Introduction
- Terese Kelly Investment Group (TKIG) - Investment Analyst (May 2013-Present)
- TKIG - Student run investment group that invests with real money thanks to a generous donation by UB alumna Terese E. Kelly
- TKIG had only taken long positions on equities
- Entered unchartered territory - pitched a short position on GameStop (GME)!

Why GameStop?
- GameStop had many external advantages working in their favor
- I believed many of these favorable factors could have been priced into the stock already
- Their business model wasn’t suited for long-term growth
- The gaming industry was progressing into the digital age and leaving GameStop behind

Methodology
- Reviewed GameStop’s financial documents (10K’s & Financial presentations)
- Conducted Industry Analysis
  - Perused publications
  - Identified key drivers (Growth in Digital Sales)
- Examined changes in consumer demographics
  - Current gamer average age is 30
  - 55% men and 45% women
- Conducted Competitive Analysis

GameStop’s Direction
- Focus on electronics
  - Investment into Texas refurbish center
- Continued emphasis on used games
- Exclusive content arrangements
- Limited push into digital despite purchases of Jolt, Spawn Labs, Impulse and Kongregate

Industry Direction
Growth in Digital Gaming

Gaming Revenue 2012 (Billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Digital</th>
<th>Physical</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>0.198</td>
<td>1.59</td>
</tr>
<tr>
<td>2010</td>
<td>0.554</td>
<td>1.05</td>
</tr>
<tr>
<td>2011</td>
<td>1.05</td>
<td>2.22</td>
</tr>
<tr>
<td>2012</td>
<td>1.59</td>
<td>2.22</td>
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</tbody>
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Key Statistics
- Stock Price: $49.65 (9/27/13)
- Market Cap: $5.8 Billion
- Avg. Vol. (3m): 2,210,540
- EPS: -2.49
- Div & Yield: 1.10 (2.20%)

Challenges
- Many of GME shares were shorted in 2013
- However GME share price rose and many of those investors got “squeezed” out
- Positive environment
  - Holiday season was approaching
  - New gaming consoles were going to be released
  - Grand Theft Auto 5 sets world records in sales.
- Unlimited potential liability

Digital Continues to Grow Share

- Grand Theft Auto 5

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<th>2011</th>
<th>2012</th>
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</thead>
<tbody>
<tr>
<td>Digital</td>
<td>20%</td>
<td>28%</td>
<td>31%</td>
<td>40%</td>
</tr>
<tr>
<td>Physical</td>
<td>80%</td>
<td>72%</td>
<td>69%</td>
<td>60%</td>
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