

Title: DINNER ■: Shorts trapped themselves LONG before Jan 2021 sneeze and the GME tiger has only gotten bigger + hungrier ■■■■: "GameStop: The Shorts Are Riding A Tiger, Not Knowing How To Get Off Without Being Eaten" Apr 2020 Article --- Cites Justin Dopierala/DOMO Capital & Historical Data
Author: Expensive-Two-8128
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Url: https://www.reddit.com/r/Superstonk/comments/sbt01c/dinner_shorts_trapped_themselves_long_before_jan/

Linked Post Content:

Let's start this one off with an actual look at Kenneth C. Griffin and Citadel's situation:

[You are correct, Kenneth. RIP Citadel.](<https://preview.redd.it/fgvro6kxgod81.png?width=1960&format=png&auto;=webp&s;=7dcfbd305922267b67745ea1fc18421c7be8e9a4>)

So, I came across this awesome article from April of 2020 by "Courage & Conviction Investing" on Seeking Alpha, and it really drives this home. IF:

- * GME shorts were already trapped by their own positions almost 2 years ago
- * And people were slowly but surely buying up GME at absurdly low prices
- * And then the Jan 2021 sneeze happened, and no one sold
- * And all we've done for over a year straight is buy, DRS, and hodl
- * And all we're continuing to do is buy, DRS, and hodl
- * Then this is one more extremely solid historical confirmation of what we already knew:
- * **Not only have the shorts not closed, they were** ***already*** **in an inescapable dilemma of their own creation BEFORE the Jan 2021 sneeze ever even happened**

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THE SHORTS ARE TRAPPED RIDING A GME TIGER THAT HAS ONLY GOTTEN BIGGER + HUNGRIER, AND THEY CANNOT GET OFF WITHOUT BEING EATEN.

Simply put, GameStop IS FUNDAMENTALLY INEVITABLE. The author ends the article with this outstanding sequence:

**When I synthesize the situation, I have no idea how the shorts will dismount from this tiger. There is a phrase in Bob Dylan's recently released masterpiece, Murder Most Foul:*

>*"Greatest magic trick ever under the sun..."*

*The world awaits the greatest magic trick. As for me, I'm long and betting on that hungry tiger.**

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Without further ado, here's the archived article link, and the text of the article below- cheers, and NFA but DANG you should buy some of this unreal dip and DRS your shares!

* Archive link to article: <https://archive.today/8CO9h>

* Full text of the article below:

GameStop: The Shorts Are Riding A Tiger, Not Knowing How To Get Off Without Being Eaten

Apr. 26, 2020 6:30 PM ET**GameStop Corp. (GME)** **AMZN, TGT, WMT 193 Comments 21 Likes**

Summary

* Short interest for the period ending April 15, 2020, was released on April 24th, after the bell. There were 58.84 million shares sold short.

* This marks a remarkable increase, from 55.99 million, considering the April 20th proxy vote eligibility issue.

* We learned that GameStop has \$772 million of liquidity, as of April 4th.

I have been closely following (many that know me might even say obsessively so) financial markets since high school. I'm turning 40 this fall, so we are talking over twenty years of being a Stock Market Addict (I'm paraphrasing two book titles, [Jim Cramer's Confessions of A Street Addict](https://www.amazon.com/Confessions-Street-Addict-James-Cramer/dp/0743224876/ref=tmm_hrd_swatch_0?_encoding=UTF8&qid;=&sr;=&) and [Reminiscences of a Stock Operator by Edwin Lefevre](<https://www.barnesandnoble.com/w/remi-niscences-of-a-stock-operator-edwin-lefevre/1100298425?ean=9780471770886>)). By the way, I read both books in my early twenties and liked them both.

Let me save you the suspense, today's article isn't a book review, rather it is a follow up to my popular recent article, ***[see archive article to click on removed link***

<https://archive.today/8CO9h>](<https://archive.today/8CO9h>) ***or just search the article he cites here)*** *It Only Takes A Spark For A Short Squeeze Inferno*, published on April 12, 2020, here on SA.

The origins of today's title are from the recesses of my mind, when I recalled reading about an infamous letter from Indian IT services company founder, [Byrraju Ramalinga Raju](<https://www.google.com/search?client=safari&q;=Byrraju+Ramalinga+Raju&stick;=H4slAAAAAAAAAONgVuLSz9U3SDI3KcireMT0yi3w8sc9YSmbSWtOXmM04-IKzsgvd80rySypFNLgYoOy5Lj4pJC0aTBI8XAh8XkWsYo5VRYVJWaVKgQI5ibmZOalJwJZWaUA3w5C0W8AAAA>), and his former firm, Satyam Computer Services. For perspective, some equate this accounting scandal to the likes Enron, here in the U.S.

Raju famously described carrying out his elaborate fraud as:

>**Riding A Tiger, Not Knowing How To Get Off Without Being Eaten**

I would argue that the GameStop (GME) shorts are presently atop that tiger, clinging on for dear life, with their mind in hyperdrive desperately trying to work out a MacGyveresque dismount.

On Friday, April 24th, after the bell, the short interest data was reported for the period ending April 15, 2020. [Per the WSJ](https://www.wsj.com/market-data/quotes/GME?mod=quote_search), 58.84 million shares of GameStop were sold short. To jog readers' memories, there were 55.99 million shares of GameStop sold short as of March 31, 2020 and 62.5 million shares sold short as of March 13th.

<https://preview.redd.it/ppuwoerpiod81.png?width=640&format;=png&auto;=webp&s;=46a98996a0c94ab0efdf4211b808645e12c08ae1>

■Source: shortsqueeze .com

Besides the compelling valuation in concert with the widely anticipated catalyst, late November 2020 launch dates for the PlayStation 5 and Xbox Series X, I'm absolutely fascinated by this altitude sickness inducing short interest. I have an outsized interest in short squeezes, bordering on tornado chaser obsession, and I have never seen a setup this compelling. Although it is hard to argue the counterfactual, I would argue that Edwin Lefevre would be long shares of GameStop, given the unique setup. Remember,

as of March 20, 2020, and per GameStop's 10-K, there were only 64,457,992 shares of GME in existence.

Yet if we look at the data now that is available, 58.84 million shares were sold short out of an entire share count of 64.46 million shares. In other words, 91.3% of all of GME's shares were sold short.

Now recall my last article, along with the excellent reporting by SA Contributor *** (see archive article to click on removed link*** [***<https://archive.today/8CO9h>***](<https://archive.today/8CO9h>) ***or just search his profile on SA)*** Justin Doeppierala, who has carried the in-depth GameStop reporting baton, that unless moved by GME's management team, April 20, 2020 could be the record date for voting eligibility. If we look at the tale of the tape, and Michael Burry's disclosure on April 9th was probably the catalyst, GameStop trading volume crested to a year-to-date high water mark on April 14th. However, after that upwards of 66% rally (\$6.47 per share as the intra-day high) from its April 9th closing price, to its April 14th intra-day high, shares of GME traded lower and on lower volume. The only real exception to the declining pattern, since April 14th, was a 15% rally on April 20th, as some shareholders might have made sure to be long shares so that they could vote in the highly contested proxy fight between Hestia/Permit Capital and GameStop's management over two coveted board seats.

So, if we unpack everything, I'm kind of shocked that short interest actually increased for the period ending April 15th, despite the upward share price momentum, and given the fact that Dimensional (7.1 million shares), Donald Foss (3.5 million), Michael Burry (3.4 million shares), and Must Asset Management (3.3 million shares) would have logically requested their shares be returned from securities lending programs. Please note, I did catch up with Justin, over the phone, and he politely noted that his fund is long roughly 500,000 shares, not the 350,000 shares I cited in my last piece (sorry for the oversight, Justin).

By the way, I'm already assuming that Permit/Hestia has recalled their shares from loan, simply because they wouldn't go to the trouble and expense of waging a proxy war and then somehow forget to call in their shares from loan, so as to be ineligible to vote. Therefore, we can safely assume that Permit/Hestia ([long 4.668 million shares of its April 24, 2020 proxy filing](https://www.sec.gov/Archives/edgar/data/1326380/00092189520001185/defc14a12166002_04242020.htm)) shares aren't out on loan. This then only leaves 59.912 million shares in existence that could be shorted. And lo and behold, as of April 15, 2020, 58.84 million out of 59.912 million (98.2%) were sold short.

<https://preview.redd.it/ruwnuwzuiod81.png?width=640&format=png&auto=webp&s=01c3a86bcbcd74c55d88a411e19747194b3ab3>

■Source: Yahoo Finance

So, if we put this all together, I can't for the life of me work out how and why, collectively, this group of hedge funds is riding this tiger. Moreover, I have no idea whatsoever, how they will dismount without getting eaten. I'm not even sure under the coaching of Isaac Van Amburgh that they could pull this off.

Fundamental update

From a fundamental standpoint, [GameStop provided an update](<https://www.sec.gov/ix?doc=/Archives/edgar/data/1326380/000132638020000037/gme-20200421.htm>) on April 21, 2020.

Most importantly, they noted total liquidity of \$772 million, as of April 4th.

>"As of April 4, 2020, the Company had approximately \$772 million in total cash and liquidity (approximately \$706 million in cash and \$66 million in availability on its revolver). The Company continues to expect it has sufficient liquidity and financial flexibility to navigate the current environment."

Recall that when GameStop published its 10-K, on March 27, 2020, they reported \$769.7 million of liquidity.

>"Our principal sources of liquidity are cash from operations, cash on hand and our revolving credit facility. As of February 1, 2020, we had total cash on hand of \$499.4 million and an additional \$270.3 million of available borrowing capacity under our \$420 million revolving credit facility, which was undrawn as of February 1, 2020."

So despite Walmart (WMT), Target (TGT), and Amazon (AMZN) being able to remain fully open, when the vast majority of speciality retail, and retail in general, are forced to be closed due to government COVID-19 mandates, GameStop isn't burning cash at the alarming rate hoped for by the hardcore shorts.

Also, on April 21, 2020, we learned that shelter in place mandates tend to drive more people to play video games. Was this really not intuitive?

[Hmmm... How are those fundamentals doing these days in 2022? ;\])(<https://preview.redd.it/ievliekwiod81.png?width=640&format=png&auto=webp&s=c61cc9ee84fe340190512afeac0a5df11e539949>)

■ Source: Seeking Alpha

Conclusion

As of April 15th, there were 58.84 million shares of GameStop sold short. Excluding Hestia/Permit's 4.668 million shares, as there is no way they would have forgotten to call back their shares from loan and be ineligible to vote, 98.2% of GameStop shares were sold short. Given the price action, from April 16th to April 20th, as well as relatively lower trading volume, considering the circumstances, how many shares were actually called back and are actually eligible to vote in the proxy?

I find it highly unlikely, if not impossible that Dimensional (7.1 million shares), Donald Foss (3.5 million), Michael Burry (3.4 million shares), and Must Asset Management (3.3 million shares), collectively controlling 17.3 million shares, as of the most recently available reporting data, didn't ask their prime brokers to have their shares recalled from loan.

Therefore, I'm shocked that as of April 15, 2020, the reported short interest wasn't in the mid to high 40 million share range.

Now the other nuance, and Justin pointed this out, is that GameStop's management can slightly move the goalposts by slightly delaying the annual meeting date and subsequent record date for voting eligibility. We will only know when GameStop's management officially announces it.

But even then, would Dimensional, Foss, Burry, and Must Asset play Russian roulette trying to guess that GameStop's management would extend the voting date and therefore didn't want to forgo earnings an extra week of annualized interest north of 100% to lend their shares?

Enclosed below, you can see that last week, the daily cost to borrow GameStop short hit a high water mark of 140%. It was 97.6% as of Friday's close, and only 10,000 shares could be located for borrow.

<https://preview.redd.it/a3bdq644jod81.png?width=640&format=png&auto=webp&s=3635519f2c0be7e3475d1ac704626cfa720a65aa>

■ [Source: Interactive Brokers](<https://iborrowdesk.com/report/gme>)

This coming Friday is May 1st. The shelter in place mandate will most likely be in place for May and maybe even for June. I live in Massachusetts and school has been canceled for rest of the year, and daycares are mandated closed until June 29th.

We saw that March 2020 was the best month for video games in twelve years and we learned from GameStop's April 21st update that sales are holding up nicely despite being limited to curbside pick up and only online sales channels. As of April 4, 2020, the company had \$772 million of liquidity.

Given GameStop's strong liquidity, I would hope that they are buying every single 6.75% 3/15/2021 (cusip:36467WAB5) bond that anyone is willing to sell them at \$0.80 on the dollar or less. If GameStop was able to retire \$50 million (face value) of bonds at \$0.80 on the dollar that would save \$10 million as well as the 6.75% interest expense. That is very accretive to a company that only has a market capitalization of \$308 million (as of April 24th).

<https://preview.redd.it/eili0ny5jod81.png?width=640&format=png&auto=webp&s=d46c752e03fa44de7feb7fd4c7d87c5a88f3d7ce>

■Source: Fidelity

When I synthesize the situation, I have no idea how the shorts will dismount from this tiger. There is a phrase in Bob Dylan's recently released masterpiece, Murder Most Foul:

>"Greatest magic trick ever under the sun..."

The world awaits the greatest magic trick. As for me, I'm long and betting on that hungry tiger.

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EDIT:

* *IF YOU HAVEN'T ALREADY, GO CHECK OUT* u/Freadom6*'s POST EXPLORING ALL THE HIGHLY SHORTED STOCKS FROM 2020/2021:* [***https://www.reddit.com/r/Superstonk/comments/q1w5z8/the_short_game_exposed_exploring_leverage_in_75/***](https://www.reddit.com/r/Superstonk/comments/q1w5z8/the_short_game_exposed_exploring_leverage_in_75/) ***---*** *Freadom6 also let me know* *you can Google "heavily shorted stocks October 2020 seeking alpha" to find the other article discussing GME and the heavily shorted stocks ;)*

* ■ *ALSO, DRS YOUR SHARES UNTIL YOUR FINGERS BLEED* ■*: [***https://www.reddit.com/r/Superstonk/comments/ptvaka/when_you_wish_upon_a_star_a_complete_guide_to/***](https://www.reddit.com/r/Superstonk/comments/ptvaka/when_you_wish_upon_a_star_a_complete_guide_to/?utm_source=share&utm_medium=web2x&context=3)