

Sung Nam
August 30, 2012

GameStop (GME)

We were long on Game Stop (GME) back on January 3rd, 2012. We felt the co. generated strong cash flow and the secular brick/mortar concern, which is fully warranted with the recent Bestbuy, Circuit City, Borders/Amazon developments, unduly devalued the stock price. Recent company news have placed downward pressure on the stock as weaker same store sales (SSS) and related writeoffs may be an omen of things to come.

Yet, we stubbornly hold onto the call we placed back early this year, not to be a contrarian or to stick with our previous decision. Rather, the value is so evident, even amidst the potential damage to the intrinsic value with the writeoffs, we would be cowards not to voice our analysis. Motiwala Capital, in Texas, seems to share the same view on GME. Sure, SSS and the secular issues are on the headlines, but the underlying free cash flow generation is unmistakable.

GME is the world's largest video game retailer and operates +6,680 stores in the U.S. (4,503), Australia (411), Canada (346) and Europe (1,423) and sells games via their websites. Main items are 1) hardware, 2) new games, 3) used games, 4) accessories. New generation hardware such as PS, Wii, Xbox will help spur sales of video games, aside from the growth in digital games through smart phones. Used games sales generates higher margins for the co. and the company's store presence and brand awareness and loyalty, will continue to help drive sales. As long as physical hardware consoles are in the market, the need for a physical location to purchase the items will remain, especially if the users want to sell the used games to the likes of Gamestop.

U.S. distribution centers are located in Texas (362,000 sq. ft store replenishment; owned) and Kentucky (260,000 sq. ft. first to market games; leased) and utilize third-party distribution centers. Texas, California, Florida, New York, Pennsylvania are the largest markets. They typically have visible store locations in malls, strips. 32 regional directors cover about 150 stores each. All the stores are leased. The bear case is the fact the co. employees 17,000 full time salaried/hourly employees while employing 33,000 to 54,000 part-time workers to operate the 6,680 stores, distribution centers. If each 17,000 salaried received \$40,000 annually, then it is \$680MM in wages alone, let alone the part-time employees.

The co. generated \$10 BB in sales, in a \$33 BB global video game/PC software market, excluding used video games. That is about a 20-30% global market share. Surely, the -2.1% SSS may be associated with competitors like Amazon, Bestbuy, Walmart eating away shares, but we must also consider the weakened economy and consumer's lessened disposable income as well as the 4-5 year period since the launch of a new generation of consoles. Roughly 45-50% of sales are linked to Microsoft, Sony and Nintendo platforms, so when the new generation is released, we can anticipate a growth in sales. The co. has paid down debt from \$574MM to zero and grew equity from \$1.8BB to \$3.04BB in 5 years. \$2BB goodwill balance is from the 2005 merger between GSC Holdings and Electronic Boutique.

	2012	2011	2010
Sales			
New video game hardware	1,611.6	1,720.0	1,756.5
New video game software	4,048.2	3,968.7	3,730.9
Used video game products	2,620.2	2,469.8	2,394.1
Other	1,270.5	1,315.2	1,196.5
Total	9,550.5	9,473.7	9,078.0
Gross margin %			
New video game hardware	113.6	124.9	113.5
New video game software	839.0	819.6	795.0
Used video game products	1,221.2	1,140.5	1,121.2
Other	505.7	452.6	405.0
Total	2,679.5	2,537.6	2,434.7
Gross margin %			
New video game hardware	7.05%	7.26%	6.46%
New video game software	20.73%	20.65%	21.31%
Used video game products	46.61%	46.18%	46.83%
Other	39.80%	34.41%	33.85%
Total	28.06%	26.79%	26.82%

The co. probably buys new games at \$32 and sells at \$40 and buys used games at \$12 and sells at \$20. It is a simple business, but the co.'s moat is the vast geographic store footprint covering much of the English speaking world, internet presence with their website and strong ties to the vendors. This business is not going to go away anytime soon and if Amazon is a real threat, then the co. could shift more of their sales online and ship them out from the distribution centers, cutting the need for the \$800MM in wages.

The greatest threat to the co. is if the hardware vendors makes the games downloadable directly into the system, but in order for this to take place, the countries need to have hi-speed internet access for the consumers to store the hundreds of gigabytes in game data into the actual hardware, or even a cloud system. We have yet to even hear of such a model and frankly, no country except Korea probably has the infrastructure to do so. They don't want to marginalize the consumers who don't have access to such services, so video game software will still be sold via the disks in the stores, or online. Obsolescence scare is still a few years away.

August 30, 2012

SN VALUATION [Stocks, Real Estate, Bonds]

Game Stop (GME)

Price:	\$18.14
Market Cap:	\$2,258,430,000
Cash:	\$329,000,000
Debt:	\$0
Net Cash:	\$329,000,000
Enterprise Value:	\$1,929,430,000
Target Market Cap:	\$3,915,068,250
Target Enterprise Value:	\$3,586,068,250

Price/Book:	0.74
EV/FCF:	4.56
Net Tang. Asset/Share:	\$8.21
Avg. Year 1-5 FCF/Share:	\$1.63
5 Years of FCF:	\$8.14
Net Tang. Asset+5 FCF:	\$16.35

Net Tang. Asset Yr. 5/Share:	\$18.41
Avg. Year FCF/Share:	\$1.63
Year 5 Disposition FCF Multipl:	3.0
Year 5 Disposition Price:	\$23.30
Gain Year 5:	\$15.10

Net Tang. Asset+5 FCF+ Gain Disposition:	\$31.45
IRR:	11.63%

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SN VALUATION

LBO Analysis

WACC Terminal Value:	N/A	Intrinsic Price in 5 Years:	28.83	Non-LBO Forecast	Non-LBO Forecast	Desired Return Rate	20.00%
EV/EBITDA with 3X Multiple Terminal Value:	\$26.90	Market Price:	18.14	Year 1 Target	19.90	Implied Today's Price	11.59
Net Tangible Asset Terminal Value:	\$11.75	LBO Price:	18.14	Year 2 Target	21.83	Overvalued/(Undervalued)	56.57%
EV/EBITDA with Today's Multiple Terminal Value:	\$37.64	Premium to Market Price:	0.00%	Year 3 Target	23.95		
EVA Enterprise Value:	\$39.03	LBO Price/Intrinsic Price Target:	9.71%	Year 4 Target	26.28		
Dividend Discount Model:	N/A	LBO Price/EV/EBIT Exit Price:	15.72%	Year 5 Target	28.83		
Average (Excluding Dividend Discount):	\$28.83	Implied IRR at today's EV/EBITDA:	15.72%	Implied IRR (Market Price):	9.71%		
		5 Year Return:	58.92%				

Current Evaluation				Exit Evaluation			
Current Market Price:	18.14	LBO Price:	18.14	Exit Price:	28.83	Exit Price:	37.64
Outstanding Shares:	124,500,000	Outstanding Shares:	124,500,000	Outstanding Shares:	124,500,000	Outstanding Shares:	124,500,000
Market Capitalization:	2,258,430,000	Market Capitalization:	2,258,430,000	Market Capitalization:	3,589,153,537	Market Capitalization:	4,685,701,250
Available Cash:	329,000,000	Available Cash:	329,000,000	Available Cash:	1,343,026,250	Available Cash:	1,343,026,250
Debt:	0	Debt:	0	Debt:	0	Debt:	0
Net Cash:	329,000,000	Net Cash:	329,000,000	Net Cash:	1,343,026,250	Net Cash:	1,343,026,250
Enterprise Value:	1,929,430,000	Enterprise Value:	1,929,430,000	Enterprise Value:	2,246,127,287	Enterprise Value:	3,342,675,000
Original EV/EBITDA:	3.39	EV/EBITDA:	3.39	EV/EBITDA at 5 Years:	7.78	EV/EBITDA at 5 Years:	5.00
Original EV/EBITDA:	2.04	EV/EBITDA:	2.55	EV/EBITDA at 5 Years:	5.90	EV/EBITDA at 5 Years:	7.01
Competitor Average EV/EBIT:	N/A						
Competitor Average EV/EBITDA:	N/A						

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	18.14	18.14	19.90	21.83	23.95	26.28	28.83
Shares Outstanding:	124,500,000	124,500,000	124,500,000	124,500,000	124,500,000	124,500,000	124,500,000
Market Capitalization:	2,258,430,000	2,258,430,000	2,477,671,440	2,718,196,164	2,982,070,290	3,271,560,503	3,589,153,537
Available Cash:	329,000,000	329,000,000	586,405,250	811,310,500	1,010,215,750	1,202,621,000	1,343,026,250
Debt:	0	0	0	0	0	0	0
Net Cash:	329,000,000	329,000,000	586,405,250	811,310,500	1,010,215,750	1,202,621,000	1,343,026,250
Enterprise Value:	1,929,430,000	1,929,430,000	1,891,266,190	1,906,885,664	1,971,854,540	2,068,939,503	2,246,127,287
EBIT	568,900,000	568,900,000	468,535,000	418,535,000	378,535,000	368,535,000	288,535,000
EV/EBIT:	3.39	3.39	4.04	4.56	5.21	5.61	7.78
EBITDA	757,500,000	757,500,000	657,135,000	607,135,000	567,135,000	557,135,000	477,135,000
EV/EBITDA:	2.55	2.55	2.88	3.14	3.48	3.71	4.71

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	18.14	18.14	17.47	17.92	18.43	19.70	18.65
Shares Outstanding:	124,500,000	124,500,000	124,500,000	124,500,000	124,500,000	124,500,000	124,500,000
Market Capitalization:	2,258,430,000	2,258,430,000	2,175,446,356	2,230,776,109	2,294,020,962	2,452,511,113	2,321,595,568
Available Cash:	329,000,000	329,000,000	586,405,250	811,310,500	1,010,215,750	1,202,621,000	1,343,026,250
Debt:	0	0	0	0	0	0	0
Net Cash:	329,000,000	329,000,000	586,405,250	811,310,500	1,010,215,750	1,202,621,000	1,343,026,250
Enterprise Value:	1,929,430,000	1,929,430,000	1,589,041,106	1,419,465,609	1,283,805,212	1,249,890,113	978,569,318
EBIT	568,900,000	568,900,000	468,535,000	418,535,000	378,535,000	368,535,000	288,535,000
EV/EBIT:	3.39	3.39	3.39	3.39	3.39	3.39	3.39
EBITDA	757,500,000	757,500,000	657,135,000	607,135,000	567,135,000	557,135,000	477,135,000
EV/EBITDA:	2.55	2.55	2.42	2.34	2.26	2.24	2.05

LBO Price	18.14	Equity Partners:	2,258,430,000	Weighting	100.00%	Annualized Return for Equity Partners:	15.72%
Shares Outstanding	124,500,000	Debt Partners:	0		0.00%		
Market Capitalization	2,258,430,000	Total Funds for LBO:	2,258,430,000		100.00%		
Debt	0						
Cash	329,000,000						
Enterprise Value	1,929,430,000						
Capital Investment	2,258,430,000						

Book Value		Enterprise Value		Stock Valuation		Debt Reduction	
Beginning Book Value	3,042.10	Beginning Enterprise Value	1,929.43	Current Market Price	\$18.14	Starting Debt	0.00
Year 5 Book Value	4,313.13	Year 5 Enterprise Value	3,342.68	Year 5 Market Price	\$37.64	Debt Repayment	0.00
Annualized Return	7.23%	Annualized Return	11.62%	Annualized Return	15.72%	Year 5 Ending Debt	0.00
						% of Starting Debt	#DIV/0!

SN VALUATION

LBO Pro Forma Income Statement

Name:

Game Stop

Ticker:

GME

	Historical				Forecasted				
	52 weeks ending 2009-01-31	52 weeks ending 2010-01-30	52 weeks ending 2011-01-29	52 weeks ending 2012-01-28	2013	2014	2015	2016	2017
Revenue	8,805.90	9,078.00	9,473.70	9,550.50	9,550.50	9,550.50	9,550.50	9,550.50	9,550.50
COGS	6,535.76	6,643.35	6,936.10	6,871.00	6,971.87	6,971.87	6,971.87	6,971.87	6,971.87
Gross margin	2,270.14	2,434.65	2,537.60	2,679.50	2,578.64	2,578.64	2,578.64	2,578.64	2,578.64
SG&A	1,451.82	1,637.12	1,701.30	1,841.50	1,910.10	1,910.10	1,910.10	1,910.10	1,910.10
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	6.92	7.12	7.50	82.20	0.00	0.00	0.00	0.00	0.00
Other operating expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation is: Included within COGS	138.61	158.70	172.20	186.90	200.00	250.00	290.00	300.00	380.00
Operating Income (EBITA)	672.79	631.71	656.60	568.90	468.54	418.54	378.54	368.54	288.54
Interest income/(expense)	-38.84	-43.18	-35.20	-19.80	6.55	6.55	6.55	6.55	6.55
Gain (loss) on sale of asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income before tax	633.95	588.53	621.40	549.10	475.09	425.09	385.09	375.09	295.09
Tax	235.67	212.80	214.60	210.60	166.28	149.78	134.78	131.28	103.28
Income after tax	398.28	375.73	406.80	338.50	308.81	276.31	250.31	243.81	191.81
Minority Interest	0.00	1.54	1.20	1.40	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	398.28	377.26	408.00	339.90	308.81	276.31	250.31	243.81	191.81
*Figures are in millions (\$)									
EPS (based off today's share count)	\$3.20	\$3.03	\$3.28	\$2.73	\$2.48	\$2.22	\$2.01	\$1.96	\$1.54
P/E (historical today's price; forecasted intrinsic price)	5.67	5.99	5.54	6.64	8.02	9.84	11.91	13.42	18.71
Revenue Growth	N/A	3.09%	4.36%	0.81%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	37.17%	36.16%	34.53%	38.35%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-7.12%	-9.65%	-14.14%	0.00%	NA	NA	NA	NA	NA
Margins									
COGS	74.22%	73.18%	73.21%	71.94%	73.00%	73.00%	73.00%	73.00%	73.00%
Gross margin	25.78%	26.82%	26.79%	28.06%	27.00%	27.00%	27.00%	27.00%	27.00%
SG&A	16.49%	18.03%	17.96%	19.28%	20.00%	20.00%	20.00%	20.00%	20.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.08%	0.08%	0.08%	0.86%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Included within COGS	1.57%	1.75%	1.82%	1.96%	2.09%	2.62%	3.04%	3.14%	3.98%
Operating Income (EBITA)	7.64%	6.96%	6.93%	5.96%	4.91%	4.38%	3.96%	3.86%	3.02%
Interest income/(expense)	-0.44%	-0.48%	-0.37%	-0.21%	0.07%	0.07%	0.07%	0.07%	0.07%
Gain (loss) on sale of asset	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	7.20%	6.48%	6.56%	5.75%	4.97%	4.45%	4.03%	3.93%	3.09%
Tax	2.68%	2.34%	2.27%	2.21%	1.74%	1.56%	1.41%	1.37%	1.08%
Income after tax	4.52%	4.14%	4.29%	3.54%	3.23%	2.89%	2.62%	2.55%	2.01%
Minority Interest	0.00%	0.02%	0.01%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	4.52%	4.16%	4.31%	3.56%	3.23%	2.89%	2.62%	2.55%	2.01%

SN VALUATION

LBO Adjusted Proforma Balance Sheet

	As of 2009-01-31	As of 2010-01-30	As of 2011-01-29	As of 2012-01-28	As of 2012-07-28	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	578.14	905.42	710.80	655.00	329.00			329.00	586.41	811.31	1,010.22	1,202.62	1,343.03
Short term investment	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	578.14	905.42	710.80	655.00	329.00			329.00	586.41	811.31	1,010.22	1,202.62	1,343.03
Accounts Receivable	41.88	48.08	45.00	28.40	40.20			40.20	40.20	40.20	40.20	40.20	40.20
Other receivables	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	41.88	48.08	45.00	28.40	40.20			40.20	40.20	40.20	40.20	40.20	40.20
Total Inventory	1,075.79	1,053.55	1,257.50	1,137.50	980.20			980.20	980.20	980.20	980.20	980.20	980.20
Prepaid Expenses	59.10	59.43	75.70	79.90	177.00			177.00	177.00	177.00	177.00	177.00	177.00
Other Current Assets	39.03	44.89	45.30	60.50	43.30			43.30	43.30	43.30	43.30	43.30	43.30
Current Assets	1,793.94	2,111.37	2,134.30	1,961.30	1,569.70	0.00	0.00	1,569.70	1,827.11	2,052.01	2,250.92	2,443.32	2,583.73
PP&E, Gross	1,084.89	1,246.01	1,419.00	1,500.00	1,500.00			1,500.00	1,700.00	1,900.00	2,100.00	2,300.00	2,500.00
Change in Depreciation		164.13	176.80	188.60	188.60			188.60	188.60	188.60	188.60	188.60	188.60
Accumulated Depreciation	535.64	661.81	805.20	930.00	930.00			930.00	1,118.60	1,307.20	1,495.80	1,684.40	1,873.00
PP&E, Net	549.25	584.20	613.80	570.00	570.00			570.00	581.40	592.80	604.20	615.60	627.00
Goodwill	1,833.01	1,946.51	1,996.30	2,019.00	1,981.80	0.00		1,981.80	1,981.80	1,981.80	1,981.80	1,981.80	1,981.80
Intangibles	247.79	259.86	254.60	209.10	209.00			209.00	249.00	289.00	329.00	369.00	409.00
Long term investments	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	35.40	37.45	44.30	48.70	241.20			241.20	241.20	241.20	241.20	241.20	241.20
Long Term Assets	2,665.45	2,828.02	2,909.00	2,846.80	3,002.00			3,002.00	3,053.40	3,104.80	3,156.20	3,207.60	3,259.00
Total Assets	4,459.39	4,939.39	5,043.30	4,808.10	4,571.70	0.00	0.00	4,571.70	4,880.51	5,156.81	5,407.12	5,650.92	5,842.73
Accounts Payable	1,047.96	961.67	1,028.10	804.30	804.30			804.30	804.30	804.30	804.30	804.30	804.30
Accrued Expense	393.88	507.21	521.20	604.80	604.80			604.80	604.80	604.80	604.80	604.80	604.80
Other current Liabilities	120.86	186.79	198.50	224.80	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Current Liabilities	1,562.70	1,655.67	1,747.80	1,633.90	1,409.10	0.00	0.00	1,409.10	1,409.10	1,409.10	1,409.10	1,409.10	1,409.10
Notes Payables/Short Term Debt	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current port. Of LT Debt/Capital Leases	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term Debt	545.71	447.34	249.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Lease Obligations	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	545.71	447.34	249.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Income tax	7.52	25.47	74.90	67.10	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Minority Interest	0.00	-0.15	-1.40	-1.90	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	96.96	103.83	96.20	106.20	159.20			159.20	159.20	159.20	159.20	159.20	159.20
Total Liabilities	2,212.89	2,232.16	2,166.50	1,805.30	1,568.30	0.00	0.00	1,568.30	1,568.30	1,568.30	1,568.30	1,568.30	1,568.30
Redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	0.16	0.16	0.10	0.10	0.10		0.00	0.10	0.10	0.10	0.10	0.10	0.10
Additional Paid-in capital	1,307.45	1,210.54	928.90	726.60	726.60	0.00	0.00	726.60	726.60	726.60	726.60	726.60	726.60
Dividends Paid	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	1,020.49	1,397.76	1,805.80	2,145.70	2,145.70		0.00	2,145.70	2,454.51	2,730.81	2,981.12	3,224.92	3,416.73
Treasury Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	-57.52	114.70	162.50	169.70	169.70		0.00	169.70	169.70	169.70	169.70	169.70	169.70
Total Equity	2,270.58	2,723.16	2,897.30	3,042.10	3,042.10	0.00	0.00	3,042.10	3,350.91	3,627.21	3,877.52	4,121.32	4,313.13
Liability + Equity	4,483.47	4,955.32	5,063.80	4,847.40	4,610.40	0.00	0.00	4,610.40	4,919.21	5,195.51	5,445.82	5,689.62	5,881.43
Variance	-24.08	-15.93	-20.50	-39.30	-38.70			-38.70	-38.70	-38.70	-38.70	-38.70	-38.70
Debt/Equity	0.24	0.16	0.09	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Inventory Turnover	8.19	8.62	7.53	8.40	9.74			9.74	9.74	9.74	9.74	9.74	9.74
Inventory Turnover Days	44.59	42.36	48.45	43.47	37.46			37.46	37.46	37.46	37.46	37.46	37.46
Days Inventory Outstanding	60.08	57.88	66.17	60.43	51.32			52.07	51.32	51.32	51.32	51.32	51.32
Accounts Receivable Turnover	210.27	188.81	210.53	336.29	237.57			237.57	237.57	237.57	237.57	237.57	237.57
Accounts Receivable Turnover Days	1.74	1.93	1.73	1.09	1.54			1.54	1.54	1.54	1.54	1.54	1.54
Days Payable Outstanding	58.53	52.84	54.10	42.73	42.11			42.73	42.11	42.11	42.11	42.11	42.11
Days Sales Outstanding	1.74	1.93	1.73	1.09	1.54			1.09	1.54	1.54	1.54	1.54	1.54
Cash Conversion Cycle	3.29	6.98	13.81	18.79	10.75			10.43	10.75	10.75	10.75	10.75	10.75
Net tangible assets/share	\$3.32	\$6.11	\$7.07	\$7.90	\$8.21				\$10.69	\$12.91	\$14.92	\$16.87	\$18.41

SN VALUATION

LBO Adjusted Proforma Cash Flow

	52 weeks ending 2009-01-31	52 weeks ending 2010-01-30	52 weeks ending 2011-01-29	52 weeks ending 2012-01-28	2011	2012	2013	2014	2015
Net Income	398.28	375.73	406.80	338.50	308.81	276.31	250.31	243.81	191.81
Depreciation	146.36	164.13	176.80	188.60	188.60	188.60	188.60	188.60	188.60
Net Income + Depreciation	544.64	539.86	583.60	527.10	497.41	464.91	438.91	432.41	380.41
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	-24.70	-1.21	38.20	-25.20	0.00	0.00	0.00	0.00	0.00
Non Cash Items	63.08	92.55	51.10	143.90	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-33.79	12.98	-81.70	-21.10	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-6.20	3.08	-16.60	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	22.24	-203.95	120.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-0.33	-16.27	-4.20	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	-86.29	66.43	-223.80	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	549.23	644.18	591.20	624.70	497.41	464.91	438.91	432.41	380.41
Capital Expenditures Expenditures	-183.19	-163.76	-197.60	-165.10	-200.00	-200.00	-200.00	-200.00	-200.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	-637.68	-23.49	-42.50	-36.50	-40.00	-40.00	-40.00	-40.00	-40.00
Cash from Investing Activities	-820.87	-187.25	-240.10	-201.60	-240.00	-240.00	-240.00	-240.00	-240.00
Financing Cash flow items	30.67	-0.50	14.80	1.40	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	28.95	-53.92	-370.40	-244.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	-30.00	-100.00	-200.00	-250.00	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	29.62	-154.42	-555.60	-492.60	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	-37.26	24.77	9.90	13.70	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	857.41	578.14	905.42	710.80	329.00	586.41	811.31	1,010.22	1,202.62
Net Change in Cash	-279.27	327.28	-194.60	-55.80	257.41	224.91	198.91	192.41	140.41
Ending Cash Balance	578.14	905.42	710.82	655.00	586.41	811.31	1,010.22	1,202.62	1,343.03
Capex to Revenue	2.08%	1.80%	2.09%	1.73%	2.09%	2.09%	2.09%	2.09%	2.09%
Depreciation to Sales	1.66%	1.81%	1.87%	1.97%	1.97%	1.97%	1.97%	1.97%	1.97%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	0.48%	0.53%	0.47%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%
Distributable FCF Yield	-14.08%	23.68%	18.20%	21.93%	13.34%	11.66%	10.31%	9.97%	7.28%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing-Dividends)	-271.64	456.93	351.10	423.10	257.41	224.91	198.91	192.41	140.41

SN VALUATION

LBO Debt Schedule

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	-55.80	257.41	224.91	198.91	192.41	140.41
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	0.00	0.00	0.00	0.00	0.00	0.00
Current Portion Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Long Term Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Forward Libor Curve		1.00%	1.00%	1.00%	1.00%	1.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
Interest Rate		5.00%	5.00%	5.00%	5.00%	5.00%
Interest Expense		0.00	0.00	0.00	0.00	0.00
Cash Balance		655.00				
Interest @ 1.0%		6.55	6.55	6.55	6.55	6.55
Net Interest Expense/(Income)		(6.55)	(6.55)	(6.55)	(6.55)	(6.55)
Net Interest Rate		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA		468.54	418.54	378.54	368.54	288.54
EBITDA/Interest Expense Coverage		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

Interest Rate Coverage Table

Debt Rating	2013	2014	2015	2016	2017
AAA	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
AA	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A-	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BBB	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BB+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BB	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B-	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
CCC	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
CC	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
C	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
D	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Game Stop

Ticker:

GME

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	231.24	455.70	386.50	160.60	418.01	642.91	841.82	1,034.22	1,174.63
Total Assets	4,459.39	4,939.39	5,043.30	4,571.70	4,880.51	5,156.81	5,407.12	5,650.92	5,842.73
X1	0.05	0.09	0.08	0.04	0.09	0.12	0.16	0.18	0.20
Retained Earnings	1,020.49	1,397.76	1,805.80	2,145.70	2,454.51	2,730.81	2,981.12	3,224.92	3,416.73
Total Assets	4,459.39	4,939.39	5,043.30	4,571.70	4,880.51	5,156.81	5,407.12	5,650.92	5,842.73
X2	0.23	0.28	0.36	0.47	0.50	0.53	0.55	0.57	0.58
EBITDA	811.40	790.41	828.80	755.80	668.54	668.54	668.54	668.54	668.54
Total Assets	4,459.39	4,939.39	5,043.30	4,571.70	4,880.51	5,156.81	5,407.12	5,650.92	5,842.73
X3	0.18	0.16	0.16	0.17	0.14	0.13	0.12	0.12	0.11
Market Value of Equity	2,258.43	2,258.43	2,258.43	2,258.43	2,477.67	2,718.20	2,982.07	3,271.56	3,589.15
Total Liabilities	2,212.89	2,232.16	2,166.50	1,568.30	1,568.30	1,568.30	1,568.30	1,568.30	1,568.30
X4	1.02	1.01	1.04	1.44	1.58	1.73	1.90	2.09	2.29
Net Sales	8,805.90	9,078.00	9,473.70	9,550.50	9,550.50	9,550.50	9,550.50	9,550.50	9,550.50
Total Assets	4,459.39	4,939.39	5,043.30	4,571.70	4,880.51	5,156.81	5,407.12	5,650.92	5,842.73
X5	1.97	1.84	1.88	2.09	1.96	1.85	1.77	1.69	1.63
Altman Z Score	3.57	3.48	3.64	4.20	4.16	4.21	4.27	4.35	4.45

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red