

Date: 11/06/12

Analyst Name: Austin Frazier

CIF Stock Recommendation Report (Fall 2012)

Company Name and Ticker: GameStop (GME)

Section (A) Summary

Recommendation Buy: Yes <u>No</u>		Target Price: 26.00	Stop-Loss Price: 18.50
Sector: Consumer Discretionary	Industry: Specialty Retail	Market Cap (in Billions): \$5,779.63	# of Shrs. O/S (in Millions): 123.43
Current Price: \$22.11	52 WK Hi: \$25.86	52 WK Low: \$15.32	EBO Valuation: \$35.09
Morningstar (MS) Fair Value Est.: \$19.00	MS FV Uncertainty: Above Average	MS Consider Buying: \$11.40	MS Consider Selling: \$29.50
EPS (TTM): 2.38	EPS (FY1): 3.14	EPS (FY2): 3.43	MS Star Rating: Two Stars
Next Fiscal Yr. End "Year": 2013 "Month": January	Last Fiscal Qtr. End: Less Than 8 WK: No	If Less Than 8 WK, next Earnings Ann. Date:	Analyst Consensus Recommendation: 2.33
Forward P/E: 6.45	Mean LT Growth: 8.90%	PEG: 0.72	Beta: 0.97
% Inst. Ownership: 0%	Inst. Ownership- Net Buy: No	Short Interest Ratio: 16.30	Short as % of Float: 51.30%
<u>Ratio Analysis</u>	<u>Company</u>	<u>Industry</u>	<u>Sector</u>
P/E (TTM)	9.40	8.83	80.60
P/S (TTM)	0.30	0.32	1.39
P/B (MRQ)	0.99	0.82	1.44
P/CF (TTM)	5.43	2.67	10.57
Dividend Yield	4.52	2.84	0.87
Total Debt/Equity (MRQ)	0.00	78.96	57.70
Net Profit Margin (TTM)	3.54	14.06	7.30
ROA (TTM)	7.41	2.89	8.12
ROE (TTM)	11.16	6.97	13.04

<p><u>Investment Thesis</u></p> <ul style="list-style-type: none"> • GameStop’s current price is slightly undervalued. • GameStop’s record its highest amount of sales in the fourth quarter. • As the leading used video game retailer, GME depends on its customers returning to the store. • Their short interest ratio is about three times the size of its competitors, meaning it takes them a lot longer to cover their shares. • A new business strategy, a child play center was designed in order to keep kids busy while their parents shop while simultaneously letting the kids experience a plethora of games. • None of GameStop’s variables look attractive compared to its competitors. • Analysts recommend a hold because they are nervous of the game industry taking a digital plunge which would take away from brick and mortar sales. • It is concerning they do not own any shares of their own stock. 	<p><u>Summary</u> Provide brief summary of your analysis in each section that follows</p> <hr/> <p><u>Company Profile:</u> GameStop is the world largest used video game retailer. A majority of GameStop’s revenues are from used game trade in’s. GME is extremely customer focused and heavily relies on creating value for its customers.</p> <hr/> <p><u>Fundamental Valuation:</u> The stock current price is trading for \$22.52. This shows the stock slightly undervalued because fundamental valuation yielded prices of \$34.76 for the next fiscal year and \$34.98 for 2014.</p> <hr/> <p><u>Relative Valuation:</u> The relative valuation tells us GameStop is currently underpriced. The P/E median value was \$44.58, the PEG median value was \$36.92, the P/S median value was \$39.23 and the P/CF median value was \$35.08. Every median value is higher than that of the stock current price of \$22.11.</p> <hr/> <p><u>Revenue and Earnings Estimates:</u> Analysts estimates revenue surprise percentages were all negative; however, GME does record its highest amount of sales during the fourth quarter.</p> <hr/> <p><u>Analyst Recommendations:</u> Most analysts recommend a hold. As the change in game retail shifts to a more online experience, hard copies of games will see an inverse drop in sales.</p> <hr/> <p><u>Institutional Ownership:</u> There are a total of five companies that own above a 5% share in GME. It is slightly concerning GME doesn’t own any of its own shares.</p> <hr/> <p><u>Short Interest:</u> GME’s Short interest ratio, 16.3, is much higher than its competitors. Its short % of float is also way too high with a value of 51.30%.</p>
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	<p><u>Stock Price Chart:</u> Compared to its competitors, GME has done the worst for a five year period. Over the last year, GME managed to eclipse Best Buy, but it's still performing poorly compared to companies like Amazon and Wal-Mart. However, GME does have the best returns for the three month chart, indicating an expectation of sales to increase for the fourth quarter.</p>
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Section (B) Company Profile (two pages maximum)

Company Summary

GameStop is a specialty retailer that specializes on the selling of video game hardware software and accessories. GME also allows customer to trade in their game for store credit or cash. GameStop's sources of sales revenue include; the sales of new video game hardware which account for 11.8% of total sales, the sales of new videogame software which resemble 30.6% of sales, sales of used video games were 36.3% of total sales and other sales such as accessories, game guides, and peripheral appliances for game systems were 21.3% of total sales. However, in terms of its gross profit, the new hardware accounted for 8.9%, the new software was 22.7%, used video games products were almost half of the total gross profit which was 47.9%, and other sales representing 38% of total gross profit. Its total current assets eclipse its total liabilities and the company doesn't have any current debt.

Business Model, Competition, Environment and Strategy

GameStop business model is primarily focused on the sale of video game hardware, software and accessories. A significant portion of their sales come from the customers being able to trade in their old games or devices. This does a few things for GameStop. With customers able to both buy and trade in their used games and devices, GameStop stands out amongst its crowd of competitors. For example, if a consumer owned tablet they didn't enjoy anymore they could trade it in at GameStop. With this trade in, the customer has the option of receiving cash or store credit in return for the tablet. However, this strategy does hinder on the fact customers want to exchange their physical old games and devices for new ones. This could prove to be a problem in the future if the video game industry shifts to software only for their games rather than both hardware and software. The industry may consider this because of the large decrease in variable costs associated with this change.

The competition surrounding GameStop includes store such as: Wal-Mart, Target, Best Buy and even Amazon. GameStop's environment is very competitive. Potential brick and mortar customers have the option of going to Best Buy, Wal-Mart, Target or any other small game retailer. However, if the customer doesn't want to go through the hassle of going out and purchasing the game, they can simply order it online for any and all of these retailers as well. GameStop strategy is focused on its customers; "GameStop offers customers the most popular games, hardware and game accessories for next generation video game systems and the PC. In addition, our buy, sell, trade program creates value for customers while recycling products no longer being played." (Gamestop.com). GameStop's value creation for its customers, due to its trade in program, is an integral part of their success.

Revenue and Earnings History

This information is available in *Reuters.com*, “*Financials*” tab. Copy/paste the quarterly revenue and earnings per share numbers for the most recent three years. Add the numbers over four fiscal quarters to get annual revenue and earnings. For the current fiscal year, go ahead add up as many quarters as are available. **NOTE:** revenue numbers are “*in millions*”.

Discuss any pattern in revenue and earnings (e.g., increasing year over year; seasonal; etc.)

\$ in millions	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Year Total
2011					
Revenue	\$2,082.70	\$1,799.10	\$1,899.20	\$3,692.80	\$9,473.80
EPS	0.49	0.27	0.36	1.58	2.7
2012					
Revenue	\$2,281.40	\$1,743.70	\$1,946.80	\$3,578.60	\$9,550.50
EPS	0.56	0.22	0.39	1.28	2.45
2013					
Revenue	\$2,002.20	\$1,550.20	X	X	\$3552.4
EPS	0.541	0.163	X	X	0.704

It looks as though GME has a spike in both its revenue and EPS during its fourth quarter every year. Because the fourth quarter is so correlated with the holiday season and customers are shopping for the right gift for their loved ones, it makes sense the fourth quarters results would be the highest. Video Games are always on high demand for Christmas and holiday shopping, their does not seem to be any reason to indicate a change in this momentum.

Section (C) Fundamental Valuation (EBO)

Include the following here:

Copy/paste completed Fundamental Valuation (EBO) Spreadsheet

GME	PARAMETERS	FY1	FY2	Ltg											
	EPS Forecasts	3.14	3.43	8.90%	Model 1: 12-year forecasting horizon (T=12). and a 7-year growth period.										
	Book value/share (last fye)	13.48													
	Discount Rate	9.77%													
	Dividend Payout Ratio (POR)	12.57%			Please download and save this template to your own storage device You only need to input values to cells highlighted in "yellow" The rest of the spreadsheet is calculated automatically Please read "Guidelines_for_FundamentalValuation_ProfLee_Spreadsheet" file carefully										
	Next Fisc Year end	2013													
	Current Fisc Mth (1 to 12)	10													
	Target ROE (industry avg.)	12.40%													
	Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024		
	Long-term EPS Growth Rate (Ltg)			0.0890	0.0890	0.0890	0.0890	0.0890							
	Forecasted EPS	3.14	3.43	3.74	4.07	4.43	4.82	5.25							
	Beg. of year BV/Shr	13.482	16.227	19.226	22.492	26.048	29.921	34.139							
	Implied ROE		0.211	0.194	0.181	0.170	0.161	0.154							
ROE	(Beg. ROE, from EPS forecasts)	0.233	0.211	0.194	0.181	0.170	0.161	0.154	0.148	0.142	0.136	0.130	0.124		
Abnormal ROE	(ROE-k)	0.135	0.114	0.097	0.083	0.072	0.064	0.056	0.050	0.044	0.038	0.032	0.026		
growth rate for B	(1-POR)*(ROE-t)	0.000	0.204	0.185	0.170	0.158	0.149	0.141	0.135	0.129	0.124	0.119	0.114		
Compounded growth		1.000	1.204	1.426	1.668	1.932	2.219	2.532	2.873	3.244	3.647	4.080	4.544		
growth* AROE		0.135	0.137	0.138	0.139	0.140	0.141	0.142	0.144	0.143	0.140	0.132	0.120		
required rate (k)	0.098	0.098	0.098	0.098	0.098	0.098	0.098	0.098	0.098	0.098	0.098	0.098	0.098		
Compound discount rate		1.098	1.205	1.323	1.452	1.594	1.749	1.920	2.108	2.314	2.540	2.788	3.061		
div. payout rate (k)	0.126														
Add to P/B	PV(growth*AROE)	0.12	0.11	0.10	0.10	0.09	0.08	0.07	0.07	0.06	0.05	0.05	0.04		
Cum P/B		1.12	1.24	1.34	1.44	1.52	1.60	1.68	1.75	1.81	1.86	1.91	1.95		
Add: Perpetuity															
beyond current yr	(Assume this yr's AROE forever)	1.26	1.16	1.07	0.98	0.90	0.82	0.76	0.70	0.63	0.56	0.48	0.40		
Total P/B	(P/B if we stop est. this period)	2.38	2.40	2.41	2.41	2.42	2.43	2.44	2.45	2.44	2.43	2.39	2.35		
Implied price		34.76	34.98	35.09	35.20	35.31	35.42	35.53	35.68	35.63	35.37	34.92	34.26		
Check:															
Beg. BV/Shr		13.48	16.23	19.23	22.49	26.05	29.92	34.14	38.73	43.74	49.17	55.01	61.26		
Implied EPS		3.14	3.43	3.74	4.07	4.43	4.82	5.25	5.73	6.21	6.68	7.15	7.60		
Implied EPS growth			0.092	0.089	0.089	0.089	0.089	0.089	0.090	0.084	0.077	0.070	0.062		

Inputs (provide below input values used in your analysis)

EPS forecasts (FY1 & FY2): 3.14% and 3.43%

Long-term growth rate: 8.90%

Book value /share (along with book value and number of shares outstanding):

Book value: \$1,968.4 Million

of shares outstanding: 146 Million

Book value / share: \$13.4821

Dividend payout ratio: 12.57%

Next fiscal year end: 2013

Current fiscal month: 10

Target ROE: 12.40%

Output

Above normal growth period chosen: 3 years/year 2015

EBO valuation (Implied price from the spreadsheet): \$35.09

Sensitivity Analysis

EBO valuation would be (you can include more than one scenario in each of the following):

\$35.31 if changing above normal growth period to 2017

\$37.64 if changing growth rate from mean (consensus) to the highest estimate (17)

\$33.07 if changing growth rate from mean (consensus) to the lowest estimate (2.5)

\$30.86 if changing discount rate to 11%

\$35.09 if changing target ROE to 21%

Section (D) Relative Valuation

Copy/paste your completed relative valuation spreadsheet here

Name	Mkt Cap	Current Price	Mean FY2		Forward P/E	Mean LT Growth Rate	PEG	P/B (MRQ)	ROE 5 yr ave	Value Ratio	P/S TTM	P/CF TTM
			Earnings Estimate (next fiscal year)									
Amazon	\$ 102,980.10	\$ 226.31	\$ 1.76		128.59	35.73%	3.60	13.64	57.58%	0.24	1.80	51.11
Wal-Mart Stores Inc	\$ 243,637.50	\$ 72.31	\$ 5.40		13.39	9.40%	1.42	3.48	21.37%	0.16	0.53	9.62
Best Buy Co Inc.	\$ 5,137.55	\$ 15.30	\$ 2.69		5.69	-0.58%	-9.81	1.46	15.47%	0.09	0.10	4.46
Target	\$ 40,485.01	\$ 62.02	\$ 4.92		12.61	12.68%	0.99	2.54	17.73%	0.14	0.57	7.93
GameStop Corp.	\$ 5,779.63	\$ 22.11	\$ 3.43		6.45	8.90%	0.72	1.01	15.15%	0.07	0.31	5.53
Implied Price based on:					P/E		PEG	P/B		Value	P/S	P/CF
Amazon					\$441.05		\$109.86	\$298.59		\$78.56	\$128.38	\$204.35
Wal-Mart Stores Inc					\$45.93		\$43.49	\$76.18		\$54.01	\$37.80	\$38.46
Best Buy Co Inc.					\$19.51		-\$299.36	\$31.96		\$31.30	\$7.13	\$17.83
Target					\$43.24		\$30.35	\$55.60		\$47.51	\$40.65	\$31.71
High					\$441.05		\$109.86	\$298.59		\$78.56	\$128.38	\$204.35
Low					\$19.51		-\$299.36	\$31.96		\$31.30	\$7.13	\$17.83
Median					\$44.58		\$36.92	\$65.89		\$50.76	\$39.23	\$35.08

From the top panel

The most noticeable competitor multiple differentiation is the mean growth rate for GME and its competitors. While GME has an estimated long term growth rate of 8.90%, most of its competitors are posting higher growth rates, with values such as Wal-Mart's 9.40%, Targets 4.92%, and Amazons whopping 35.73%. Best Buy has the only negative predicted growth rate of GME's competitors. Best Buy's sales have been down compared to the previous fiscal years average. GME's P/B ratio is the smallest of all its competitors, which means it could be undervalued. On the other hand, it could represent that GameStop's trade in program is starting to affect the company in a negative manner. The forward P/E ratios show that Amazon is estimated to grow at a far superior rate, of 128.59, than any of its competitors. This high value is due to the fact Amazon is an online retailer that sells a plethora of different products. For example, if the video game industry were to crash next year and only a small fraction of games were sold, Amazon has other products and department sales it can rely on which means they are not affected as heavily by the industry action because of their diversified portfolio of products. However, GameStop and its other competitors are heavily affected by how the game industry does during the fiscal year.

GameStop's P/S and P/CF ratios seem to be fairly similar across the industry competitors. However, Amazon did blow all of its competition out of the water with a P/S ratio of 1.80, which was at least three times higher than the next industry high, and a P/CF ratio of 51.11, which was at least five times higher than its next closest competitor. This makes me think Amazon is more of an outlier compared to these brick and mortar stores. Because Amazon is a direct to consumer business, they do not have to deal with hassle and problem of spending variable costs associated with brick and mortar facilities. The PEG ratio for GME and its competitors varies from Best Buy's negative value of -9.81 to Amazon's industry high of 3.60. It is important to note that all of the chosen competitors, except best buy) yield implied prices which are larger than the current trading value of \$22.11. While GME has a PEG of 0.72, this could be another representation of the stock being undervalued.

From the bottom panel

Among the valuation metrics analyzed, **which ones do you think are most relevant as a valuation tool for your stock?**

The 52 week high and low for GME is \$14.38-\$28.53. Using the competitors high and low P/E ratio the implied prices range a great deal from the high of \$441.05 to \$19.51. I don't think the forward P/E ratio is incredibly relevant for comparing these competitors in the industry because of how Amazon results skew the ratio to represent an exaggerated implied price of \$441.05. Using the competitors high and low PEG ratio the implied prices range from the high of \$109.86 to \$-299.36. Using the competitors high and low P/B ratio the implied prices range from the high of \$298.59 to a low of \$31.96. The highest P/S value gives GME an implied price of 128.38 while the lowest computes a value of only \$7.13. The implied prices using the competitors high and low P/CF ranges from \$17.83 to \$204.35. Because the implied prices vary the most for the P/S and P/CF ratio's, this makes me believe they are the most important when evaluating these retailer's selling discretionary goods.

Section (E) Revenue and Earnings Estimates

Copy/Paste the "Historical Surprises" Table from Reuters.com, "Analysts" tab (include both revenue and earnings; make note that revenues might be in "millions")

Review recent trends in company's reported revenue and earnings, and discuss whether (1) the company has a pattern of "surprising" the market with numbers different from analysts' estimates; (2) Were they positive(actual greater than estimate) or negative (actual less than estimate) surprises? (3) Were surprises more notable for revenue or earnings? (4) Look up the stock chart to see how the stock price reacted to the "surprises. **NOTE:** Reuters does not put the sign on the surprise. **You need to put a "negative" sign when it is a negative surprise.**

HISTORICAL SURPRISES

Sales and Profit Figures in US Dollar (USD)
Earnings and Dividend Figures in US Dollar (USD)

Estimates vs Actual	Estimate	Actual	Difference	Surprise %
SALES (in millions)				
Quarter Ending Jul-12	1,606.61	1,550.20	56.41	3.51
Quarter Ending Apr-12	2,052.86	2,002.20	50.66	2.47
Quarter Ending Jan-12	3,711.03	3,578.60	132.43	3.57
Quarter Ending Oct-11	1,958.09	1,946.80	11.29	0.58
Quarter Ending Jul-11	1,813.66	1,743.70	69.96	3.86
Earnings (per share)				
Quarter Ending Jul-12	0.15	0.16	0.01	7.89
Quarter Ending Apr-12	0.54	0.54	0.00	0.48
Quarter Ending Jan-12	1.73	1.73	0.00	0.25
Quarter Ending Oct-11	0.39	0.39	0.00	0.31
Quarter Ending Jul-11	0.21	0.22	0.01	4.46

In general, GME doesn't positively surprise the market often. In fact, every single estimate was above the actual revenue received. So in turn, all of the revenue surprise percentages were negative. The analysts estimate earnings were almost always the same as the actual earnings. However, it is important to note that GME did surprise the market in both quarters ending in July. Both 2011 and 2012's surprise percentages for July were above a 4 percent positive surprise. Surprises were more notable for revenue because of all the negative surprise percentages. By comparing the stock chart to these revenue and earnings estimates, we can see a direct correlation between the size of the surprise percentage and a drop in the stock's trading price.

Copy/paste the "Consensus Estimates Analysis" Table from *Reuters.com*, "Analysts" tab (include both revenue and earnings)

Review the range and the consensus of analysts' estimates. (1) Calculate the % difference of the "high" estimate from the consensus (mean); (2) Calculate the % (negative) difference of the "low" estimate from the consensus; (3) Are the divergent more notable for the current or out-quarter, FY1 or FY2, revenue or earnings? (4) Note the number of analysts providing LT growth rate estimate. Is that roughly the same as the number of analysts providing revenue and earnings estimates?

CONSENSUS ESTIMATES ANALYSIS

Sales and Profit Figures in US Dollar (USD)
Earnings and Dividend Figures in US Dollar (USD)

	# of Estimates	Mean	High	Low	1 Year Ago
SALES (in millions)					
Year Ending Jan-12	18	9,688.13	9,938.10	9,566.70	--
Year Ending Jan-13	20	9,010.57	9,367.00	8,788.00	10,141.30
Year Ending Jan-14	20	9,122.14	9,622.40	8,660.87	10,016.50
Earnings (per share)					
Year Ending Jan-12	19	2.87	2.92	2.83	--
Year Ending Jan-13	21	3.14	3.23	2.95	3.15
Year Ending Jan-14	21	3.43	3.82	3.05	3.45
LT Growth Rate (%)	5	8.90	17.00	2.50	11.60

The difference between the high sales estimate and mean were 2.5% for the year ending Jan 2012. The difference between the low sales estimate and the mean were -1.3%. In the year ending Jan 2013, high revenue estimates differed by 3.95%, while low revenue estimates differed by -2.5%. The estimates for the year ending Jan 2014 were 5.48% higher than the mean and -5.1% lower than the mean. It is interesting to note that the farther away the estimate is from occurring, the higher the differential percentage between the analysts high and low estimates. The year ending Jan 2012 high earning estimate was 1.74% above the mean and the low estimate was 1.4% below the mean. For the year ending Jan 2013, the high estimate was 2.87% higher than the mean and the low estimate was 6.1% below the mean. The high earnings estimate for the year ending Jan 14 was 11.37% above the estimated mean and the low estimate is 11.17% below the mean. The number of analysts associated with GME long term growth rate is only 5, which is about a fourth of the size of the number of analysts that provided the revenue and earnings estimates. The high growth estimate is 91% higher than estimated mean, but the low growth estimate is 72% below the mean for the estimated long term growth rate.

Copy/paste the “Consensus Estimates Trend” Table from *Reuters.com*, “Analysts” tab (include both revenue and earnings)

Review recent trend of analysts’ consensus (mean) estimates on revenue and earnings. (1) Are the consensus estimates trending up, down, or stay the same? (2) Is the trend more notable for the near- or out- quarter, FY1 or FY2, revenue or earnings?

CONSENSUS ESTIMATES TREND

Sales and Profit Figures in US Dollar (USD)
Earnings and Dividend Figures in US Dollar (USD)

	Current	1 Week Ago	1 Month Ago	2 Month Ago	1 Year Ago
SALES (in millions)					
Year Ending Jan-12	9,688.13	--	--	--	--
Year Ending Jan-13	9,010.57	9,014.96	9,012.38	9,018.42	10,141.30
Year Ending Jan-14	9,122.14	9,121.12	9,120.97	9,137.81	10,016.50
Earnings (per share)					
Quarter Ending Jan-12	2.87	--	--	--	--
Quarter Ending Jan-13	3.14	3.14	3.14	3.13	3.15
Quarter Ending Jan-14	3.43	3.43	3.43	3.41	3.45

It appears as the revenues are trending downward. The year ending Jan 2013 was estimated to have over ten million in sales a year ago, and now analysts have changes their expectations to just over nine million. The earnings estimates seem to stay pretty consistent. Other than the change of \$0.01 two months ago, no changes were made to this fiscal year’s earnings per share. The trend is more notable for the revenue out of quarter or year ending Jan 2014. This is because the estimated current sales are actually higher than last week’s estimates.

Copy/paste the “Estimates Revisions Summary” Table from *Reuters.com*, “Analysts” tab (include both revenue and earnings)

Review the number of analysts revising up or down their estimates (both revenue and earnings) **in the last and last four weeks.** (1) Note whether there are more up or down revisions; (2) are the revisions predominantly one directional? (3) Any notable difference last week versus last four weeks, revenue versus earnings?

ESTIMATES REVISIONS SUMMARY

Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
Revenue				
Year Ending Jan-12	--	--	--	--
Year Ending Jan-13	0	2	1	2
Year Ending Jan-14	1	1	2	1
Earnings				
Year Ending Jan-12	--	--	--	--
Year Ending Jan-13	0	0	0	0
Year Ending Jan-14	0	0	1	0

You will need to incorporate what you see here with Morningstar’s analyst research report (you can access ***Morningstar Direct at the Financial Markets Lab.***) and other readings/analysis you found from various on-line financial sites. Discuss whether you think the company has a good chance of making or beating analyst consensus estimate, and why. Based on how the stock has been trading lately, do you think market has already anticipated strong or lackluster financial outlook from the company?

There are not a large number of revisions for GME. For the year ending Jan 2013, last week, there were two revisions down and none up. However, during the last four weeks there a total of one revision up and two revisions down. For the year ending 2014, last week, there was both one revision up and one down. The changes of the last four weeks have been two revisions up and only one revision down. The only estimated earning revision for the fiscal year ending Jan 2014, over the last four weeks, was one revision up. Because not many revisions were made, there is not enough data to suggest they are moving in one direction. However,

there were two down revisions made last week, which suggests a small estimate than previously calculated.

Section (F) Analysts' Recommendations

ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	5	5	5	5
(2) OUTPERFORM	5	5	5	3
(3) HOLD	10	10	10	11
(4) UNDERPERFORM	1	1	1	1
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	2.33	2.33	2.33	2.40

Review the trend of analyst recommendations over the last three months. Is there a notable change of analyst opinions, turning more bullish or bearish? How many different ratings out of the five possible ones did the company receive currently, one, two, and three months ago? Is there a notable trend of opinion convergence or divergence? Is what you see here consistent to comments in Morningstar analyst's research report as well as various online financial sites you had researched on?

NOTE: On a Five-point scale, Reuters assigns "1" to "Buy", the most bullish recommendation, and "5" to "Sell", the most bearish recommendation. **Some other online sites have opposite scale**, with their "1" being the most bearish and "5" being the most bullish recommendations.

Overall, analysts have not changed their opinion about GME over the past 3 months. The only change occurred three months ago when one analyst withdrew his vote to hold which resulted in only 10 hold recommendation, lowering GME's mean rating to 2.33. Analysts are slightly more bullish than bearish on the stock. For the past 3 months, GME has had a consistent five analysts recommend a buy, five analysts recommend the stock will outperform expectations, and only one analyst recommend the stock will underperform its current expectations. These recommendations are constant with other analyst's recommendations. So many analysts recommended a hold because "the video game retail industry is undergoing significant structural shifts" (Morningstar Direct). These shifts refer to the change in hard copy game sales to a more digital platform for the convenience of the consumer.

Section (G) Institutional Ownership

Copy/paste the completed "CIF Institutional Ownership" spreadsheet here.

GME				
Ownership Activity	# of Holders	% Beg. Holders	Shares	% Shares
Shares Outstanding			#DIV/0!	#DIV/0!
# of Holders/Tot Shares Held	470	102.62%	169,559,334	0.00%
# New Positions	32	6.99%		
# Closed Positions	20	4.37%		
# Increased Positions	89	19.43%		
# Decreased Positions	95	20.74%		
Beg. Total Inst. Positions	458	100.00%	169,731,029	#DIV/0!
# Net Buyers/3 Mo. Net Chg	-6	48.37%	-171,695	#DIV/0!
Ownership Information	% Outstanding			
Top 10 Institutions % Ownership	58.10%			
Mutual Fund % Ownership	1.92%			
Float %	94.52%			
> 5% Ownership				
Holder Name	% Outstanding	Report Date		
Fidelity Management & Research Comp	13.70%	6/30/2012		
RS Investments	9.90%	6/30/2012		
Fidelity Low-Priced Stock Fund	6.90%	07/31/12		
Vanguard Group, Inc.	6.00%	06/30/12		
Royce & Associates, LLC	5.80%	06/30/12		

Combine information provided in all three sections to discuss whether (1) institutions, on net basis, have been increasing or decreasing ownership and how significant, (2) the stock has sizable institution interests and support, (3) the extent of the (> 5%) owners, and (4) this could be a bullish or bearish indication of future stock price movement.

It looks as though the number of institutions has decreased by 6, which is only about 1.2% of the total institution currently holding the stock, so it is not incredibly significant. The stock top 10 institutions percentage of ownership is at 58.10%, which is fairly sizeable, especially when GME doesn't hold any shares of its own stock. There are five different firms that hold above five percent in GME. These include: Fidelity Management & Research Company at 13.7%, RS Investments at 9.90%, Fidelity Low-Priced Stock Fund at 6.9%, Vanguard Group, Inc at 6%, and Royce & Associates, LLC at 5.8%. This indicates the stock has a low volatility because the large majority of the shares publically owned and available is 94.52%, which indicates the floating supply is low. Overall, this stock is more bullish than bearish because it has a significant amount of investor support.

Section (H) Short Interest (two pages)

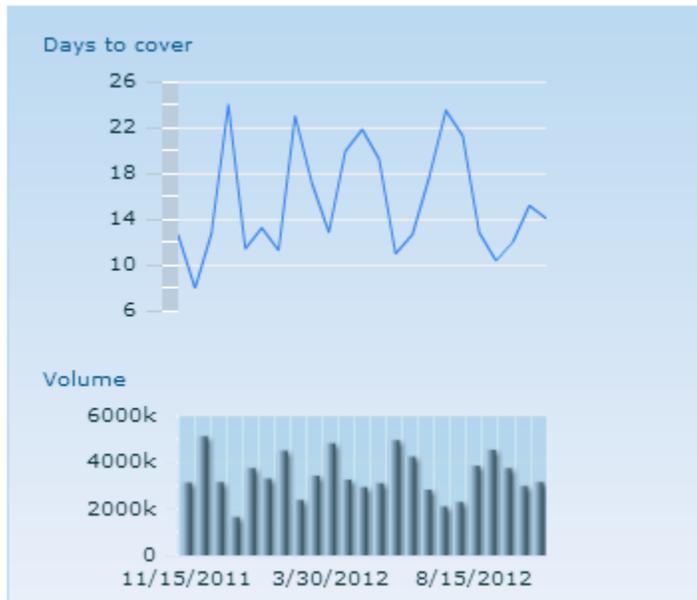
From <http://www.nasdaq.com/> (NASDAQ's website)

Copy/paste or enter the data in the following table. You also need to copy/paste the chart to the right.

Copy/paste or type the information from “short interest” table. You will start from the most recent release date, and go back for a year (some stocks may not have data go back for a year)

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
10/15/2012	44,271,372	3,156,859	14.023867
9/28/2012	45,054,503	2,970,537	15.167124
9/14/2012	44,928,847	3,741,106	12.009509
8/31/2012	46,943,347	4,539,013	10.342193
8/15/2012	49,354,091	3,845,091	12.835611
7/31/2012	48,638,205	2,287,321	21.264267
7/13/2012	49,204,109	2,093,981	23.497877
6/29/2012	49,904,146	2,819,885	17.697227
6/15/2012	53,616,965	4,242,527	12.637978
5/31/2012	54,162,637	4,943,406	10.956542
5/15/2012	59,915,446	3,115,447	19.231733
4/30/2012	64,174,363	2,937,698	21.845119
4/13/2012	64,887,135	3,259,459	19.907333
3/30/2012	61,708,857	4,818,273	12.807256
3/15/2012	58,698,146	3,424,974	17.138275
2/29/2012	54,847,869	2,382,871	23.017557
2/15/2012	50,621,305	4,493,630	11.265125
1/31/2012	43,627,170	3,301,222	13.215461
1/13/2012	42,565,678	3,743,698	11.369955
12/30/2011	39,783,270	1,657,296	24.004927
12/15/2011	40,114,408	3,148,724	12.739893
11/30/2011	40,658,136	5,118,353	7.943597
11/15/2011	39,413,769	3,127,954	12.600495

Copy/paste the chart to the right of the “short interest” table, immediately follow the table



NOTE: You are encouraged to look at the short interest information for two of the companies’ closest competitors. This will help gauge whether the sentiment indicated in the short interest statistics is company specific or industry-wide.

From <http://finance.yahoo.com/>

Complete the following table with information from the “*share statistics*” table.

Avg Vol (3 month)	Avg Vol (10 day)	Shares Outstanding	Float
3,319,460	2,189,400	123.43 Million	121.13 Million
Shares Short (10/31/2012)	Short Ratio (10/31/2012)	Short % of Float (10/31/2012)	Shares Short (10/31/2012)
43.33 Million	16.30	51.30%	44.27 Million

Based on the short interest statistics and its recent trend, how is the market sentiment on the stock? Has the sentiment turned more bullish or bearish over the last year? How about in more recent month and why?

Based on these short interest statistics, the market sentiment seems a little bullish on GME. GameStop’s shorts interest increased the year from 11/30/11 all the way through 4/13/12. However, the shorts interest from 4/30/12 to 10/15/12 is much lower, which is a

good sign less investors think poorly about the stock. The company's short ratio is much higher than that of its competitors. Amazon, Best Buy and Wal-Mart only have a short ratio of 2.2, 5.70 and 3, respectively. This high ratio is unattractive for investors because it takes GME at least triple the time it would take to cover the company's shares. In short, it looks like GME average daily volume of shares traded is much lower than its competitors. Over the past year, it appears the sentiment has been a little more bearish than bullish, but in the past few months the investors have shown a few signs of confidence indicating a more bullish market.

Section (I) Stock Charts

A three months price chart

Copy/paste the "3 Mos." stock chart here



A one year price chart

Copy/paste the "1 Yr" stock chart here



A five year price chart

Copy/paste the "5 Yrs." stock chart here



Discuss what you observe from the stock charts. This should include comparing your stock to competitors, sector, and SP500 over the three different time horizons.

In the one year stock chart, all of GameStop's competitors are outperforming GME except for Best Buy. In the five year stock chart, Amazon is seen as the dominant leader while Target struggles to beat the S&P 500, with Wal-Mart showing above average returns. GameStop and Best Buy are significantly underperforming the market and its competition. However, in the 3 month chart, GME is clearly beating its competitors as well as S&P 500. While Amazon, Wal-Mart and Target seem to be on track with the S&P 500, in this short interval, Best buy is visibly doing the worst. According to this data, GME's stock price rises during the months of September through January. While the stock value does depreciate from February onwards to the following September, it is difficult to determine when exactly we see a consistent drop in sales.

Works Cited

http://news.gamestop.com/about_us

Morning Star Direct

<http://www.nasdaq.com>

<http://finance.yahoo.com/q?s=GME&q1=0>