable price, rather prices are determined by the amount that investors are willing to pay for the stocks on the open market