

Geeknet (GKNT) Acquired by Hot Topic for \$17.50/share

We initiated a report on Sept. 15, 2014 when the price was at \$9.38.

We set a price target for \$10.59 in 5 years.

The merits of investment was 1) no debt, 2) \$45MM in net cash, 3) \$17MM in enterprise value with FCF of \$1-2MM, 4) Ken Lagone was a large stakeholder (12%).

We thought it was a good internet business model, selling toys and collectibles, working with the notable names like Marvel, Star Wars, etc.

Not sure if Hot Topic got a great deal at \$17.50, and not sure how it will meld with their retail store and image. However, it does have a unique product offering and a similar target age. We are skeptical of how well management will be able to execute and implement the merger of 2 distinct cultures.

But to those who invested in GKNT, cheers!

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