

GameStop Corp.  
Form 10-Q  
December 07, 2011  
Table of Contents

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 10-Q**

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED OCTOBER 29, 2011**

**OR**

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

**FOR THE TRANSITION PERIOD FROM TO  
COMMISSION FILE NO. 1-32637**

**GameStop Corp.**

*(Exact name of registrant as specified in its Charter)*

**Delaware**  
*(State or other jurisdiction of  
incorporation or organization)*

**625 Westport Parkway,  
Grapevine, Texas**  
*(Address of principal executive offices)*

**20-2733559**  
*(I.R.S. Employer  
Identification No.)*

**76051**  
*(Zip Code)*

**Registrant's telephone number, including area code:**

**(817) 424-2000**

## Edgar Filing: GameStop Corp. - Form 10-Q

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Number of shares of \$.001 par value Class A Common Stock outstanding as of November 23, 2011: 136,424,174

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page No.</b>
<b>PART I FINANCIAL INFORMATION</b>	
Item 1. <u>Financial Statements</u>	2
<u>Condensed Consolidated Balance Sheets – October 29, 2011 (unaudited), October 30, 2010 (unaudited) and January 29, 2011</u>	2
<u>Condensed Consolidated Statements of Operations (unaudited) – For the 13 weeks and 39 weeks ended October 29, 2011 and October 30, 2010</u>	3
<u>Condensed Consolidated Statement of Stockholders’ Equity (unaudited) – October 29, 2011</u>	4
<u>Condensed Consolidated Statements of Cash Flows (unaudited) – For the 39 weeks ended October 29, 2011 and October 30, 2010</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	23
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	36
Item 4. <u>Controls and Procedures</u>	36
<b>PART II OTHER INFORMATION</b>	
Item 1. <u>Legal Proceedings</u>	37
Item 1A. <u>Risk Factors</u>	37
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	37
Item 6. <u>Exhibits</u>	38
<u>SIGNATURES</u>	42
<u>EXHIBIT INDEX</u>	43

**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. Financial Statements****GAMESTOP CORP.****CONDENSED CONSOLIDATED BALANCE SHEETS**

	October 29, 2011 (Unaudited)	October 30, 2010 (Unaudited)	January 29, 2011
(In millions, except per share data)			
<b>ASSETS:</b>			
Current assets:			
Cash and cash equivalents	\$ 442.6	\$ 181.1	\$ 710.8
Receivables, net	58.1	58.8	65.5
Merchandise inventories, net	1,778.3	1,942.4	1,257.5
Deferred income taxes - current	30.4	21.8	28.8
Prepaid taxes	24.9	11.5	
Prepaid expenses	87.9	70.7	75.7
Other current assets	13.9	13.8	16.5
<b>Total current assets</b>	<b>2,436.1</b>	<b>2,300.1</b>	<b>2,154.8</b>
Property and equipment:			
Land	25.0	24.3	24.0
Buildings and leasehold improvements	613.2	564.9	577.2
Fixtures and equipment	866.2	785.8	817.8
<b>Total property and equipment</b>	<b>1,504.4</b>	<b>1,375.0</b>	<b>1,419.0</b>
Less accumulated depreciation and amortization	901.5	768.9	805.2
<b>Net property and equipment</b>	<b>602.9</b>	<b>606.1</b>	<b>613.8</b>
Goodwill, net	2,060.3	2,004.6	1,996.3
Other intangible assets	270.2	263.2	254.6
Other noncurrent assets	63.1	41.1	44.3
<b>Total noncurrent assets</b>	<b>2,996.5</b>	<b>2,915.0</b>	<b>2,909.0</b>
<b>Total assets</b>	<b>\$ 5,432.6</b>	<b>\$ 5,215.1</b>	<b>\$ 5,063.8</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>			
Current liabilities:			
Accounts payable	\$ 1,464.3	\$ 1,514.6	\$ 1,028.1
Accrued liabilities	709.8	564.3	657.0
Taxes payable			62.7
Senior notes payable, current portion, net	124.7		
<b>Total current liabilities</b>	<b>2,298.8</b>	<b>2,078.9</b>	<b>1,747.8</b>
Senior notes payable, long-term portion, net		248.9	249.0

Edgar Filing: GameStop Corp. - Form 10-Q

Deferred taxes	67.0	18.0	74.9
Other long-term liabilities	105.3	100.1	96.2
<b>Total long-term liabilities</b>	<b>172.3</b>	<b>367.0</b>	<b>420.1</b>
<b>Total liabilities</b>	<b>2,471.1</b>	<b>2,445.9</b>	<b>2,167.9</b>
<b>Commitments and Contingencies (Note 8)</b>			
Stockholders' equity:			
Preferred stock authorized 5.0 shares; no shares issued or outstanding			
Class A common stock \$.001 par value; authorized 300.0 shares; 138.4, 151.4 and 146.0 shares outstanding, respectively			
	0.1	0.2	0.1
Additional paid-in-capital	762.0	1,034.8	928.9
Accumulated other comprehensive income	230.0	167.6	162.5
Retained earnings	1,971.0	1,568.0	1,805.8
Equity attributable to GameStop Corp. stockholders	2,963.1	2,770.6	2,897.3
Equity (deficit) attributable to noncontrolling interest	(1.6)	(1.4)	(1.4)
<b>Total equity</b>	<b>2,961.5</b>	<b>2,769.2</b>	<b>2,895.9</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 5,432.6</b>	<b>\$ 5,215.1</b>	<b>\$ 5,063.8</b>

See accompanying notes to condensed consolidated financial statements.

**Table of Contents****GAMESTOP CORP.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	13 Weeks Ended		39 Weeks Ended	
	October 29, 2011	October 30, 2010	October 29, 2011	October 30, 2010
	(In millions, except per share data) (Unaudited)			
Sales	\$ 1,946.8	\$ 1,899.2	\$ 5,971.9	\$ 5,780.9
Cost of sales	1,373.9	1,352.9	4,235.6	4,147.0
Gross profit	572.9	546.3	1,736.3	1,633.9
Selling, general and administrative expenses	443.3	408.8	1,328.5	1,217.6
Depreciation and amortization	47.0	44.7	140.4	129.4
Operating earnings	82.6	92.8	267.4	286.9
Interest income	(0.2)	(0.3)	(0.7)	(1.3)
Interest expense	5.4	10.0	18.5	30.6
Debt extinguishment expense	0.6	6.0	0.6	6.0
Earnings before income tax expense	76.8	77.1	249.0	251.6
Income tax expense	23.1	22.8	84.8	82.6
Consolidated net income	53.7	54.3	164.2	169.0
Net loss attributable to noncontrolling interests	0.2	0.4	1.0	1.2
Consolidated net income attributable to GameStop	\$ 53.9	\$ 54.7	\$ 165.2	\$ 170.2
Basic net income per common share <sup>1</sup>	\$ 0.39	\$ 0.36	\$ 1.17	\$ 1.12
Diluted net income per common share <sup>1</sup>	\$ 0.39	\$ 0.36	\$ 1.16	\$ 1.10
Weighted average shares of common stock-basic	138.8	150.7	140.8	151.8
Weighted average shares of common stock-diluted	139.8	153.3	141.9	154.6

<sup>1</sup> Basic net income per share and diluted net income per share are calculated based on consolidated net income attributable to GameStop. See accompanying notes to condensed consolidated financial statements.

**Table of Contents****GAMESTOP CORP.****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	GameStop Corp. Stockholders						Total
	Class A Common Stock Shares	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (In millions) (Unaudited)	Retained Earnings	Noncontrolling Interest	
Balance at January 29, 2011	146.0	\$ 0.1	\$ 928.9	\$ 162.5	\$ 1,805.8	\$ (1.4)	\$ 2,895.9
Purchase of subsidiary shares from noncontrolling interest			(1.1)			1.0	(0.1)
Comprehensive income:							
Net income (loss) for the 39 weeks ended October 29, 2011					165.2	(1.0)	164.2
Foreign currency translation				67.5		(0.2)	67.3
Total comprehensive income							231.5
Stock-based compensation			14.5				14.5
Purchase of treasury stock	(9.2)		(194.9)				(194.9)
Exercise of stock options and issuance of shares upon vesting of restricted stock grants (including tax benefit of \$0.2)	1.6		14.6				14.6
Balance at October 29, 2011	138.4	\$ 0.1	\$ 762.0	\$ 230.0	\$ 1,971.0	\$ (1.6)	\$ 2,961.5

See accompanying notes to condensed consolidated financial statements.

**Table of Contents****GAMESTOP CORP.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	39 Weeks Ended	
	October 29, 2011	October 30, 2010
	(In millions) (Unaudited)	
Cash flows from operating activities:		
Consolidated net income	\$ 164.2	\$ 169.0
Adjustments to reconcile net income to net cash flows provided by (used in) operating activities:		
Depreciation and amortization (including amounts in cost of sales)	142.1	130.9
Amortization and retirement of deferred financing fees and issue discounts	2.3	4.3
Stock-based compensation expense	14.5	22.1
Deferred income taxes	(10.5)	(8.5)
Excess tax (benefits) expense realized from exercise of stock-based awards	0.2	(18.4)
Loss on disposal of property and equipment	9.5	4.4
Changes in other long-term liabilities	1.3	(3.5)
Changes in operating assets and liabilities, net:		
Receivables, net	8.5	7.0
Merchandise inventories	(502.4)	(873.2)
Prepaid expenses and other current assets	(7.8)	(2.3)
Prepaid income taxes and accrued income taxes payable	(88.0)	(53.8)
Accounts payable and accrued liabilities	477.1	537.7
Net cash flows provided by (used in) operating activities	211.0	(84.3)
Cash flows from investing activities:		
Purchase of property and equipment	(127.3)	(141.6)
Acquisitions, net of cash acquired	(27.9)	(38.1)
Other	(7.6)	(3.9)
Net cash flows used in investing activities	(162.8)	(183.6)
Cash flows from financing activities:		
Repurchase of notes payable	(125.0)	(200.0)
Purchase of treasury shares	(216.9)	(286.8)
Borrowings from the revolver	35.0	
Repayments of revolver borrowings	(35.0)	
Issuance of shares relating to stock options	14.5	10.1
Excess tax benefits (expense) realized from exercise of stock-based awards	(0.2)	18.4
Net cash flows used in financing activities	(327.6)	(458.3)
Exchange rate effect on cash and cash equivalents	11.2	1.9
Net decrease in cash and cash equivalents	(268.2)	(724.3)
Cash and cash equivalents at beginning of period	710.8	905.4
Cash and cash equivalents at end of period	\$ 442.6	\$ 181.1

See accompanying notes to condensed consolidated financial statements.





**Table of Contents****GAMESTOP CORP.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****1. Basis of Presentation**

GameStop Corp. (together with its predecessor companies, GameStop, we, us, our, or the Company), a Delaware corporation, is the world's largest multichannel retailer of physical and digital video game products and PC entertainment software. The unaudited consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

The unaudited condensed consolidated financial statements included herein reflect all adjustments (consisting only of normal, recurring adjustments) which are, in the opinion of the Company's management, necessary for a fair presentation of the information for the periods presented. These unaudited condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and the instructions to Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all disclosures required under GAAP for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the Company's annual report on Form 10-K for the 52 weeks ended January 29, 2011 (fiscal 2010). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In preparing these financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. Changes in the estimates and assumptions used by management could have a significant impact on the Company's financial results. Actual results could differ from those estimates.

Due to the seasonal nature of the business, the results of operations for the 39 weeks ended October 29, 2011 are not indicative of the results to be expected for the 52 weeks ending January 28, 2012 (fiscal 2011).

Certain reclassifications have been made to conform the prior period data to the current interim period presentation.

**2. Accounting for Stock-Based Compensation**

For options granted, the Company records share-based compensation expense in earnings based on the grant-date fair value. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. This valuation model requires the use of subjective assumptions, including expected option life, expected volatility and the expected employee forfeiture rate. The Company uses historical data to estimate the option life and the employee forfeiture rate, and uses historical volatility when estimating the stock price volatility. There were no stock options granted during the 39 weeks ended October 29, 2011 and the 13 weeks ended October 30, 2010. There were 1,177,000 options to purchase common stock granted during the 39 weeks ended October 30, 2010, with a weighted-average fair value estimated at \$7.88 per share, using the following assumptions:

	<b>39 Weeks Ended October 30, 2010</b>
Volatility	51.6%
Risk-free interest rate	1.6%
Expected life (years)	3.5
Expected dividend yield	0%

**Table of Contents****GAMESTOP CORP.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In the 13 weeks ended October 29, 2011 and October 30, 2010, the Company included compensation expense relating to stock option grants of \$1.6 million and \$3.1 million, respectively, in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations. In the 39 weeks ended October 29, 2011 and October 30, 2010, the Company included compensation expense relating to stock option grants of \$4.8 million and \$9.1 million, respectively, in selling, general and administrative expenses. As of October 29, 2011, the unrecognized compensation expense related to the unvested portion of our stock options was \$4.4 million which is expected to be recognized over a weighted average period of 1.1 years. The total intrinsic value of options exercised during the 13 weeks ended October 29, 2011 and October 30, 2010 was \$1.3 million and \$58.0 million, respectively. The total intrinsic value of options exercised during the 39 weeks ended October 29, 2011 and October 30, 2010 was \$11.3 million and \$59.2 million, respectively.

During the 13 weeks ended October 29, 2011 and October 30, 2010, the Company had no restricted share grants. During the 39 weeks ended October 29, 2011, the Company granted 452,270 shares of restricted stock, which had a weighted-average fair market value of \$20.90 per share. Of these shares, 372,270 vest in equal annual installments over three years and 80,000 vest over three years subject to performance targets based on fiscal 2011 operating results. During the 39 weeks ended October 30, 2010, the Company granted 743,000 shares of restricted stock, which had a weighted-average fair market value of \$20.43 per share. The restricted shares vest in equal annual installments over three years. During the 13 weeks ended October 29, 2011 and October 30, 2010, the Company included compensation expense relating to the restricted share grants in the amount of \$3.1 million and \$4.4 million, respectively, in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations. During the 39 weeks ended October 29, 2011 and October 30, 2010, the Company included compensation expense relating to the restricted share grants in the amount of \$9.7 million and \$13.1 million, respectively, in selling, general and administrative expenses. As of October 29, 2011, there was \$14.3 million of unrecognized compensation expense related to nonvested restricted stock awards that is expected to be recognized over a weighted average period of 1.8 years.

**3. Computation of Net Income per Common Share**

A reconciliation of shares used in calculating basic and diluted net income per common share is as follows:

	13 Weeks Ended		39 Weeks Ended	
	October 29, 2011	October 30, 2010	October 29, 2011	October 30, 2010
	(In millions, except per share data)			
Net income attributable to GameStop	\$ 53.9	\$ 54.7	\$ 165.2	\$ 170.2
Weighted average common shares outstanding	138.8	150.7	140.8	151.8
Dilutive effect of options and restricted shares on common stock	1.0	2.6	1.1	2.8
Common shares and dilutive potential common shares	139.8	153.3	141.9	154.6
Net income per common share:				
Basic	\$ 0.39	\$ 0.36	\$ 1.17	\$ 1.12
Diluted	\$ 0.39	\$ 0.36	\$ 1.16	\$ 1.10

**Table of Contents****GAMESTOP CORP.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table contains information on restricted shares and options to purchase shares of Class A common stock which were excluded from the computation of diluted earnings per share because they were anti-dilutive:

	Anti- Dilutive Shares	Range of Exercise Prices	Expiration Dates
(In millions, except per share data)			
13 Weeks Ended October 29, 2011	3.5	\$ 20.32 - 49.95	2017 - 2020
13 Weeks Ended October 30, 2010	5.3	\$ 20.32 - 49.95	2011 - 2020

**4. Fair Value Measurements and Financial Instruments**

The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting guidance applies to our forward exchange contracts, foreign currency options and cross-currency swaps (together, the Foreign Currency Contracts), Company-owned life insurance policies with a cash surrender value and certain nonqualified deferred compensation liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition.

Fair value accounting guidance requires disclosures that categorize assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly through market-corroborated inputs. Level 3 inputs are unobservable inputs for the asset or liability reflecting our assumptions about pricing by market participants.

We value our Foreign Currency Contracts, Company-owned life insurance policies with cash surrender values and certain nonqualified deferred compensation liabilities based on Level 2 inputs using quotations provided by major market news services, such as Bloomberg and The Wall Street Journal, and industry-standard models that consider various assumptions, including quoted forward prices, time value, volatility factors, and contractual prices for the underlying instruments, as well as other relevant economic measures. When appropriate, valuations are adjusted to reflect credit considerations, generally based on available market evidence.

The following table provides the fair value of our assets and liabilities measured on a recurring basis and recorded on our condensed consolidated balance sheets (in millions):

	October 29, 2011 Level 2	October 30, 2010 Level 2	January 29, 2011 Level 2
<b>Assets</b>			
Foreign Currency Contracts	\$ 12.2	\$ 12.6	\$ 14.0
Company-owned life insurance	3.0	2.9	3.1
Total assets	\$ 15.2	\$ 15.5	\$ 17.1
<b>Liabilities</b>			
Foreign Currency Contracts	\$ 11.0	\$ 15.5	\$ 12.8
Nonqualified deferred compensation	0.8	0.9	0.9

Edgar Filing: GameStop Corp. - Form 10-Q

Total liabilities	\$	11.8	\$	16.4	\$	13.7
-------------------	----	------	----	------	----	------

8

**Table of Contents****GAMESTOP CORP.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Company uses Foreign Currency Contracts to manage currency risk primarily related to intercompany loans denominated in non-functional currencies and certain foreign currency assets and liabilities. These Foreign Currency Contracts are not designated as hedges and, therefore, changes in the fair values of these derivatives are recognized in earnings, thereby offsetting the current earnings effect of the re-measurement of related intercompany loans and foreign currency assets and liabilities.

Activity related to the trading of derivative instruments and the offsetting impact of related intercompany loans and foreign currency assets and liabilities recognized in selling, general and administrative expense is as follows (in millions):

	13 Weeks Ended		39 Weeks Ended	
	October 29, 2011	October 30, 2010	October 29, 2011	October 30, 2010
Gains (losses) on the changes in fair value of derivative instruments	\$ (1.7)	\$ (11.0)	\$ 0.2	\$ (6.9)
Gains on the re-measurement of related intercompany loans and foreign currency assets and liabilities	1.4	14.2	1.3	8.7
<b>Total</b>	<b>\$ (0.3)</b>	<b>\$ 3.2</b>	<b>\$ 1.5</b>	<b>\$ 1.8</b>

We do not use derivative financial instruments for trading or speculative purposes. We are exposed to counterparty credit risk on all of our derivative financial instruments and cash equivalent investments. The Company manages counterparty risk according to the guidelines and controls established under comprehensive risk management and investment policies. We continuously monitor our counterparty credit risk and utilize a number of different counterparties to minimize our exposure to potential defaults. We do not require collateral under derivative or investment agreements.

The fair values of derivative instruments not receiving hedge accounting treatment in the condensed consolidated balance sheets presented herein were as follows (in millions):

	October 29, 2011	October 30, 2010	January 29, 2011
<b>Assets</b>			
Foreign Currency Contracts			
Other current assets	\$ 10.2	\$ 10.1	\$ 13.0
Other noncurrent assets	2.0	2.5	1.0
<b>Liabilities</b>			
Foreign Currency Contracts			
Accrued liabilities	(9.8)	(14.0)	(11.2)
Other long-term liabilities	(1.2)	(1.5)	(1.6)
<b>Total derivatives</b>	<b>\$ 1.2</b>	<b>\$ (2.9)</b>	<b>\$ 1.2</b>

As of October 29, 2011, the Company had a series of Foreign Currency Contracts outstanding, with a gross notional value of \$483.3 million and a net notional value of \$192.4 million. As of October 30, 2010, the Company had a series of Foreign Currency Contracts outstanding, with a gross notional value of \$446.7 million and a net notional value of \$211.5 million.

The Company's carrying value of financial instruments approximates their fair value, except for differences with respect to the Company's senior notes. The fair value of the Company's senior notes payable in the



**Table of Contents****GAMESTOP CORP.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

accompanying consolidated balance sheets is estimated based on recent quotes from brokers. As of October 29, 2011, the senior notes payable had a carrying value of \$124.7 million and a fair value of \$125.3 million. As of October 30, 2010, the senior notes payable had a carrying value of \$248.9 million and a fair value of \$255.6 million.

**5. Debt**

On January 4, 2011, the Company entered into a \$400 million credit agreement (the *Revolver*), which amended and restated, in its entirety, the Company's prior credit agreement entered into in October 2005 (the *Credit Agreement*). The *Revolver* provides for a five-year, \$400 million asset-based facility, including a \$50 million letter of credit sublimit, secured by substantially all of the Company's and its domestic subsidiaries' assets. The Company has the ability to increase the facility, which matures in January 2016, by \$150 million under certain circumstances. The extension of the *Revolver* to January 2016 reduces our exposure to potential tightening in the credit markets.

The availability under the *Revolver* is limited to a borrowing base which allows the Company to borrow up to 90% of the appraisal value of the inventory, in each case plus 90% of eligible credit card receivables, net of certain reserves. Letters of credit reduce the amount available to borrow by their face value. The Company's ability to pay cash dividends, redeem options and repurchase shares is generally permitted, except under certain circumstances, including if *Revolver* excess availability is less than 20%, or is projected to be within 12 months after such payment. In addition, if *Revolver* usage is projected to be equal to or greater than 25% of the borrowing base during the prospective 12-month period, the Company is subject to meeting a fixed charge coverage ratio of 1.1:1.0 prior to making such payments. In the event that excess availability under the *Revolver* is at any time less than the greater of (1) \$40.0 million or (2) 12.5% of the lesser of the total commitment or the borrowing base, the Company will be subject to a fixed charge coverage ratio covenant of 1.1:1.0.

The *Revolver* places certain restrictions on the Company and its subsidiaries, including limitations on asset sales, additional liens, investments, loans, guarantees, acquisitions and the incurrence of additional indebtedness. Absent consent from its lenders, the Company may not incur more than \$750 million of additional unsecured indebtedness to be limited to \$250 million in general unsecured obligations and \$500 million in unsecured obligations to finance acquisitions valued at \$500 million or more. The per annum interest rate under the *Revolver* is variable and is calculated by applying a margin (1) for prime rate loans of 1.25% to 1.50% above the highest of (a) the prime rate of the administrative agent, (b) the federal funds effective rate plus 0.50% or (c) the LIBO rate for a 30-day interest period as determined on such day plus 1.00%, and (2) for LIBO rate loans of 2.25% to 2.50% above the LIBO rate. The applicable margin is determined quarterly as a function of the Company's average daily excess availability under the facility. In addition, the Company is required to pay a commitment fee of 0.375% or 0.50%, depending on facility usage, for any unused portion of the total commitment under the *Revolver*. As of October 29, 2011, the applicable margin was 1.25% for prime rate loans and 2.25% for LIBO rate loans, while the required commitment fee was 0.50% for the unused portion of the *Revolver*.

The *Revolver* provides for customary events of default with corresponding grace periods, including failure to pay any principal or interest when due, failure to comply with covenants, any material representation or warranty made by the Company or the borrowers proving to be false in any material respect, certain bankruptcy, insolvency or receivership events affecting the Company or its subsidiaries, defaults relating to certain other indebtedness, imposition of certain judgments and mergers or the liquidation of the Company or certain of its subsidiaries. As of October 29, 2011, there were no borrowings outstanding under the *Revolver* and letters of credit outstanding totaled \$8.8 million.

In September 2007, the Company's Luxembourg subsidiary entered into a discretionary \$20.0 million Uncommitted Line of Credit (the *Line of Credit*) with Bank of America. There is no term associated with the



**Table of Contents**

**GAMESTOP CORP.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Line of Credit and Bank of America may withdraw the facility at any time without notice. The Line of Credit will be made available to the Company's foreign subsidiaries for use primarily as a bank overdraft facility for short-term liquidity needs and for the issuance of bank guarantees and letters of credit to support operations. As of October 29, 2011, there were no cash overdrafts outstanding under the Line of Credit and bank guarantees outstanding totaled \$5.7 million.

In September 2005, the Company, along with GameStop, Inc. as co-issuer (together with the Company, the Issuers), completed the offering of \$300 million aggregate principal amount of Senior Floating Rate Notes due 2011 (the Senior Floating Rate Notes) and \$650 million aggregate principal amount of Senior Notes due 2012 (the Senior Notes and, together with the Senior Floating Rate Notes, the Notes). The Notes were issued under an Indenture, dated September 28, 2005 (the Indenture), by and among the Issuers, the subsidiary guarantors party thereto, and Citibank, N.A., as trustee. In November 2006, Wilmington Trust Company was appointed as the new trustee for the Notes (the Trustee).

The Senior Notes bear interest at 8.0% per annum, mature on October 1, 2012 and were priced at 98.688%, resulting in a discount at the time of issue of \$8.5 million. The discount is being amortized using the effective interest method. As of October 29, 2011, the unamortized original issue discount was \$0.3 million. The Issuers pay interest on the Senior Notes semi-annually, in arrears, every April 1 and October 1, to holders of record on the immediately preceding March 15 and September 15, and at maturity.

The Indenture contains affirmative and negative covenants customary for such financings, including, among other things, limitations on (1) the incurrence of additional debt, (2) restricted payments, (3) liens, (4) sale and leaseback transactions and (5) asset sales. The debt limitation under the Indenture does not provide an effective restriction on the amount the Company may borrow under current or foreseeable circumstances. Events of default provided for in the Indenture include, among other things, failure to pay interest or principal on the Notes, other breaches of covenants in the Indenture, and certain events of bankruptcy and insolvency. As of October 29, 2011, the Company was in compliance with all covenants associated with the Revolver and the Indenture.

Under certain conditions, the Issuers may on any one or more occasions prior to maturity redeem up to 100% of the aggregate principal amount of Senior Notes issued under the Indenture at redemption prices at or in excess of 100% of the principal amount thereof plus accrued and unpaid interest, if any, to the redemption date. The circumstances which would limit the percentage of the Notes which may be redeemed or which would require the Company to pay a premium in excess of 100% of the principal amount are defined in the Indenture. Upon a Change of Control (as defined in the Indenture), the Issuers are required to offer to purchase all of the Notes then outstanding at 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase. The Issuers may acquire Senior Notes by means other than redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise, in accordance with applicable securities laws, so long as such acquisitions do not otherwise violate the terms of the Indenture.

Between May 2006 and October 2010, the Company repurchased and redeemed the \$300 million of Senior Floating Rate Notes and \$400 million of Senior Notes under previously announced buybacks authorized by the Company's Board of Directors. The repurchased Notes were delivered to the Trustee for cancellation. The associated loss on the retirement of debt was \$6.0 million for the 39-week period ended October 30, 2010, which consisted of the premium paid to retire the Notes and the write-off of deferred financing fees and original issue discount on the retired Senior Notes.

In February 2011, the Board of Directors authorized the Company to use \$500 million to repurchase shares of the Company's common stock and/or retire the Company's Senior Notes. Under the repurchase program, the Company may purchase the Company's Senior Notes and/or shares of issued and outstanding Class A Common Stock through open market purchases, debt calls or privately negotiated transactions. The timing and actual

---

**Table of Contents**

**GAMESTOP CORP.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

amount of debt or share repurchases will be determined by the Company's management based on their evaluation of market conditions and other factors. In addition, repurchases may be suspended or discontinued at any time. As of October 29, 2011, the Company has repurchased \$194.9 million of common stock, representing 9.2 million shares at an average purchase price of \$21.16 per share, and \$125.0 million of the Senior Notes, leaving \$180.1 million remaining under the February 2011 authorization. The \$125.0 million of Senior Notes were retired on October 1, 2011. The associated loss on the retirement of debt was \$0.6 million for the 39-week period ended October 29, 2011, which consisted of the write-off of deferred financing fees and original issue discount on the retired Senior Notes.

As of October 29, 2011, there was no long-term debt outstanding and short-term debt consisted of the \$125.0 million in Senior Notes maturing October 1, 2012, gross of the unamortized original issue discount of \$0.3 million. As of October 30, 2010, the only long-term debt outstanding was the Senior Notes.

**6. Income Taxes**

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examination by the Internal Revenue Service for years before and including the fiscal year ended January 28, 2006.

We accrue for the effects of uncertain tax positions and the related potential penalties and interest. The net decrease to our recorded liability for unrecognized tax benefits during the 13 and 39 weeks ended October 29, 2011 was attributable to the closure of open tax years and the settlement of open audits. It is reasonably possible that the amount of the unrecognized tax benefit with respect to certain of our unrecognized tax positions could significantly increase or decrease during the next 12 months. At this time, an estimate of the range of the reasonably possible outcomes cannot be made.

The tax provisions for the 13 weeks and 39 weeks ended October 29, 2011 and October 30, 2010 are based upon management's estimate of the Company's annualized effective tax rate.

**7. Certain Relationships and Related Transactions**

The Company has various relationships with Barnes & Noble, Inc. (Barnes & Noble), a related party through a common stockholder who is the Chairman of the Board of Directors of Barnes & Noble and was a member of the Company's Board of Directors until June 2011. The Company operates departments within eight bookstores operated by Barnes & Noble, whereby the Company pays a license fee to Barnes & Noble on the gross sales of such departments. Additionally, until April 30, 2011, [www.gamestop.com](http://www.gamestop.com) was the exclusive specialty video game retailer listed on [www.bn.com](http://www.bn.com), Barnes & Noble's e-commerce site, whereby the Company paid a fee to Barnes & Noble for sales of video game or PC entertainment products sold through [www.bn.com](http://www.bn.com). The Company also continues to incur costs related to its participation in Barnes & Noble's workers' compensation, property and general liability insurance programs prior to June 2005. During both of the 13-week periods ended October 29, 2011 and October 30, 2010, these charges amounted to \$0.2 million. During the 39 weeks ended October 29, 2011 and October 30, 2010, these charges amounted to \$0.7 million and \$0.8 million, respectively.

**8. Commitments and Contingencies**

In the ordinary course of the Company's business, the Company is, from time to time, subject to various legal proceedings, including matters involving wage and hour employee class actions. The Company may enter into discussions regarding settlement of these and other types of lawsuits, and may enter into settlement



**Table of Contents****GAMESTOP CORP.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

agreements, if it believes settlement is in the best interest of the Company's stockholders. Management does not believe that any such existing legal proceedings or settlements, individually or in the aggregate, will have a material adverse effect on the Company's financial condition, results of operations or liquidity.

**9. Significant Products**

The following table sets forth sales by significant product category for the periods indicated:

	13 Weeks Ended				39 Weeks Ended			
	October 29, 2011		October 30, 2010		October 29, 2011		October 30, 2010	
	Sales	Percent of Total	Sales	Percent of Total	Sales	Percent of Total	Sales	Percent of Total
(In millions) (Unaudited)								
<b>Sales:</b>								
New video game hardware	\$ 277.6	14.3%	\$ 276.0	14.5%	\$ 985.6	16.5%	\$ 938.5	16.2%
New video game software	879.1	45.1%	839.1	44.2%	2,393.6	40.1%	2,375.3	41.1%
Used video game products	544.5	28.0%	528.0	27.8%	1,802.6	30.2%	1,664.3	28.8%
Other	245.6	12.6%	256.1	13.5%	790.1	13.2%	802.8	13.9%
Total	\$ 1,946.8	100.0%	\$ 1,899.2	100.0%	\$ 5,971.9	100.0%	\$ 5,780.9	100.0%

The following table sets forth gross profit and gross profit percentages by significant product category for the periods indicated:

	13 Weeks Ended				39 Weeks Ended			
	October 29, 2011		October 30, 2010		October 29, 2011		October 30, 2010	
	Gross Profit	Gross Profit Percent	Gross Profit	Gross Profit Percent	Gross Profit	Gross Profit Percent	Gross Profit	Gross Profit Percent
(In millions) (Unaudited)								
<b>Gross Profit:</b>								
New video game hardware	\$ 22.9	8.2%	\$ 21.7	7.9%	\$ 73.8	7.5%	\$ 68.7	7.3%
New video game software	194.1	22.1%	182.4	21.7%	500.9	20.9%	498.6	21.0%
Used video game products	250.3	46.0%	250.2	47.4%	842.7	46.7%	784.7	47.1%
Other	105.6	43.0%	92.0	35.9%	318.9	40.4%	281.9	35.1%
Total	\$ 572.9	29.4%	\$ 546.3	28.8%	\$ 1,736.3	29.1%	\$ 1,633.9	28.3%

**10. Segment Information**

The Company operates its business in the following segments: United States, Canada, Australia and Europe. Segment results for the United States include retail operations in all 50 states, the District of Columbia, Guam and Puerto Rico, the electronic commerce Web site [www.gamestop.com](http://www.gamestop.com), *Game Informer* magazine, the online video gaming Web site [www.kongregate.com](http://www.kongregate.com), a digital PC game distribution platform available at [www.gamestop.com/pcgames](http://www.gamestop.com/pcgames) and the streaming technology company Spawn Labs. Segment results for Canada include retail and e-commerce operations in Canada and segment results for Australia include retail and e-commerce operations in Australia and New Zealand. Segment results for Europe include retail operations in 13 European countries and e-commerce operations in six countries. The Company measures segment profit using operating earnings, which is defined as income from continuing operations before intercompany royalty fees, net

**Table of Contents****GAMESTOP CORP.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

interest expense and income taxes. There has been no material change in total assets by segment since January 29, 2011. Transactions between reportable segments consist primarily of royalties, management fees, intersegment loans and related interest. Information on segments appears in the following tables:

	13 Weeks Ended		39 Weeks Ended	
	October 29, 2011	October 30, 2010	October 29, 2011	October 30, 2010
	(In millions) (Unaudited)			
Sales by operating segment were as follows:				
United States	\$ 1,311.3	\$ 1,300.3	\$ 4,169.0	\$ 4,112.0
Canada	108.0	109.5	303.9	307.4
Australia	128.7	117.9	385.6	344.3
Europe	398.8	371.5	1,113.4	1,017.2
Total	\$ 1,946.8	\$ 1,899.2	\$ 5,971.9	\$ 5,780.9
Segment operating earnings (loss) were as follows:				
United States	\$ 67.5	\$ 70.3	\$ 256.8	\$ 260.7
Canada	2.7	3.8	1.1	7.6
Australia	3.6	6.8	10.8	14.3
Europe	8.8	11.9	(1.3)	4.3
Total	\$ 82.6	\$ 92.8	\$ 267.4	\$ 286.9

**11. Supplemental Cash Flow Information**

	39 Weeks Ended	
	October 29, 2011	October 30, 2010
	(In millions) (Unaudited)	
Cash paid during the period for:		
Interest	\$ 21.6	\$ 36.2
Income taxes	\$ 183.3	\$ 150.9
Other non-cash financing activities:		
Treasury stock repurchases settled in Nov. 2010	\$	\$ 4.2

**12. Consolidating Financial Statements**

## Edgar Filing: GameStop Corp. - Form 10-Q

As described in Note 5, in September 2005, the Company, along with GameStop, Inc. as co-issuer, completed the offering of the Notes. The direct and indirect U.S. wholly-owned subsidiaries of the Company, excluding GameStop, Inc., as co-issuer, have guaranteed the Senior Notes on a senior unsecured basis with unconditional guarantees.

The following condensed consolidating financial statements present the financial position as of October 29, 2011, October 30, 2010 and January 29, 2011 and results of operations for the 13 and 39 weeks ended October 29, 2011 and October 30, 2010 and cash flows for the 39 weeks ended October 29, 2011 and October 30, 2010 of the Company's guarantor and non-guarantor subsidiaries.

**Table of Contents****GAMESTOP CORP.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****GameStop Corp.****Condensed Consolidating Balance Sheet**

	<b>Issuers and Guarantor Subsidiaries October 29, 2011</b>	<b>Non-Guarantor Subsidiaries October 29, 2011</b>	<b>Eliminations</b>	<b>Consolidated October 29, 2011</b>
	(Amounts in millions, except per share amounts)			
<b>(Unaudited)</b>				
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$ 167.1	\$ 275.5	\$	\$ 442.6
Receivables, net	171.7	631.4	(745.0)	58.1
Merchandise inventories, net	1,074.4	703.9		1,778.3
Deferred income taxes - current	26.7	3.7		30.4
Prepaid taxes	5.1	19.8		24.9
Prepaid expenses	43.1	44.8		87.9
Other current assets	10.2	3.7		13.9
<b>Total current assets</b>	<b>1,498.3</b>	<b>1,682.8</b>	<b>(745.0)</b>	<b>2,436.1</b>
Property and equipment:				
Land	4.7	20.3		25.0
Buildings and leasehold improvements	323.8	289.4		613.2
Fixtures and equipment	704.5	161.7		866.2
<b>Total property and equipment</b>	<b>1,033.0</b>	<b>471.4</b>		<b>1,504.4</b>
Less accumulated depreciation and amortization	655.1	246.4		901.5
<b>Net property and equipment</b>	<b>377.9</b>	<b>225.0</b>		<b>602.9</b>
Investment	2,213.6	596.4	(2,810.0)	
Goodwill, net	1,150.7	909.6		2,060.3
Other intangible assets	23.3	246.9		270.2
Other noncurrent assets	25.4	37.7		63.1
<b>Total noncurrent assets</b>	<b>3,790.9</b>	<b>2,015.6</b>	<b>(2,810.0)</b>	<b>2,996.5</b>
<b>Total assets</b>	<b>\$ 5,289.2</b>	<b>\$ 3,698.4</b>	<b>\$ (3,555.0)</b>	<b>\$ 5,432.6</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY:</b>				
Current liabilities:				
Accounts payable	\$ 951.1	\$ 513.2	\$	\$ 1,464.3
Accrued liabilities	1,125.8	329.0	(745.0)	709.8
Senior notes payable, current portion, net	124.7			124.7



Edgar Filing: GameStop Corp. - Form 10-Q

Total current liabilities	2,201.6	842.2	(745.0)	2,298.8
Deferred taxes	40.1	26.9		67.0
Other long-term liabilities	85.9	19.4		105.3
Total long-term liabilities	126.0	46.3		172.3
Total liabilities	2,327.6	888.5	(745.0)	2,471.1
Stockholders' equity:				
Preferred stock - authorized 5.0 shares; no shares issued or outstanding				
Class A common stock - \$.001 par value; authorized 300.0 shares; 138.4 shares outstanding	0.1			0.1
Additional paid-in-capital	760.5	2,450.2	(2,448.7)	762.0
Accumulated other comprehensive income	230.0	82.9	(82.9)	230.0
Retained earnings	1,971.0	278.4	(278.4)	1,971.0
Equity attributable to GameStop Corp. stockholders	2,961.6	2,811.5	(2,810.0)	2,963.1
Equity (deficit) attributable to noncontrolling interest		(1.6)		(1.6)
Total equity	2,961.6	2,809.9	(2,810.0)	2,961.5
Total liabilities and stockholders' equity	\$ 5,289.2	\$ 3,698.4	\$ (3,555.0)	\$ 5,432.6

**Table of Contents****GAMESTOP CORP.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****GameStop Corp.****Condensed Consolidating Balance Sheet**

	<b>Issuers and Guarantor Subsidiaries October 30, 2010</b>	<b>Non-Guarantor Subsidiaries October 30, 2010</b>	<b>Eliminations</b>	<b>Consolidated October 30, 2010</b>
	<b>(Amounts in millions, except per share amounts)</b>			
	<b>(Unaudited)</b>			
<b>ASSETS:</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 45.5	\$ 135.6	\$	\$ 181.1
Receivables, net	122.5	631.2	(694.9)	58.8
Merchandise inventories, net	1,290.2	652.2		1,942.4
Deferred income taxes - current	18.2	3.6		21.8
Prepaid taxes	(7.5)	19.0		11.5
Prepaid expenses	40.4	30.3		70.7
Other current assets	6.0	7.8		13.8
<b>Total current assets</b>	<b>1,515.3</b>	<b>1,479.7</b>	<b>(694.9)</b>	<b>2,300.1</b>
<b>Property and equipment:</b>				
Land	4.7	19.6		24.3
Buildings and leasehold improvements	316.7	248.2		564.9
Fixtures and equipment	630.1	155.7		785.8
<b>Total property and equipment</b>	<b>951.5</b>	<b>423.5</b>		<b>1,375.0</b>
Less accumulated depreciation and amortization	564.3	204.6		768.9
<b>Net property and equipment</b>	<b>387.2</b>	<b>218.9</b>		<b>606.1</b>
Investment	2,122.7	595.0	(2,717.7)	
Goodwill, net	1,125.1	879.5		2,004.6
Other intangible assets	12.0	251.2		263.2
Other noncurrent assets	7.0	34.1		41.1
<b>Total noncurrent assets</b>	<b>3,654.0</b>	<b>1,978.7</b>	<b>(2,717.7)</b>	<b>2,915.0</b>
<b>Total assets</b>	<b>\$ 5,169.3</b>	<b>\$ 3,458.4</b>	<b>\$ (3,412.6)</b>	<b>\$ 5,215.1</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY:</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 1,084.6	\$ 430.0	\$	\$ 1,514.6
Accrued liabilities	995.1	264.1	(694.9)	564.3

## Edgar Filing: GameStop Corp. - Form 10-Q

Total current liabilities	2,079.7	694.1	(694.9)	2,078.9
Senior notes payable, long-term portion, net	248.9			248.9
Deferred taxes	(13.9)	31.9		18.0
Other long-term liabilities	84.0	16.1		100.1
Total long-term liabilities	319.0	48.0		367.0
Total liabilities	2,398.7	742.1	(694.9)	2,445.9
Stockholders' equity:				
Preferred stock - authorized 5.0 shares; no shares issued or outstanding				
Class A common stock - \$.001 par value; authorized 300.0 shares; 151.4 shares outstanding	0.2			0.2
Additional paid-in-capital	1,034.8	2,427.3	(2,427.3)	1,034.8
Accumulated other comprehensive income	167.6	42.9	(42.9)	167.6
Retained earnings	1,568.0	247.5	(247.5)	1,568.0
Equity attributable to GameStop Corp. stockholders	2,770.6	2,717.7	(2,717.7)	2,770.6
Equity (deficit) attributable to noncontrolling interest		(1.4)		(1.4)
Total equity	2,770.6	2,716.3	(2,717.7)	2,769.2
Total liabilities and stockholders' equity	\$ 5,169.3	\$ 3,458.4	\$ (3,412.6)	\$ 5,215.1

**Table of Contents****GAMESTOP CORP.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****GameStop Corp.****Condensed Consolidating Balance Sheet**

	<b>Issuers and Guarantor Subsidiaries January 29, 2011</b>	<b>Non-Guarantor Subsidiaries January 29, 2011</b>	<b>Eliminations</b>	<b>Consolidated January 29, 2011</b>
(Amounts in millions, except per share amounts)				
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$ 378.7	\$ 332.1	\$	\$ 710.8
Receivables, net	161.3	629.8	(725.6)	65.5
Merchandise inventories, net	783.4	474.1		1,257.5
Deferred income taxes - current	24.4	4.4		28.8
Prepaid expenses	40.5	35.2		75.7
Other current assets	10.1	6.4		16.5
<b>Total current assets</b>	<b>1,398.4</b>	<b>1,482.0</b>	<b>(725.6)</b>	<b>2,154.8</b>
Property and equipment:				
Land	4.7	19.3		24.0
Buildings and leasehold improvements	323.3	253.9		577.2
Fixtures and equipment	663.9	153.9		817.8
<b>Total property and equipment</b>	<b>991.9</b>	<b>427.1</b>		<b>1,419.0</b>
Less accumulated depreciation and amortization	595.2	210.0		805.2
<b>Net property and equipment</b>	<b>396.7</b>	<b>217.1</b>		<b>613.8</b>
Investment	2,161.4	595.1	(2,756.5)	
Goodwill, net	1,125.1	871.2		1,996.3
Other intangible assets	11.4	243.2		254.6
Other noncurrent assets	10.8	33.5		44.3
<b>Total noncurrent assets</b>	<b>3,705.4</b>	<b>1,960.1</b>	<b>(2,756.5)</b>	<b>2,909.0</b>
<b>Total assets</b>	<b>\$ 5,103.8</b>	<b>\$ 3,442.1</b>	<b>\$ (3,482.1)</b>	<b>\$ 5,063.8</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY:</b>				
Current liabilities:				
Accounts payable	\$ 725.7	\$ 302.4	\$	\$ 1,028.1
Accrued liabilities	1,047.7	334.9	(725.6)	657.0
Taxes payable	63.3	(0.6)		62.7
<b>Total current liabilities</b>	<b>1,836.7</b>	<b>636.7</b>	<b>(725.6)</b>	<b>1,747.8</b>

## Edgar Filing: GameStop Corp. - Form 10-Q

Senior notes payable, long-term portion, net	249.0			249.0
Deferred taxes	40.5	34.4		74.9
Other long-term liabilities	80.3	15.9		96.2
<b>Total long-term liabilities</b>	<b>369.8</b>	<b>50.3</b>		<b>420.1</b>
<b>Total liabilities</b>	<b>2,206.5</b>	<b>687.0</b>	<b>(725.6)</b>	<b>2,167.9</b>
Stockholders' equity:				
Preferred stock — authorized 5.0 shares; no shares issued or outstanding				
Class A common stock — \$.001 par value; authorized 300.0 shares; 146.0 shares outstanding	0.1			0.1
Additional paid-in-capital	928.9	2,430.7	(2,430.7)	928.9
Accumulated other comprehensive income (loss)	162.5	34.4	(34.4)	162.5
Retained earnings	1,805.8	291.4	(291.4)	1,805.8
<b>Equity attributable to GameStop Corp. stockholders</b>	<b>2,897.3</b>	<b>2,756.5</b>	<b>(2,756.5)</b>	<b>2,897.3</b>
Equity (deficit) attributable to noncontrolling interest		(1.4)		(1.4)
<b>Total equity</b>	<b>2,897.3</b>	<b>2,755.1</b>	<b>(2,756.5)</b>	<b>2,895.9</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 5,103.8</b>	<b>\$ 3,442.1</b>	<b>\$ (3,482.1)</b>	<b>\$ 5,063.8</b>

**Table of Contents****GAMESTOP CORP.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****GameStop Corp.****Condensed Consolidating Statement of Operations**

For the 13 Weeks Ended October 29, 2011	Issuers and Guarantor Subsidiaries October 29, 2011	Non-Guarantor Subsidiaries October 29, 2011	Eliminations	Consolidated October 29, 2011
			(Amounts in millions)	
			(Unaudited)	
Sales	\$ 1,311.3	\$ 635.5	\$	\$ 1,946.8
Cost of sales	915.5	458.4		1,373.9
Gross profit	395.8	177.1		572.9
Selling, general and administrative expenses	296.2	147.1		443.3
Depreciation and amortization	31.8	15.2		47.0
Operating earnings	67.8	14.8		82.6
Interest income	(8.8)	(5.4)	14.0	(0.2)
Interest expense	4.9	14.5	(14.0)	5.4
Debt extinguishment expense	0.6			0.6
Earnings before income tax expense	71.1	5.7		76.8
Income tax expense	20.9	2.2		23.1
Consolidated net income	50.2	3.5		53.7
Net loss attributable to noncontrolling interests		0.2		0.2
Consolidated net income attributable to GameStop	\$ 50.2	\$ 3.7	\$	\$ 53.9

**GameStop Corp.****Condensed Consolidating Statement of Operations**

For the 13 Weeks Ended October 30, 2010	Issuers and Guarantor Subsidiaries October 30, 2010	Non-Guarantor Subsidiaries October 30, 2010	Eliminations	Consolidated October 30, 2010
---	---	--	--------------	-------------------------------------

Edgar Filing: GameStop Corp. - Form 10-Q

2010

(Amounts in millions)

	(Unaudited)			
Sales	\$ 1,300.3	\$ 598.9	\$	\$ 1,899.2
Cost of sales	921.6	431.3		1,352.9
Gross profit	378.7	167.6		546.3
Selling, general and administrative expenses	277.7	131.1		408.8
Depreciation and amortization	29.5	15.2		44.7
Operating earnings	71.5	21.3		92.8
Interest income	(8.6)	(4.0)	12.3	(0.3)
Interest expense	9.7	12.6	(12.3)	10.0
Debt extinguishment expense	6.0			6.0
Earnings before income tax expense	64.4	12.7		77.1
Income tax expense	18.7	4.1		22.8
Consolidated net income	45.7	8.6		54.3
Net loss attributable to noncontrolling interests		0.4		0.4
Consolidated net income attributable to GameStop	\$ 45.7	\$ 9.0	\$	\$ 54.7

**Table of Contents****GAMESTOP CORP.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****GameStop Corp.****Condensed Consolidating Statement of Operations**

For the 39 Weeks Ended October 29, 2011	Issuers and Guarantor Subsidiaries October 29, 2011	Non-Guarantor Subsidiaries October 29, 2011	Eliminations	Consolidated October 29, 2011
	(Amounts in millions)			
	(Unaudited)			
Sales	\$ 4,169.0	\$ 1,802.9	\$	\$ 5,971.9
Cost of sales	2,938.3	1,297.3		4,235.6
Gross profit	1,230.7	505.6		1,736.3
Selling, general and administrative expenses	878.2	450.3		1,328.5
Depreciation and amortization	94.5	45.9		140.4
Operating earnings	258.0	9.4		267.4
Interest income	(27.4)	(15.2)	41.9	(0.7)
Interest expense	17.3	43.1	(41.9)	18.5
Debt extinguishment expense	0.6			0.6
Earnings (loss) before income tax expense	267.5	(18.5)		249.0
Income tax expense (benefit)	89.4	(4.6)		84.8
Consolidated net income (loss)	178.1	(13.9)		164.2
Net loss attributable to noncontrolling interests		1.0		1.0
Consolidated net income (loss) attributable to GameStop	\$ 178.1	\$ (12.9)	\$	\$ 165.2

**GameStop Corp.****Condensed Consolidating Statement of Operations**

For the 39 Weeks Ended October 30, 2010	Issuers and Guarantor Subsidiaries October 30, 2010	Non-Guarantor Subsidiaries October 30, 2010	Eliminations	Consolidated October 30, 2010
---	---	--	--------------	-------------------------------------



Edgar Filing: GameStop Corp. - Form 10-Q

2010

(Amounts in millions)

	(Unaudited)			
Sales	\$ 4,111.6	\$ 1,669.3	\$	\$ 5,780.9
Cost of sales	2,936.4	1,210.6		4,147.0
Gross profit	1,175.2	458.7		1,633.9
Selling, general and administrative expenses	826.1	391.5		1,217.6
Depreciation and amortization	84.4	45.0		129.4
Operating earnings	264.7	22.2		286.9
Interest income	(26.3)	(11.8)	36.8	(1.3)
Interest expense	29.7	37.7	(36.8)	30.6
Debt extinguishment expense	6.0			6.0
Earnings (loss) before income tax expense	255.3	(3.7)		251.6
Income tax expense (benefit)	90.8	(8.2)		82.6
Consolidated net income	164.5	4.5		169.0
Net loss attributable to noncontrolling interests		1.2		1.2
Consolidated net income attributable to GameStop	\$ 164.5	\$ 5.7	\$	\$ 170.2

**Table of Contents****GAMESTOP CORP.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****GameStop Corp.****Condensed Consolidating Statement of Cash Flows**

<b>For the 39 Weeks Ended October 29, 2011</b>	<b>Issuers and Guarantor Subsidiaries October 29, 2011</b>	<b>Non-Guarantor Subsidiaries October 29, 2011</b>	<b>Eliminations</b>	<b>Consolidated October 29, 2011</b>
	<b>(Amounts in millions)</b>			
	<b>(Unaudited)</b>			
<b>Cash flows from operating activities:</b>				
Consolidated net income (loss)	\$ 178.1	\$ (13.9)	\$	\$ 164.2
Adjustments to reconcile net income (loss) to net cash flows provided by (used in) operating activities:				
Depreciation and amortization (including amounts in cost of sales)	96.1	46.0		142.1
Amortization and retirement of deferred financing fees and issue discounts	2.3			2.3
Stock-based compensation expense	14.5			14.5
Deferred income taxes	(2.7)	(7.8)		(10.5)
Excess tax expense realized from exercise of stock-based awards	0.2			0.2
Loss on disposal of property and equipment	4.4	5.1		9.5
Changes in other long-term liabilities	(1.5)	2.8		1.3
<b>Changes in operating assets and liabilities, net:</b>				
Receivables, net	3.8	4.7		8.5
Merchandise inventories	(303.8)	(198.6)		(502.4)
Prepaid expenses and other current assets	(2.3)	(5.5)		(7.8)
Prepaid income taxes and accrued income taxes payable	(68.3)	(19.7)		(88.0)
Accounts payable and accrued liabilities	311.7	165.4		477.1
<b>Net cash flows provided by (used in) operating activities</b>	<b>232.5</b>	<b>(21.5)</b>		<b>211.0</b>
<b>Cash flows from investing activities:</b>				
Purchase of property and equipment	(85.2)	(42.1)		(127.3)
Acquisitions, net of cash acquired	(27.9)			(27.9)
Other	(3.4)	(4.2)		(7.6)
<b>Net cash flows used in investing activities</b>	<b>(116.5)</b>	<b>(46.3)</b>		<b>(162.8)</b>
<b>Cash flows from financing activities:</b>				
Repurchase of notes payable	(125.0)			(125.0)
Purchase of treasury shares	(216.9)			(216.9)
Borrowings from the revolver	35.0			35.0
Repayments of revolver borrowings	(35.0)			(35.0)

Edgar Filing: GameStop Corp. - Form 10-Q

Issuance of shares relating to stock options	14.5			14.5
Excess tax expense realized from exercise of stock-based awards	(0.2)			(0.2)
Net cash flows used in financing activities	(327.6)			(327.6)
Exchange rate effect on cash and cash equivalents		11.2		11.2
Net decrease in cash and cash equivalents	(211.6)	(56.6)		(268.2)
Cash and cash equivalents at beginning of period	378.7	332.1		710.8
Cash and cash equivalents at end of period	\$ 167.1	\$ 275.5	\$	\$ 442.6

**Table of Contents****GAMESTOP CORP.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****GameStop Corp.****Condensed Consolidating Statement of Cash Flows**

<b>For the 39 Weeks Ended October 30, 2010</b>	<b>Issuers and Guarantor Subsidiaries October 30, 2010</b>	<b>Non-Guarantor Subsidiaries October 30, 2010 (Amounts in millions)</b>	<b>Eliminations</b>	<b>Consolidated October 30, 2010</b>
				<b>(Unaudited)</b>
<b>Cash flows from operating activities:</b>				
Consolidated net income	\$ 164.5	\$ 4.5	\$	\$ 169.0
<b>Adjustments to reconcile net income to net cash flows used in operating activities:</b>				
Depreciation and amortization (including amounts in cost of sales)	85.7	45.2		130.9
Amortization and retirement of deferred financing fees and issue discounts	4.3			4.3
Stock-based compensation expense	22.1			22.1
Deferred income taxes	(0.3)	(8.2)		(8.5)
Excess tax benefits realized from exercise of stock-based awards	(18.4)			(18.4)
Loss on disposal of property and equipment	1.9	2.5		4.4
Changes in other long-term liabilities	4.1	(7.6)		(3.5)
<b>Changes in operating assets and liabilities, net:</b>				
Receivables, net	5.8	1.2		7.0
Merchandise inventories	(720.0)	(153.2)		(873.2)
Prepaid expenses and other current assets	(2.5)	0.2		(2.3)
Prepaid income taxes and accrued income taxes payable	(46.1)	(7.7)		(53.8)
Accounts payable and accrued liabilities	491.4	46.3		537.7
<b>Net cash flows used in operating activities</b>	<b>(7.5)</b>	<b>(76.8)</b>		<b>(84.3)</b>
<b>Cash flows from investing activities:</b>				
Purchase of property and equipment	(103.3)	(38.3)		(141.6)
Acquisitions, net of cash acquired	(38.1)			(38.1)
Other	(0.3)	(3.6)		(3.9)
<b>Net cash flows used in investing activities</b>	<b>(141.7)</b>	<b>(41.9)</b>		<b>(183.6)</b>
<b>Cash flows from financing activities:</b>				
Repurchase of notes payable	(200.0)			(200.0)
Purchase of treasury shares	(286.8)			(286.8)
Issuance of shares relating to stock options	10.1			10.1
Excess tax benefits realized from exercise of stock-based awards	18.4			18.4

## Edgar Filing: GameStop Corp. - Form 10-Q

Net cash flows used in financing activities	(458.3)			(458.3)
Exchange rate effect on cash and cash equivalents		1.9		1.9
Net decrease in cash and cash equivalents	(607.5)	(116.8)		(724.3)
Cash and cash equivalents at beginning of period	653.0	252.4		905.4
Cash and cash equivalents at end of period	\$ 45.5	\$ 135.6	\$	\$ 181.1

**Table of Contents**

**GAMESTOP CORP.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**13. Subsequent Events**

On November 15, 2011, the Board of Directors authorized the Company to use \$500 million to repurchase shares of the Company's common stock and/or retire the Company's Senior Notes. This authorization replaces the \$500 million authorization announced in February 2011, which had \$180.1 million remaining at the time of the new authorization. Under the new repurchase program, the Company may purchase the Company's Senior Notes and/or shares of issued and outstanding common stock through open market purchases, debt calls or privately negotiated transactions. The timing and actual amount of debt or share repurchases will be determined by the Company's management based on their evaluation of market conditions and other factors. In addition, repurchases may be suspended or discontinued at any time.

As of November 23, 2011, the Company has purchased an additional 2.0 million shares for an average price per share of \$22.38. Additionally, on November 15, 2011, at the direction of the Company, the Trustee, under the Indenture, gave notice to the holders of the Senior Notes that on December 16, 2011 (the Redemption Date), the Company will redeem all of the remaining Senior Notes outstanding, in an aggregate principal amount of \$125.0 million, pursuant to the Indenture's optional redemption provisions. The redemption price for the redeemed Senior Notes will be 100% of the principal amount plus all accrued and unpaid interest to the Redemption Date.

**Table of Contents****ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion should be read in conjunction with the information contained in our consolidated financial statements, including the notes thereto. Statements regarding future economic performance, management's plans and objectives, and any statements concerning assumptions related to the foregoing contained in Management's Discussion and Analysis of Financial Condition and Results of Operations constitute forward-looking statements. Certain factors, which may cause actual results to vary materially from these forward-looking statements, accompany such statements or appear in GameStop's Annual Report on Form 10-K for the fiscal year ended January 29, 2011 filed with the Securities and Exchange Commission (the "SEC") on March 30, 2011 (the "Form 10-K"), including the factors disclosed under Item 1A. Risk Factors.*

**General**

GameStop Corp. (together with its predecessor companies, GameStop, we, us, our, or the Company) is the world's largest multichannel game retailer. We sell new and used video game hardware, physical and digital video game software, accessories, as well as PC entertainment software and other merchandise. As of October 29, 2011, GameStop's retail network and family of brands include 6,627 Company-operated stores in the United States, Australia, Canada and Europe, primarily under the names GameStop, EB Games and Micromania. We also operate electronic commerce Web sites [www.gamestop.com](http://www.gamestop.com), [www.ebgames.com.au](http://www.ebgames.com.au), [www.gamestop.ca](http://www.gamestop.ca), [www.gamestop.it](http://www.gamestop.it), [www.gamestop.es](http://www.gamestop.es), [www.gamestop.ie](http://www.gamestop.ie), [www.gamestop.de](http://www.gamestop.de), [www.gamestop.co.uk](http://www.gamestop.co.uk) and [www.micromania.fr](http://www.micromania.fr). The network also includes: [www.Kongregate.com](http://www.Kongregate.com), a leading browser-based game site; *Game Informer* magazine, the leading multi-platform video game publication; Spawn Labs, a streaming technology company; and a digital PC distribution platform available at [www.GameStop.com/pcgames](http://www.GameStop.com/pcgames).

Our fiscal year is composed of 52 or 53 weeks ending on the Saturday closest to January 31. The fiscal years ending January 28, 2012 (fiscal 2011) and ended January 29, 2011 (fiscal 2010) consist of 52 weeks.

Growth in the video game industry is driven by the introduction of new technology. The current generation of hardware consoles (the Sony PlayStation 3, the Microsoft Xbox 360 and the Nintendo Wii) were introduced between 2005 and 2007. The Sony PlayStation Portable was introduced in 2005. The Nintendo DSi XL was introduced in early 2010 and the Nintendo 3DS was introduced in March 2011. Typically, following the introduction of new video game platforms, sales of new video game hardware increase as a percentage of total sales in the first full year following introduction. As video game platforms mature, the sales mix attributable to complementary video game software and accessories, which generate higher gross margins, generally increases in the subsequent years. The net effect is generally a decline in gross margins in the first full year following new platform releases and an increase in gross margins in the years subsequent to the first full year following the launch period. Unit sales of maturing video game platforms are typically also driven by manufacturer-funded retail price reductions, further driving sales of related software and accessories. We expect that the installed base of the hardware platforms listed above and sales of related software and accessories will increase in the future.

We expect that future growth in the video game industry will also be driven by the sale of video games delivered in digital form and the expansion of other forms of gaming. We currently sell various types of products that relate to the digital category, including digitally downloaded software, Xbox LIVE, PlayStation and Nintendo network point cards, as well as prepaid digital and online timecards. We continue to make significant investments in e-commerce, online game development, digital kiosks and in-store and Web site functionality to enable our customers to access digital content and eliminate friction in the digital sales and delivery process. We plan to continue to invest in these types of processes and channels to grow our digital sales base and enhance our market leadership position in the video game industry and in the digital aggregation and distribution category. We also intend to continue to invest in customer loyalty programs designed to attract and retain customers.

**Table of Contents****Critical Accounting Policies**

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ( GAAP ) for interim financial information and do not include all disclosures required under GAAP for complete financial statements. Preparation of these statements requires management to make judgments and estimates. Some accounting policies have a significant impact on amounts reported in these financial statements. For a summary of significant accounting policies and the means by which we develop estimates thereon, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Form 10-K.

**Consolidated Results of Operations**

The following table sets forth certain statement of operations items as a percentage of sales for the periods indicated:

	13 Weeks Ended		39 Weeks Ended	
	October 29, 2011	October 30, 2010	October 29, 2011	October 30, 2010
<b>Statement of Operations Data:</b>				
Sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	70.6	71.2	70.9	71.7
Gross profit	29.4	28.8	29.1	28.3
Selling, general and administrative expenses	22.8	21.5	22.2	21.1
Depreciation and amortization	2.4	2.4	2.4	2.2
Operating earnings	4.2	4.9	4.5	5.0
Interest expense, net	0.3	0.5	0.3	0.5
Debt extinguishment expense		0.3		0.1
Earnings before income tax expense	3.9	4.1	4.2	4.4
Income tax expense	1.1	1.2	1.4	1.5
Consolidated net income	2.8	2.9	2.8	2.9
Net loss attributable to noncontrolling interests				
Consolidated net income attributable to GameStop	2.8%	2.9%	2.8%	2.9%

The Company includes purchasing, receiving and distribution costs in selling, general and administrative expenses, rather than in cost of sales, in the statement of operations. The Company includes processing fees associated with purchases made by check and credit cards in cost of sales, rather than in selling, general and administrative expenses, in the statement of operations. As a result of these classifications, our gross margins are not comparable to those retailers that include purchasing, receiving and distribution costs in cost of sales and include processing fees associated with purchases made by check and credit cards in selling, general and administrative expenses. The net effect of these classifications as a percentage of sales has not historically been material.



**Table of Contents**

The following table sets forth sales by significant product category for the periods indicated:

	13 Weeks Ended				39 Weeks Ended			
	October 29, 2011		October 30, 2010		October 29, 2011		October 30, 2010	
	Sales	Percent of Total	Sales	Percent of Total	Sales	Percent of Total	Sales	Percent of Total
(In millions) (Unaudited)								
<b>Sales:</b>								
New video game hardware	\$ 277.6	14.3%	\$ 276.0	14.5%	\$ 985.6	16.5%	\$ 938.5	16.2%
New video game software	879.1	45.1%	839.1	44.2%	2,393.6	40.1%	2,375.3	41.1%
Used video game products	544.5	28.0%	528.0	27.8%	1,802.6	30.2%	1,664.3	28.8%
Other	245.6	12.6%	256.1	13.5%	790.1	13.2%	802.8	13.9%
Total	\$ 1,946.8	100.0%	\$ 1,899.2	100.0%	\$ 5,971.9	100.0%	\$ 5,780.9	100.0%

Other products include PC entertainment and other software, digital products and currency, accessories and revenue associated with *Game Informer* magazine and the Company's PowerUp Rewards program.

The following table sets forth gross profit and gross profit percentages by significant product category for the periods indicated:

	13 Weeks Ended				39 Weeks Ended			
	October 29, 2011		October 30, 2010		October 29, 2011		October 30, 2010	
	Gross Profit	Gross Profit Percent	Gross Profit	Gross Profit Percent	Gross Profit	Gross Profit Percent	Gross Profit	Gross Profit Percent
(In millions) (Unaudited)								
<b>Gross Profit:</b>								
New video game hardware	\$ 22.9	8.2%	\$ 21.7	7.9%	\$ 73.8	7.5%	\$ 68.7	7.3%
New video game software	194.1	22.1%	182.4	21.7%	500.9	20.9%	498.6	21.0%
Used video game products	250.3	46.0%	250.2	47.4%	842.7	46.7%	784.7	47.1%
Other	105.6	43.0%	92.0	35.9%	318.9	40.4%	281.9	35.1%
Total	\$ 572.9	29.4%	\$ 546.3	28.8%	\$ 1,736.3	29.1%	\$ 1,633.9	28.3%

**13 weeks ended October 29, 2011 compared with the 13 weeks ended October 30, 2010**

Sales increased by \$47.6 million, or 2.5%, from \$1,899.2 million in the 13 weeks ended October 30, 2010 to \$1,946.8 million in the 13 weeks ended October 29, 2011. The increase in sales was primarily attributable to changes related to foreign exchange rates, which had the effect of increasing sales by \$31.1 million when compared to the third quarter of fiscal 2010, and the increase of non-comparable store sales from the net increase in store count of 78 stores since July 31, 2010, offset partially by the comparable store sales decrease of 0.6% for the third quarter of fiscal 2011. The decrease in comparable store sales was primarily attributable to a decrease in comparable new video game hardware sales. Stores are included in our comparable store sales base beginning in the thirteenth month of operation and exclude the effect of changes in foreign exchange rates.

New video game hardware sales increased \$1.6 million, or 0.6%, from \$276.0 million in the 13 weeks ended October 30, 2010 to \$277.6 million in the 13 weeks ended October 29, 2011, primarily due to changes related to foreign exchange rates offset partially by weak consumer demand. New video game software sales increased \$40.0 million, or 4.8%, from \$839.1 million in the 13 weeks ended October 30, 2010 to \$879.1 million in the 13 weeks ended October 29, 2011, primarily due to the strong sales of new release video game software titles in the third quarter of fiscal 2011. Used video game products sales increased \$16.5 million, or 3.1%, from \$528.0 million in the 13 weeks ended October 30, 2010 to \$544.5

## Edgar Filing: GameStop Corp. - Form 10-Q

million in the 13 weeks ended October 29, 2011. Used video game product sales increased due to increased promotional efforts designed to provide customers with

---

**Table of Contents**

trade credits to buy new software titles and changes in merchandising. Sales of other product categories decreased by 4.1%, or \$10.5 million, from the 13 weeks ended October 30, 2010 to the 13 weeks ended October 29, 2011. The decrease in other product sales was primarily due to the decrease in sales of new release PC entertainment software titles and the shift in digital sales from inventoriable pre-purchased product, recorded as revenue at the retail price, to non-inventoriable digitally downloadable content, recorded as revenue on a commission basis.

As a percentage of sales, new video game hardware sales and the other product sales decreased and new video game software sales and used video game products sales increased in the 13 weeks ended October 29, 2011 compared to the 13 weeks ended October 30, 2010. The change in the mix of sales was primarily due to the strong sales of new release video game software and the decrease in other product sales discussed above.

Cost of sales increased by \$21.0 million, or 1.6%, from \$1,352.9 million in the 13 weeks ended October 30, 2010 to \$1,373.9 million in the 13 weeks ended October 29, 2011 as a result of the increase in sales and the changes in gross profit discussed below.

Gross profit increased by \$26.6 million, or 4.9%, from \$546.3 million in the 13 weeks ended October 30, 2010 to \$572.9 million in the 13 weeks ended October 29, 2011. Gross profit as a percentage of sales increased from 28.8% in the 13 weeks ended October 30, 2010 to 29.4% in the 13 weeks ended October 29, 2011. The gross profit percentage increase was primarily due to the increase in sales of other video game products, driven by the increase in sales of digital products, and the increase in sales of used video game products as a percentage of total sales in the 13 weeks ended October 29, 2011 when compared to the 13 weeks ended October 30, 2010. Gross profit as a percentage of sales on new video game hardware increased slightly from 7.9% in the 13 weeks ended October 30, 2010 to 8.2% in the 13 weeks ended October 29, 2011. Gross profit as a percentage of sales on new video game software increased from 21.7% in the 13 weeks ended October 30, 2010 to 22.1% in the 13 weeks ended October 29, 2011, primarily due to the increase in the mix of international new video game software sales to total new video game software sales during the third quarter of fiscal 2011 when compared to the third quarter of fiscal 2010. International new video game software sales have a higher gross margin than U.S. new video game software sales. Gross profit as a percentage of sales on used video game products decreased from 47.4% in the 13 weeks ended October 30, 2010 to 46.0% in the 13 weeks ended October 29, 2011, primarily due to increased promotional efforts designed to provide customers with trade credits to buy new software titles and build inventory for the holiday selling season. Gross profit as a percentage of sales on other product sales increased from 35.9% in the 13 weeks ended October 30, 2010 to 43.0% in the 13 weeks ended October 29, 2011, primarily due to a shift in sales to higher margin digital product sales, some of which are recorded on a commission basis at 100% margin, and growth in sales of PowerUp Rewards Pro memberships and related *Game Informer* subscriptions that also have higher margins than PC entertainment software and accessories.

Selling, general and administrative expenses increased by \$34.5 million, or 8.4%, from \$408.8 million in the 13 weeks ended October 30, 2010 to \$443.3 million in the 13 weeks ended October 29, 2011. This increase was primarily attributable to changes in foreign exchange rates which had the effect of increasing expenses by \$7.0 million when compared to the third quarter of fiscal 2010, as well as additional expenses incurred in support of our digital and loyalty initiatives. Selling, general and administrative expenses as a percentage of sales increased from 21.5% in the 13 weeks ended October 30, 2010 to 22.8% in the 13 weeks ended October 29, 2011. The increase in selling, general and administrative expenses as a percentage of sales was primarily due to deleveraging of fixed costs as a result of the decrease in comparable store sales and the additional expenses incurred in support of our digital and loyalty initiatives in the third quarter of fiscal 2011. Included in selling, general and administrative expenses are \$4.7 million and \$7.5 million in stock-based compensation expense for the 13 weeks ended October 29, 2011 and October 30, 2010, respectively.

Depreciation and amortization expense increased \$2.3 million from \$44.7 million in the 13 weeks ended October 30, 2010 to \$47.0 million in the 13 weeks ended October 29, 2011. This increase was primarily due to the investments in management information systems, including investments in digital and loyalty initiatives, and the capital expenditures associated with the opening of 80 new stores during the third quarter of fiscal 2011.

**Table of Contents**

Interest income resulting from the investment of excess cash balances decreased \$0.1 million from \$0.3 million in the 13 weeks ended October 30, 2010 to \$0.2 million in the 13 weeks ended October 29, 2011. Interest expense decreased from \$10.0 million in the 13 weeks ended October 30, 2010 to \$5.4 million in the 13 weeks ended October 29, 2011, primarily due to the retirement and redemption of \$200 million and \$125 million of the Company's senior notes in the quarters ended October 30, 2010 and October 29, 2011, respectively. Debt extinguishment expense of \$0.6 million was recognized in the 13 weeks ended October 29, 2011 as a result of the recognition of deferred financing fees and unamortized original issue discount. Debt extinguishment expense of \$6.0 million was recognized in the 13 weeks ended October 30, 2010, as a result of premiums paid related to debt retirement and the recognition of deferred financing fees and unamortized original issue discount.

Income tax expense for the 13 weeks ended October 30, 2010 and the 13 weeks ended October 29, 2011 was based upon management's estimate of the Company's annualized effective tax rate. Income tax expense was \$22.8 million, or 29.6%, of earnings before income tax expense for the 13 weeks ended October 30, 2010 compared to \$23.1 million, or 30.1% for the 13 weeks ended October 29, 2011. The increase in the effective income tax rate in the 13 weeks ended October 29, 2011 was primarily due to variability in the accounting related to the Company's uncertain tax positions.

The factors described above led to a decrease in operating earnings of \$10.2 million, or 11.0%, from \$92.8 million in the 13 weeks ended October 30, 2010 to \$82.6 million in the 13 weeks ended October 29, 2011, and a decrease in consolidated net income of \$0.6 million, or 1.1%, from \$54.3 million in the 13 weeks ended October 30, 2010 to \$53.7 million in the 13 weeks ended October 29, 2011.

The \$0.2 million and \$0.4 million net loss attributable to noncontrolling interests for the 13 weeks ended October 29, 2011 and October 30, 2010, respectively, represents the portion of the minority interest stockholders' net loss of the Company's non-wholly owned subsidiaries included in the Company's consolidated net income.

***39 weeks ended October 29, 2011 compared with the 39 weeks ended October 30, 2010***

Sales increased by \$191.0 million, or 3.3%, from \$5,780.9 million in the 39 weeks ended October 30, 2010 to \$5,971.9 million in the 39 weeks ended October 29, 2011. The increase in sales was primarily attributable to changes related to foreign exchange rates, which had the effect of increasing sales by \$143.6 million when compared to the third quarter of fiscal 2010, and the increase of non-comparable store sales from the increase in net store count of 177 stores since January 30, 2010, offset partially by the comparable store sales decrease of 1.2% for the 39-week period ended October 29, 2011.

New video game hardware sales increased \$47.1 million, or 5.0%, from \$938.5 million in the 39 weeks ended October 30, 2010 to \$985.6 million in the 39 weeks ended October 29, 2011, primarily due to the launch of Nintendo 3DS in the first quarter of fiscal 2011 and changes related to foreign exchange rates. New video game software sales increased \$18.3 million, or 0.8%, from \$2,375.3 million in the 39 weeks ended October 30, 2010 to \$2,393.6 million in the 39 weeks ended October 29, 2011, primarily due to changes related to foreign exchange rates. Used video game product sales increased \$138.3 million, or 8.3%, from \$1,664.3 million in the 39 weeks ended October 30, 2010 to \$1,802.6 million in the 39 weeks ended October 29, 2011. Used video game product sales increased due to the increase in the hardware install base, increased promotional efforts designed to provide customers with trade credits to buy new software titles, changes in merchandising, and the growth of used product sales internationally. Sales of other product categories decreased by 1.6%, or \$12.7 million, from the 39 weeks ended October 30, 2010 to the 39 weeks ended October 29, 2011. The decrease in other product sales was primarily due to the decrease in sales of new release PC entertainment software titles and the shift in digital sales from inventoriable pre-purchased product, recorded as revenue at the retail price, to non-inventoriable digitally downloadable content, recorded as revenue on a commission basis, offset partially by the effects of changes in foreign exchange rates.

As a percentage of sales, new video game hardware sales and used video game product sales increased, while new video game software and other product sales decreased in the 39 weeks ended October 29, 2011

**Table of Contents**

compared to the 39 weeks ended October 30, 2010. The change in the mix of sales was primarily due to the increase in used video game product sales as discussed above and the increase in new video game hardware sales due to the launch of Nintendo 3DS in the first quarter of fiscal 2011.

Cost of sales increased by \$88.6 million, or 2.1%, from \$4,147.0 million in the 39 weeks ended October 30, 2010 to \$4,235.6 million in the 39 weeks ended October 29, 2011 primarily as a result of the increase in sales and the changes in gross profit discussed below.

Gross profit increased by \$102.4 million, or 6.3%, from \$1,633.9 million in the 39 weeks ended October 30, 2010 to \$1,736.3 million in the 39 weeks ended October 29, 2011. Gross profit as a percentage of sales increased from 28.3% in the 39 weeks ended October 30, 2010 to 29.1% in the 39 weeks ended October 29, 2011. The gross profit percentage increase was primarily due to the increase in sales of used video game products as a percentage of total sales and the increase in gross profit as a percentage of sales on other video game products, including the increase in sales of digital products, in the 39 weeks ended October 29, 2011 when compared to the 39 weeks ended October 30, 2010. Gross profit as a percentage of sales on new video game hardware increased slightly from 7.3% of sales for the 39 weeks ended October 30, 2010 to 7.5% for the 39 weeks ended October 29, 2011. Gross profit as a percentage of sales on new video game software decreased slightly from 21.0% for the 39 weeks ended October 30, 2010 to 20.9% for the 39 weeks ended October 29, 2011. Gross profit as a percentage of sales on used video game products decreased slightly from 47.1% for the 39 weeks ended October 30, 2010 to 46.7% for the 39 weeks ended October 29, 2011 primarily due to increased promotional efforts designed to provide customers with trade credits to buy new software titles and build inventory for the holiday selling season. Gross profit as a percentage of sales on other product sales increased from 35.1% for the 39 weeks ended October 30, 2010 to 40.4% for the 39 weeks ended October 29, 2011, primarily due to a shift in sales to higher margin digital products, some of which are recorded on a commission basis at 100% margin, and growth in sales of PowerUp Rewards Pro memberships and related *Game Informer* subscriptions that also have higher margins than PC entertainment software and accessories.

Selling, general and administrative expenses increased by \$110.9 million, or 9.1%, from \$1,217.6 million in the 39 weeks ended October 30, 2010 to \$1,328.5 million in the 39 weeks ended October 29, 2011. This increase was primarily attributable to changes in foreign exchange rates which had the effect of increasing expenses by \$33.6 million when compared to the 39 weeks ended October 30, 2010, as well as additional expenses incurred in support of our digital and loyalty initiatives. Selling, general and administrative expenses as a percentage of sales increased from 21.1% in the 39 weeks ended October 30, 2010 to 22.2% in the 39 weeks ended October 29, 2011. The increase in selling, general and administrative expenses as a percentage of sales was primarily due to deleveraging of fixed costs as a result of the decrease in comparable store sales and the additional expenses incurred in support of our digital and loyalty initiatives in fiscal 2011. Included in selling, general and administrative expenses are \$14.5 million and \$22.1 million in stock-based compensation expense for the 39 weeks ended October 29, 2011 and October 30, 2010, respectively.

Depreciation and amortization expense increased \$11.0 million from \$129.4 million in the 39 weeks ended October 30, 2010 to \$140.4 million in the 39 weeks ended October 29, 2011. This increase was primarily due to the capital expenditures associated with the opening of 317 new stores since October 31, 2010 and investments in management information systems, including investments in digital and loyalty initiatives.

Interest income resulting from the investment of excess cash balances decreased from \$1.3 million in the 39 weeks ended October 30, 2010 to \$0.7 million in the 39 weeks ended October 29, 2011, due primarily to lower invested cash balances and lower interest rates during fiscal 2011. Interest expense decreased from \$30.6 million in the 39 weeks ended October 30, 2010 to \$18.5 million in the 39 weeks ended October 29, 2011, primarily due to the redemption and retirement of \$200 million and \$125 million of the Company's senior notes during the 39 weeks ended October 30, 2010 and October 29, 2011, respectively. Debt extinguishment expense of \$0.6 million was recognized in the 39 weeks ended October 29, 2011 as a result of the recognition of deferred financing fees and unamortized original issue discount. Debt extinguishment expense of \$6.0 million was recognized in the 39 weeks ended October 30, 2010 as a result of premiums paid related to debt retirement and the recognition of deferred financing fees and unamortized original issue discount.

**Table of Contents**

Income tax expense for the 39 weeks ended October 30, 2010 and the 39 weeks ended October 29, 2011 was based upon management's estimate of the Company's annualized effective tax rate. Income tax expense was \$82.6 million, or 32.8% of earnings before income tax expense, for the 39 weeks ended October 30, 2010 compared to \$84.8 million, or 34.1% of earnings before income tax expense, for the 39 weeks ended October 29, 2011. The increase in the effective income tax rate in the 39 weeks ended October 29, 2011 was due primarily to the variability in the accounting for the Company's uncertain tax positions.

The factors described above led to a decrease in operating earnings of \$19.5 million, or 6.8%, from \$286.9 million in the 39 weeks ended October 30, 2010 to \$267.4 million in the 39 weeks ended October 29, 2011, and a decrease in consolidated net income of \$4.8 million, or 2.8%, from \$169.0 million in the 39 weeks ended October 30, 2010 to \$164.2 million in the 39 weeks ended October 29, 2011.

The \$1.0 million and \$1.2 million net loss attributable to noncontrolling interests for the 39 weeks ended October 29, 2011 and October 30, 2010, respectively, represents the portion of the minority interest stockholders' net loss of the Company's non-wholly owned subsidiaries included in the Company's consolidated net income.

**Segment Performance**

The Company operates its business in the following segments: United States, Australia, Canada and Europe. The following tables provide a summary of our sales and operating earnings by reportable segment:

	13 Weeks Ended		39 Weeks Ended	
	October 29, 2011	October 30, 2010	October 29, 2011	October 30, 2010
	(In millions) (Unaudited)			
Sales by operating segment are as follows:				
United States	\$ 1,311.3	\$ 1,300.3	\$ 4,169.0	\$ 4,112.0
Canada	108.0	109.5	303.9	307.4
Australia	128.7	117.9	385.6	344.3
Europe	398.8	371.5	1,113.4	1,017.2
Total	\$ 1,946.8	\$ 1,899.2	\$ 5,971.9	\$ 5,780.9
Operating earnings (loss) by operating segment are as follows:				
United States	\$ 67.5	\$ 70.3	\$ 256.8	\$ 260.7
Canada	2.7	3.8	1.1	7.6
Australia	3.6	6.8	10.8	14.3
Europe	8.8	11.9	(1.3)	4.3
Total	\$ 82.6	\$ 92.8	\$ 267.4	\$ 286.9

**United States**

Segment results for the United States include retail operations in all 50 states, the District of Columbia, Guam and Puerto Rico, the electronic commerce Web site [www.gamestop.com](http://www.gamestop.com), *Game Informer* magazine, [www.kongregate.com](http://www.kongregate.com), a digital PC game distribution platform available at [www.GameStop.com/pgames](http://www.GameStop.com/pgames) and Spawn Labs. As of October 29, 2011, the United States segment included 4,460 stores, compared to 4,518 stores on October 30, 2010. Sales for the 13 weeks ended October 29, 2011 increased 0.8% compared to the 13 weeks ended October 30, 2010, as a result of the opening of 254 stores since July 31, 2010. Comparable store sales in the 13 weeks ended October 29, 2011 increased slightly. Sales for the 39 weeks ended October 29, 2011 increased 1.4% compared to the 39 weeks ended October 30, 2010, as a result of the opening of 353 stores since January 30, 2010. Comparable store sales in the 39 weeks ended October 29, 2011 increased slightly. Segment

---

**Table of Contents**

operating income for the 13 and 39 weeks ended October 29, 2011 decreased by 4.0% and 1.5%, respectively, compared to the 13 and 39 weeks ended October 30, 2010. The decrease in operating earnings was primarily due to the investments the Company has made in support of its digital and loyalty initiatives.

***Canada***

Segment results for Canada include retail operations and an e-commerce site in Canada. As of October 29, 2011 and October 30, 2010, the Canadian segment had 345 stores. Sales in the Canadian segment in the 13 and 39 weeks ended October 29, 2011 decreased 1.4% and 1.1%, respectively, compared to the 13 and 39 weeks ended October 30, 2010. The decrease in sales was primarily attributable to a decrease in sales at existing stores partially offset by the impact of changes in exchange rates, which had the effect of increasing sales by \$2.9 million and \$14.6 million, respectively, in the 13 and 39 weeks ended October 29, 2011 when compared to the prior fiscal year periods. The decrease in sales at existing stores was primarily due to weak consumer traffic and a slow-down in hardware unit sell-through and lower price points when compared to the prior fiscal year periods.

Segment operating earnings for the 13 and 39 weeks ended October 29, 2011 decreased by \$1.1 million and \$6.5 million, respectively, compared to the 13 and 39 weeks ended October 30, 2010, driven by the decrease in sales at existing stores discussed above.

***Australia***

Segment results for Australia include retail operations in Australia and New Zealand and e-commerce operations in Australia. As of October 29, 2011, the Australian segment included 414 stores, compared to 400 stores at October 30, 2010. Sales for the 13 weeks ended October 29, 2011 increased by 9.2% when compared to the 13 weeks ended October 30, 2010. The increase in sales was primarily due to the favorable impact of changes in exchange rates, which had the effect of increasing sales by \$10.4 million when compared to the prior fiscal year period. Excluding the impact of changes in exchange rates, sales in the Australian segment increased 0.3% for the 13 weeks ended October 29, 2011 due primarily to the additional sales at the 20 new stores opened since July 31, 2010 partially offset by a decrease in sales at existing stores. The decrease in sales at existing stores was primarily due to weak consumer traffic and lower hardware sales as a result of lower price points when compared to the same prior fiscal year period. Sales for the 39 weeks ended October 29, 2011 increased 12.0% when compared to the 39 weeks ended October 30, 2010. The increase in sales was primarily due to the favorable impact of changes in exchange rates, which had the effect of increasing sales by \$49.5 million when compared to the prior fiscal year period. Excluding the impact of changes in exchange rates, sales in the Australian segment decreased 2.4% due primarily to the decrease in sales at existing stores partially offset by the additional sales at the 32 new stores opened since January 30, 2010. The decrease in sales at existing stores was due to weak consumer traffic and lower hardware sales as a result of lower price points when compared to fiscal 2010.

Segment operating earnings in the 13 and 39 weeks ended October 29, 2011 decreased by \$3.2 million and \$3.5 million, respectively, when compared to the 13 and 39 weeks ended October 30, 2010. The decrease in segment operating earnings was due to the decrease in sales at existing stores and the increase in selling, general and administrative expenses associated with the increase in the number of stores in operation. The decrease in operating earnings was partially offset by the favorable impact of changes in exchange rates, which had the effect of increasing operating earnings by \$0.1 million and \$1.1 million, respectively, in the 13 and 39 weeks ended October 29, 2011 when compared to the 13 and 39 weeks ended October 30, 2010.

***Europe***

Segment results for Europe include retail operations in 13 European countries and e-commerce operations in six countries. As of October 29, 2011, the European segment operated 1,408 stores compared to 1,343 stores as of October 30, 2010. For the 13 and 39 weeks ended October 29, 2011, European sales increased 7.3% and 9.5%, respectively, compared to the 13 and 39 weeks ended October 30, 2010. The increase in sales was primarily due to the favorable impact of changes in exchange rates, which had the effect of increasing sales by \$17.8 million and \$79.5

---

## **Table of Contents**

million, respectively, in the 13 and 39 weeks ended October 29, 2011 when compared to the prior fiscal year periods. Excluding the impact of changes in exchange rates, sales in the European segment increased 2.6% and 1.6%, respectively, in the 13 and 39 weeks ended October 29, 2011 when compared to the prior fiscal year periods. The increase in sales was primarily due to the additional sales at the 117 and 158 stores opened since July 31, 2010 and January 30, 2010, respectively, offset by a decrease in sales at existing stores. The decrease in sales at existing stores was due to weak consumer traffic from continued macroeconomic weakness when compared to the prior fiscal year.

Segment operating earnings in Europe for the 13 weeks ended October 29, 2011 decreased \$3.1 million compared to the 13 weeks ended October 30, 2010. The decrease in operating earnings was primarily driven by the decrease in sales at existing stores and the increase in selling, general and administrative expenses associated with the increase in the number of stores in operation and the negative effect of changes in exchange rates. The unfavorable impact of changes in exchange rates had the effect of decreasing operating earnings by \$0.4 million when compared to the prior fiscal year period. Segment operating earnings for the 39 weeks ended October 29, 2011 decreased by \$5.6 million compared to the 39 weeks ended October 30, 2010 to a loss of \$1.3 million. The decrease in operating earnings was primarily due to the decrease in sales at existing stores and the increase in selling, general and administrative expenses associated with the increase in the number of stores in operation and the negative impact of changes in exchange rates. The unfavorable impact of changes in exchange rates had the effect of decreasing operating earnings by \$1.6 million when compared to the prior fiscal year period. Excluding the effect of exchange rate changes from the prior year fiscal period, segment operating earnings for the 39 weeks ended October 29, 2011 would have been \$0.2 million.

### **Seasonality**

The Company's business, like that of many retailers, is seasonal, with the major portion of the sales and operating profit realized during the fourth fiscal quarter which includes the holiday selling season.

### **Liquidity and Capital Resources**

#### ***Cash Flows***

During the 39 weeks ended October 29, 2011, cash provided by operations was \$211.0 million, compared to cash used in operations of \$84.3 million during the 39 weeks ended October 30, 2010. The change in cash flow from operations of \$295.3 million was primarily due to a decrease in cash used for working capital purposes of \$272.0 million, primarily driven by lower inventory purchases in the 39 weeks ended October 29, 2011 and the related effects on payments of accounts payable. The lower inventory purchases were due to better in-stock positions coming out of the fiscal 2010 holiday selling season, particularly hardware inventory which was in short supply at the end of the 52 weeks ended January 30, 2010 (fiscal 2009) and inventory management. Inventory turnover was relatively consistent for the 39 weeks ended October 29, 2011 compared to the 39 weeks ended October 30, 2010. Also contributing to the change in cash flows from operating activities for the 39 weeks ended October 29, 2011 compared to the 39 weeks ended October 30, 2010 was the increase in accrued liabilities, including customer liabilities, related to the launch of several hot new video games in November 2011 and the growth of the Company's PowerUp Rewards program. The increase in cash used for income taxes in the 39 weeks ended October 29, 2011 compared to the 39 weeks ended October 30, 2010 was primarily due to the timing of estimated income tax payments.

Cash used in investing activities was \$162.8 million and \$183.6 million during the 39 weeks ended October 29, 2011 and October 30, 2010, respectively. During the 39 weeks ended October 29, 2011, \$127.3 million of cash was used primarily to invest in information systems, distribution center capacity and e-commerce, digital and loyalty program initiatives and to open new stores in the U.S. and internationally. During the 39 weeks ended October 30, 2010, \$141.6 million of cash was used primarily to open new stores in the U.S. and internationally and to invest in information systems and e-commerce, digital and loyalty program initiatives. In addition, during the 39 weeks ended October 29, 2011 and the 39 weeks ended October 30, 2010, the Company used \$27.9 million and \$38.1 million, respectively, for acquisitions in support of the Company's digital initiatives.



---

**Table of Contents**

Cash used in financing activities was \$327.6 million and \$458.3 million for the 39 weeks ended October 29, 2011 and October 30, 2010, respectively. The cash used in financing activities for the 39 weeks ended October 29, 2011 was primarily due to the repurchase of \$216.9 million of treasury shares and the repurchase of \$125 million in principal value of the Company's senior notes pursuant to the Board of Directors \$500.0 million authorization in February 2011. Of this amount, \$22.0 million of cash was used to settle treasury share purchases that were initiated prior to January 29, 2011. In addition, for the 39 weeks ended October 29, 2011, \$14.5 million of cash was received due to the issuance of shares relating to stock option exercises and the Company borrowed \$35 million against its Revolver (as defined below) and subsequently repaid the borrowings before October 29, 2011. The cash used in financing activities for the 39 weeks ended October 30, 2010 was primarily due to the repurchase of \$286.8 million of treasury shares pursuant to the Board of Directors \$300.0 million authorization in January 2010 and \$300.0 million additional authorization in September 2010 and the repurchase of \$200.0 million in principal value of the Company's senior notes. In addition, for the 39 weeks ended October 30, 2010, \$10.1 million of cash was received due to the issuance of shares relating to stock option exercises.

***Sources of Liquidity***

We utilize cash generated from operations and have funds available to us under our revolving credit facility to cover seasonal fluctuations in cash flows and to support our various growth initiatives. Our cash and cash equivalents are carried at cost, which approximates market value, and consist primarily of time deposits with highly rated commercial banks and money market investment funds holding direct U.S. Treasury obligations.

On January 4, 2011, the Company entered into a \$400 million credit agreement (the "Revolver"), which amended and restated, in its entirety, the Company's prior credit agreement entered into in October 2005 (the "Credit Agreement"). The Revolver provides for a five-year, \$400 million asset-based facility, including a \$50 million letter of credit sublimit, secured by substantially all of the Company's and its domestic subsidiaries' assets. The Company has the ability to increase the facility, which matures in January 2016, by \$150 million under certain circumstances. The extension of the Revolver to January 2016 reduces our exposure to potential tightening in the credit markets.

The availability under the Revolver is limited to a borrowing base which allows the Company to borrow up to 90% of the appraisal value of the inventory, in each case plus 90% of eligible credit card receivables, net of certain reserves. Letters of credit reduce the amount available to borrow by their face value. The Company's ability to pay cash dividends, redeem options and repurchase shares is generally permitted, except under certain circumstances, including if Revolver excess availability is less than 20%, or is projected to be within 12 months after such payment. In addition, if Revolver usage is projected to be equal to or greater than 25% of the borrowing base during the prospective 12-month period, the Company is subject to meeting a fixed charge coverage ratio of 1.1:1.0 prior to making such payments. In the event that excess availability under the Revolver is at any time less than the greater of (1) \$40.0 million or (2) 12.5% of the lesser of the total commitment or the borrowing base, the Company will be subject to a fixed charge coverage ratio covenant of 1.1:1.0.

The Revolver places certain restrictions on the Company and its subsidiaries, including limitations on asset sales, additional liens, investments, loans, guarantees, acquisitions and the incurrence of additional indebtedness. Absent consent from its lenders, the Company may not incur more than \$750 million of additional unsecured indebtedness to be limited to \$250 million in general unsecured obligations and \$500 million in unsecured obligations to finance acquisitions valued at \$500 million or more. The per annum interest rate under the Revolver is variable and is calculated by applying a margin (1) for prime rate loans of 1.25% to 1.50% above the highest of (a) the prime rate of the administrative agent, (b) the federal funds effective rate plus 0.50% or (c) the LIBO rate for a 30-day interest period as determined on such day plus 1.00%, and (2) for LIBO rate loans of 2.25% to 2.50% above the LIBO rate. The applicable margin is determined quarterly as a function of the Company's average daily excess availability under the facility. In addition, the Company is required to pay a commitment fee of 0.375% or 0.50%, depending on facility usage, for any unused portion of the total commitment under the Revolver. As of October 29, 2011, the applicable margin was 1.25% for prime rate loans and 2.25% for LIBO rate loans, while the required commitment fee was 0.50% for the unused portion of the Revolver.

---

**Table of Contents**

The Revolver provides for customary events of default with corresponding grace periods, including failure to pay any principal or interest when due, failure to comply with covenants, any material representation or warranty made by the Company or the borrowers proving to be false in any material respect, certain bankruptcy, insolvency or receivership events affecting the Company or its subsidiaries, defaults relating to certain other indebtedness, imposition of certain judgments and mergers or the liquidation of the Company or certain of its subsidiaries. As of October 29, 2011, there were no borrowings outstanding under the Revolver and letters of credit outstanding totaled \$8.8 million.

In September 2007, the Company's Luxembourg subsidiary entered into a discretionary \$20.0 million Uncommitted Line of Credit (the Line of Credit) with Bank of America. There is no term associated with the Line of Credit and Bank of America may withdraw the facility at any time without notice. The Line of Credit will be made available to the Company's foreign subsidiaries for use primarily as a bank overdraft facility for short-term liquidity needs and for the issuance of bank guarantees and letters of credit to support operations. As of October 29, 2011, there were no cash overdrafts outstanding under the Line of Credit and bank guarantees outstanding totaled \$5.7 million.

In September 2005, the Company, along with GameStop, Inc. as co-issuer (together with the Company, the Issuers), completed the offering of \$300 million aggregate principal amount of Senior Floating Rate Notes due 2011 (the Senior Floating Rate Notes) and \$650 million aggregate principal amount of Senior Notes due 2012 (the Senior Notes and, together with the Senior Floating Rate Notes, the Notes). The Notes were issued under an Indenture, dated September 28, 2005 (the Indenture), by and among the Issuers, the subsidiary guarantors party thereto, and Citibank, N.A., as trustee. In November 2006, Wilmington Trust Company was appointed as the new trustee (the Trustee) for the Notes.

The Senior Notes bear interest at 8.0% per annum, mature on October 1, 2012 and were priced at 98.688%, resulting in a discount at the time of issue of \$8.5 million. The discount is being amortized using the effective interest method. As of October 29, 2011, the unamortized original issue discount was \$0.3 million. The Issuers pay interest on the Senior Notes semi-annually, in arrears, every April 1 and October 1, to holders of record on the immediately preceding March 15 and September 15, and at maturity.

The Indenture contains affirmative and negative covenants customary for such financings, including, among other things, limitations on (1) the incurrence of additional debt, (2) restricted payments, (3) liens, (4) sale and leaseback transactions and (5) asset sales. The debt limitation under the Indenture does not provide an effective restriction on the amount the Company may borrow under current or foreseeable circumstances. Events of default provided for in the Indenture include, among other things, failure to pay interest or principal on the Notes, other breaches of covenants in the Indenture, and certain events of bankruptcy and insolvency. As of October 29, 2011, the Company was in compliance with all covenants associated with the Revolver and the Indenture.

Under certain conditions, the Issuers may on any one or more occasions prior to maturity redeem up to 100% of the aggregate principal amount of Senior Notes issued under the Indenture at redemption prices at or in excess of 100% of the principal amount thereof plus accrued and unpaid interest, if any, to the redemption date. The circumstances which would limit the percentage of the Notes which may be redeemed or which would require the Company to pay a premium in excess of 100% of the principal amount are defined in the Indenture. Upon a Change of Control (as defined in the Indenture), the Issuers are required to offer to purchase all of the Notes then outstanding at 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase. The Issuers may acquire Senior Notes by means other than redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise, in accordance with applicable securities laws, so long as such acquisitions do not otherwise violate the terms of the Indenture.

As of October 29, 2011, there was no long-term debt outstanding and short-term debt consisted of the \$125 million in Senior Notes maturing October 1, 2012, gross of the unamortized original issue discount of \$0.3 million. As of October 30, 2010, the only long-term debt outstanding was the Senior Notes.

---

**Table of Contents**

*Uses of Capital*

Our future capital requirements will depend on the number of new stores opened and the timing of those openings within a given fiscal year, as well as the investments we will make in e-commerce, digital and other strategic initiatives. The Company opened 197 stores in the 39 weeks ended October 29, 2011 and expects to open approximately 280 stores in fiscal 2011. Capital expenditures for fiscal 2011 are projected to be approximately \$170 million, to be used primarily to fund new store openings, remodel stores and invest in digital, loyalty, and distribution and information systems in support of operations.

Between May 2006 and October 2010, the Company repurchased and redeemed the \$300 million of Senior Floating Rate Notes and \$400 million of Senior Notes under previously announced buybacks authorized by the Company's Board of Directors. The repurchased Notes were delivered to the Trustee for cancellation. The associated loss on the retirement of debt was \$6.0 million for the 39-week period ended October 30, 2010, which consisted of the premium paid to retire the Notes and the write-off of deferred financing fees and original issue discount on the retired Senior Notes.

In January 2010, the Board of Directors of the Company approved a \$300 million share repurchase program authorizing the Company to repurchase its common stock. For fiscal 2009, the number of shares repurchased was 6.1 million for an average price per share of \$20.12. Of these shares, \$64.6 million of treasury share purchases were settled at the beginning of fiscal 2010. During the 39 weeks ended October 30, 2010, the Company repurchased an additional 11.7 million shares for an average price per share of \$19.42. In September 2010, the Board of Directors of the Company approved an additional \$300.0 million share repurchase program authorizing the Company to repurchase its common stock. For the remainder of fiscal 2010, the Company purchased an additional 5.4 million shares for an average price per share of \$20.77. Of these shares, \$22.0 million of treasury share purchases were settled at the beginning of fiscal 2011.

In February 2011, the Board of Directors authorized the Company to use \$500 million to repurchase shares of the Company's common stock and/or retire the Company's Senior Notes. Under the repurchase program, the Company may purchase the Company's Senior Notes and/or shares of issued and outstanding Class A Common Stock through open market purchases, debt calls or privately negotiated transactions. The timing and actual amount of debt or share repurchases will be determined by the Company's management based on their evaluation of market conditions and other factors. In addition, repurchases may be suspended or discontinued at any time. As of October 29, 2011, the Company has repurchased \$194.9 million of common stock, representing 9.2 million shares at an average purchase price of \$21.16 per share, and \$125.0 million of the Senior Notes, leaving \$180.1 million remaining under the February 2011 authorization. The \$125.0 million of Senior Notes was retired on October 1, 2011. The associated loss on the retirement of debt was \$0.6 million for the 39-week period ended October 29, 2011, which consisted of the write-off of deferred financing fees and original issue discount on the retired Senior Notes.

On November 15, 2011, the Board of Directors authorized the Company to use \$500 million to repurchase shares of the Company's common stock and/or retire the Company's Senior Notes, replacing the remaining \$180.1 million authorization. Under the repurchase program, the Company may purchase the Company's Senior Notes and/or shares of issued and outstanding Class A Common Stock through open market purchases, debt calls or privately negotiated transactions. The timing and actual amount of debt or share repurchases will be determined by the Company's management based on their evaluation of market conditions and other factors. On November 15, 2011, at the direction of the Company, the Trustee, under the Indenture, gave notice to the holders of the Senior Notes that on December 16, 2011 (the Redemption Date), the Company will redeem all of the remaining Senior Notes outstanding, in an aggregate principal amount of \$125.0 million, pursuant to the Indenture's optional redemption provisions. The redemption price for the redeemed Senior Notes will be 100% of the principal amount plus all accrued and unpaid interest to the Redemption Date.

Based on our current operating plans, we believe that available cash balances, cash generated from our operating activities and funds available under the Revolver will be sufficient to fund our operations, required payments on the Senior Notes, digital initiatives, store expansion and remodeling activities and corporate capital expenditure programs for at least the next 12 months.

## **Table of Contents**

### **Disclosure Regarding Forward-looking Statements**

This report on Form 10-Q and other oral and written statements made by the Company to the public contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act ). The forward-looking statements involve a number of risks and uncertainties. A number of factors could cause our actual results, performance, achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These factors include, but are not limited to:

our reliance on suppliers and vendors for sufficient quantities of their products and for new product releases;

general economic conditions in the U.S. and internationally and specifically, economic conditions affecting the electronic game industry, the retail industry and the banking and financial services market;

alternate sources of distribution of video game software and content;

alternate means to play video games;

the competitive environment in the electronic game industry;

the growth of mobile, social and browser gaming;

our ability to open and operate new stores;

our ability to attract and retain qualified personnel;

our ability to effectively integrate acquired companies, including digital gaming and technology-based companies that are outside of the Company's historical operating expertise;

the impact and costs of litigation and regulatory compliance;

unanticipated litigation results, including third-party litigation;

the risks involved with our international operations; and

other factors described in the Form 10-K, including those set forth under the caption Item 1A. Risk Factors.

In some cases, forward-looking statements can be identified by the use of terms such as anticipates, believes, continues, could, estimates, expects, intends, may, plans, potential, predicts, pro forma, should, seeks, will or similar expressions. These statements are based on current expectations and assumptions and involve known and unknown risks, uncertainties and other factors that may cause our or our

## Edgar Filing: GameStop Corp. - Form 10-Q

industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. You should not place undue reliance on these forward-looking statements.

Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this Form 10-Q. In light of these risks and uncertainties, the forward-looking events and circumstances contained in this Form 10-Q may not occur, causing actual results to differ materially from those anticipated or implied by our forward-looking statements.

---

**Table of Contents**

**ITEM 3. *Quantitative and Qualitative Disclosures About Market Risk***  
**Interest Rate Exposure**

We do not use derivative financial instruments to hedge interest rate exposure. We limit our interest rate risks by investing our excess cash balances in short-term, highly-liquid instruments with a maturity of one year or less. In addition, the Senior Notes outstanding carry a fixed interest rate. We do not expect any material losses from our invested cash balances, and we believe that our interest rate exposure is modest.

**Foreign Currency Risk**

The Company uses forward exchange contracts, foreign currency options and cross-currency swaps (together, the Foreign Currency Contracts ) to manage currency risk primarily related to intercompany loans denominated in non-functional currencies and certain foreign currency assets and liabilities. The Foreign Currency Contracts are not designated as hedges and, therefore, changes in the fair values of these derivatives are recognized in earnings, thereby offsetting the current earnings effect of the re-measurement of related intercompany loans and foreign currency assets and liabilities. For the 13 and 39 week periods ended October 29, 2011, the Company recognized a \$1.7 million loss and \$0.2 million gain, respectively, in selling, general and administrative expenses related to the trading of derivative instruments. This loss and gain were offset by gains related to the re-measurement of intercompany loans and foreign currency assets and liabilities of \$1.4 million and \$1.3 million, respectively, for the 13 and 39 week periods ended October 29, 2011. The aggregate fair value of the Foreign Currency Contracts as of October 29, 2011 was a net asset of \$1.2 million as measured by observable inputs obtained from market news reporting services, such as Bloomberg and The Wall Street Journal, and industry-standard models that consider various assumptions, including quoted forward prices, time value, volatility factors, and contractual prices for the underlying instruments, as well as other relevant economic measures. A hypothetical strengthening or weakening of 10% in the foreign exchange rates underlying the Foreign Currency Contracts from the market rate as of October 29, 2011 would result in a (loss) or gain in value of the forwards, options and swaps of (\$22.4) million or \$22.4 million, respectively.

We do not use derivative financial instruments for trading or speculative purposes. We are exposed to counterparty credit risk on all of our derivative financial instruments and cash equivalent investments. The Company manages counterparty risk according to the guidelines and controls established under comprehensive risk management and investment policies. We continuously monitor our counterparty credit risk and utilize a number of different counterparties to minimize our exposure to potential defaults. We do not require collateral under derivative or investment agreements.

**ITEM 4. *Controls and Procedures***

(a) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company's management conducted an evaluation, under the supervision and with the participation of the principal executive officer and principal financial officer, of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) at the reasonable assurance level. Based on this evaluation, the principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and that the Company's disclosure controls and procedures are effective at the reasonable assurance level. Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the Company's periodic reports.

**Table of Contents****(b) Changes in Internal Control Over Financial Reporting**

There was no change in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II OTHER INFORMATION****ITEM 1. Legal Proceedings**

In the ordinary course of the Company's business, the Company is, from time to time, subject to various legal proceedings, including matters involving wage and hour employee class actions. The Company may enter into discussions regarding settlement of these and other types of lawsuits, and may enter into settlement agreements, if it believes settlement is in the best interest of the Company's stockholders. Management does not believe that any such existing legal proceedings or settlements, individually or in the aggregate, will have a material adverse effect on the Company's financial condition, results of operations or liquidity.

There have been no material developments in previously reported legal proceedings during the fiscal quarter covered by this Form 10-Q.

**ITEM 1A. Risk Factors**

In addition to the other information set forth in this Form 10-Q, you should carefully consider the factors discussed in Item 1A. Risk Factors in our Form 10-K for the fiscal year ended January 29, 2011 filed with the SEC on March 30, 2011. These risks could materially and adversely affect our business, financial condition and results of operations. The risks described in our Form 10-K have not changed materially, however, they are not the only risks we face. Our operations could also be affected by additional factors that are not presently known to us or by factors that we currently consider immaterial to our business.

**ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds**

Purchases by the Company of its equity securities during the fiscal quarter ended October 29, 2011 were as follows:

**ISSUER PURCHASES OF EQUITY SECURITIES**

	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(1)</sup> (In millions of dollars)
July 31 through August 27, 2011	1,154,800	\$ 21.65	1,154,800	\$ 322.6
August 28 through October 1, 2011	770,575	\$ 22.76	770,575	\$ 180.1
October 2 through October 29, 2011		\$		\$ 180.1
Total	1,925,375	\$ 22.09	1,925,375	

## Edgar Filing: GameStop Corp. - Form 10-Q

- (1) In February 2011, our Board of Directors authorized \$500 million to be used for share repurchases and/or retirement of the Company's senior notes due 2012. In November 2011, the Board of Directors authorized \$500 million to be used for share repurchases and/or retirement of the Company's senior notes due 2012, replacing the remaining \$180.1 million authorization. The November 2011 \$500 million authorization has no expiration date. Of the \$500 million authorization, \$125.0 million will be used to redeem the remaining senior notes on December 16, 2011.



**Table of Contents****ITEM 6. Exhibits**

Exhibits

**Exhibit**

<b>Number</b>	<b>Description</b>
2.1	Agreement and Plan of Merger, dated as of April 17, 2005, among GameStop Corp. (f/k/a GSC Holdings Corp.), Electronics Boutique Holdings Corp., GameStop, Inc., GameStop Holdings Corp. (f/k/a GameStop Corp.), Cowboy Subsidiary LLC and Eagle Subsidiary LLC.(1)
2.2	Sale and Purchase Agreement, dated September 30, 2008, between EB International Holdings, Inc. and L Capital, LV Capital, Europ@Web and other Micromania shareholders.(2)
2.3	Amendment, dated November 17, 2008, to Sale and Purchase Agreement for Micromania Acquisition listed as Exhibit 2.2 above.(3)
3.1	Second Amended and Restated Certificate of Incorporation.(4)
3.2	Amended and Restated Bylaws.(5)
3.3	Amendment to Amended and Restated Bylaws.(6)
4.1	Indenture, dated September 28, 2005, by and among GameStop Corp. (f/k/a GSC Holdings Corp.), GameStop, Inc., the subsidiary guarantors party thereto, and Citibank N.A., as trustee.(7)
4.2	First Supplemental Indenture, dated October 8, 2005, by and among GameStop Corp. (f/k/a GSC Holdings Corp.), GameStop, Inc., the subsidiary guarantors party thereto, and Citibank N.A., as trustee.(8)
4.3	Rights Agreement, dated as of June 27, 2005, between GameStop Corp. (f/k/a GSC Holdings Corp.) and The Bank of New York, as Rights Agent.(5)
4.4	Form of Indenture.(9)
10.1	Insurance Agreement, dated as of January 1, 2002, between Barnes & Noble, Inc. and GameStop Holdings Corp. (f/k/a GameStop Corp.).(10)
10.2	Operating Agreement, dated as of January 1, 2002, between Barnes & Noble, Inc. and GameStop Holdings Corp. (f/k/a GameStop Corp.).(10)
10.3	Fourth Amended and Restated 2001 Incentive Plan.(11)
10.4	Second Amended and Restated Supplemental Compensation Plan.(12)
10.5	Form of Option Agreement.(13)
10.6	Form of Restricted Share Agreement.(14)
10.7	Amended and Restated Credit Agreement, dated as of January 4, 2011, among GameStop Corp., as Lead Borrower for: GameStop Corp., GameStop, Inc., Sunrise Publications, Inc., Electronics Boutique Holdings Corp., ELBO Inc., EB International Holdings, Inc., Kongregate Inc., GameStop Texas Ltd., Marketing Control Services, Inc., SOCOM LLC and Bank of America, N.A., as Issuing Bank, Bank of America, N.A., as Administrative Agent and Collateral Agent, Wells Fargo Capital Finance, LLC, as Syndication Agent, U.S. Bank National Association and Regions Bank, as Co-Documentation Agents, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Sole Lead Arranger and Sole Bookrunner.(15)
10.8	Guaranty, dated as of October 11, 2005, by GameStop Corp. (f/k/a GSC Holdings Corp.) and certain subsidiaries of GameStop Corp. in favor of the agents and lenders.(16)
10.9	Amended and Restated Security Agreement, dated January 4, 2011, among GameStop Corp., as Lead Borrower, the Subsidiary Borrowers party thereto, and Bank of America, N.A., as Collateral Agent.(15)
10.10	Amended and Restated Patent and Trademark Security Agreement, dated January 4, 2011, among GameStop Corp., as Lead Borrower, the Subsidiary Borrowers party thereto, and Bank of America, N.A., as Collateral Agent.(15)
10.11	Mortgage, Security Agreement, and Assignment and Deeds of Trust, dated October 11, 2005, between GameStop of Texas, L.P. and Bank of America, N.A., as Collateral Agent.(16)

**Table of Contents****Exhibit**

<b>Number</b>	<b>Description</b>
10.12	Mortgage, Security Agreement, and Assignment and Deeds of Trust, dated October 11, 2005, between Electronics Boutique of America, Inc. and Bank of America, N.A., as Collateral Agent.(16)
10.13	Amended and Restated Pledge Agreement, dated January 4, 2011, by and among GameStop Corp., as Lead Borrower, the Subsidiary Borrowers party thereto, and Bank of America, N.A., as Collateral Agent.(15)
10.14	Term Loan Agreement, dated November 12, 2008, by and among GameStop Corp. (f/k/a GSC Holdings Corp.), certain subsidiaries of GameStop Corp., Bank of America, N.A., as lender, Bank of America, N.A., as Administrative Agent and Collateral Agent, and Banc of America Securities LLC, as Sole Arranger and Bookrunner.(3)
10.15	Security Agreement, dated November 12, 2008, by and among GameStop Corp. (f/k/a GSC Holdings Corp.), certain subsidiaries of GameStop Corp., Bank of America, N.A., as lender and Bank of America, N.A., as Collateral Agent.(3)
10.16	Patent and Trademark Security Agreement, dated as of November 12, 2008, by and among GameStop Corp. (f/k/a GSC Holdings Corp.), certain subsidiaries of GameStop Corp., Bank of America, N.A., as lender, and Bank of America, N.A., as Collateral Agent.(3)
10.17	Securities Collateral Pledge Agreement, dated November 12, 2008, by and among GameStop Corp. (f/k/a GSC Holdings Corp.), certain subsidiaries of GameStop Corp., Bank of America, N.A., as lender, and Bank of America, N.A., as Collateral Agent.(3)
10.18	Amended and Restated Executive Employment Agreement, dated December 31, 2008, between GameStop Corp. and R. Richard Fontaine.(17)
10.19	Amendment, dated as of April 5, 2010, to Amended and Restated Executive Employment Agreement, dated as of December 31, 2008, between GameStop Corp. and R. Richard Fontaine.(18)
10.20	Second Amendment, dated as of June 2, 2010, to Amended and Restated Executive Employment Agreement, dated as of December 31, 2008, as amended by a First Amendment dated as of April 5, 2010, between GameStop Corp. and R. Richard Fontaine.(19)
10.21	Third Amendment, dated as of February 9, 2011, to Amended and Restated Executive Employment Agreement, dated as of December 31, 2008, as amended by a First Amendment dated as of April 5, 2010 and a Second Amendment dated as of June 2, 2010, between GameStop Corp. and R. Richard Fontaine.(20)
10.22	Amended and Restated Executive Employment Agreement, dated December 31, 2008, between GameStop Corp. and Daniel A. DeMatteo.(17)
10.23	Amendment, dated as of April 5, 2010, to Amended and Restated Executive Employment Agreement, dated as of December 31, 2008, between GameStop Corp. and Daniel A. DeMatteo.(18)
10.24	Second Amendment, dated as of June 2, 2010, to Amended and Restated Executive Employment Agreement, dated as of December 31, 2008, as amended by a First Amendment dated as of April 5, 2010, between GameStop Corp. and Daniel A. DeMatteo.(19)
10.25	Third Amendment, dated as of February 9, 2011, to Amended and Restated Executive Employment Agreement, dated as of December 31, 2008, as amended by a First Amendment dated as of April 5, 2010 and a Second Amendment dated as of June 2, 2010, between GameStop Corp. and Daniel A. DeMatteo.(20)
10.26	Amended and Restated Executive Employment Agreement, dated December 31, 2008, between GameStop Corp. and Tony Bartel.(17)
10.27	Amendment, dated as of June 2, 2010, to Amended and Restated Executive Employment Agreement, dated as of December 31, 2008, between GameStop Corp. and Tony Bartel.(19)
10.28	Second Amendment, dated as of February 9, 2011, to Amended and Restated Executive Employment Agreement, dated as of December 31, 2008, as amended by a First Amendment dated as of June 2, 2010, between GameStop Corp. and Tony Bartel.(20)

**Table of Contents**

**Exhibit**

<b>Number</b>	<b>Description</b>
10.29	Amended and Restated Executive Employment Agreement, dated December 31, 2008, between GameStop Corp. and Paul Raines.(17)
10.30	Amendment, dated as of June 2, 2010, to Amended and Restated Executive Employment Agreement, dated as of December 31, 2008, between GameStop Corp. and Paul Raines.(19)
10.31	Second Amendment, dated as of February 9, 2011, to Amended and Restated Executive Employment Agreement, dated as of December 31, 2008, as amended by a First Amendment dated as of June 2, 2010, between GameStop Corp. and Paul Raines.(20)
10.32	Executive Employment Agreement, dated as of June 2, 2010, between GameStop Corp. and Robert Lloyd.(19)
10.33	Amendment, dated as of February 9, 2011, to Executive Employment Agreement, dated as of June 2, 2010, between GameStop Corp. and Robert Lloyd.(20)
10.34	2011 Incentive Plan.(21)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

- (1) Incorporated by reference to GameStop Holdings Corp. s Form 8-K filed with the Securities and Exchange Commission on April 18, 2005.
- (2) Incorporated by reference to the Registrant s Form 8-K filed with the Securities and Exchange Commission on October 2, 2008.
- (3) Incorporated by reference to the Registrant s Form 8-K filed with the Securities and Exchange Commission on November 18, 2008.
- (4) Incorporated by reference to the Registrant s Form 8-K filed with the Securities and Exchange Commission on February 7, 2007.
- (5) Incorporated by reference to the Registrant s Amendment No. 1 to Form S-4 filed with the Securities and Exchange Commission on July 8, 2005.
- (6) Incorporated by reference to the Registrant s Form 8-K filed with the Securities and Exchange Commission on February 8, 2011.
- (7) Incorporated by reference to GameStop Holdings Corp. s Form 8-K filed with the Securities and Exchange Commission on September 30, 2005.
- (8) Incorporated by reference to the Registrant s Form 10-Q for the fiscal quarter ended October 29, 2005 filed with the Securities and Exchange Commission on December 8, 2005.



**Table of Contents**

- (9) Incorporated by reference to the Registrant's Form S-3ASR filed with the Securities and Exchange Commission on April 10, 2006.
- (10) Incorporated by reference to GameStop Holdings Corp.'s Amendment No. 3 to Form S-1 filed with the Securities and Exchange Commission on January 24, 2002.
- (11) Incorporated by reference to Appendix A to the Registrant's Proxy Statement for 2009 Annual Meeting of Stockholders filed with the Securities and Exchange Commission on May 22, 2009.
- (12) Incorporated by reference to Appendix A to the Registrant's Proxy Statement for 2008 Annual Meeting of Stockholders filed with the Securities and Exchange Commission on May 23, 2008.
- (13) Incorporated by reference to GameStop Holdings Corp.'s Form 10-K for the fiscal year ended January 29, 2005 filed with the Securities and Exchange Commission on April 11, 2005.
- (14) Incorporated by reference to GameStop Holdings Corp.'s Form 8-K filed with the Securities and Exchange Commission on September 12, 2005.
- (15) Incorporated by reference to the Registrant's Form 8-K filed with the Securities and Exchange Commission on January 6, 2011.
- (16) Incorporated by reference to the Registrant's Form 8-K filed with the Securities and Exchange Commission on October 12, 2005.
- (17) Incorporated by reference to the Registrant's Form 8-K filed with the Securities and Exchange Commission on January 7, 2009.
- (18) Incorporated by reference to the Registrant's Form 8-K filed with the Securities and Exchange Commission on April 9, 2010.
- (19) Incorporated by reference to the Registrant's Form 8-K filed with the Securities and Exchange Commission on June 2, 2010.
- (20) Incorporated by reference to the Registrant's Form 8-K filed with the Securities and Exchange Commission on February 9, 2011.
- (21) Incorporated by reference to the Registrant's Form 8-K filed with the Securities and Exchange Commission on June 27, 2011.

**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GAMESTOP CORP.

By: /s/ ROBERT A. LLOYD  
Robert A. Lloyd  
*Executive Vice President and Chief Financial Officer*  
*(Principal Financial Officer)*

Date: December 7, 2011

GAMESTOP CORP.

By: /s/ TROY W. CRAWFORD  
Troy W. Crawford  
*Senior Vice President and Chief Accounting Officer*  
*(Principal Accounting Officer)*

Date: December 7, 2011

**Table of Contents****GAMESTOP CORP.****EXHIBIT INDEX****Exhibit**

<b>Number</b>	<b>Description</b>
2.1	Agreement and Plan of Merger, dated as of April 17, 2005, among GameStop Corp. (f/k/a GSC Holdings Corp.), Electronics Boutique Holdings Corp., GameStop, Inc., GameStop Holdings Corp. (f/k/a GameStop Corp.), Cowboy Subsidiary LLC and Eagle Subsidiary LLC.(1)
2.2	Sale and Purchase Agreement, dated September 30, 2008, between EB International Holdings, Inc. and L Capital, LV Capital, Europ@Web and other Micromania shareholders.(2)
2.3	Amendment, dated November 17, 2008, to Sale and Purchase Agreement for Micromania Acquisition listed as Exhibit 2.2 above.(3)
3.1	Second Amended and Restated Certificate of Incorporation.(4)
3.2	Amended and Restated Bylaws.(5)
3.3	Amendment to Amended and Restated Bylaws.(6)
4.1	Indenture, dated September 28, 2005, by and among GameStop Corp. (f/k/a GSC Holdings Corp.), GameStop, Inc., the subsidiary guarantors party thereto, and Citibank N.A., as trustee.(7)
4.2	First Supplemental Indenture, dated October 8, 2005, by and among GameStop Corp. (f/k/a GSC Holdings Corp.), GameStop, Inc., the subsidiary guarantors party thereto, and Citibank N.A., as trustee.(8)
4.3	Rights Agreement, dated as of June 27, 2005, between GameStop Corp. (f/k/a GSC Holdings Corp.) and The Bank of New York, as Rights Agent.(5)
4.4	Form of Indenture.(9)
10.1	Insurance Agreement, dated as of January 1, 2002, between Barnes & Noble, Inc. and GameStop Holdings Corp. (f/k/a GameStop Corp.).(10)
10.2	Operating Agreement, dated as of January 1, 2002, between Barnes & Noble, Inc. and GameStop Holdings Corp. (f/k/a GameStop Corp.).(10)
10.3	Fourth Amended and Restated 2001 Incentive Plan.(11)
10.4	Second Amended and Restated Supplemental Compensation Plan.(12)
10.5	Form of Option Agreement.(13)
10.6	Form of Restricted Share Agreement.(14)
10.7	Amended and Restated Credit Agreement, dated as of January 4, 2011, among GameStop Corp., as Lead Borrower for: GameStop Corp., GameStop, Inc., Sunrise Publications, Inc., Electronics Boutique Holdings Corp., ELBO Inc., EB International Holdings, Inc., Kongregate Inc., GameStop Texas Ltd., Marketing Control Services, Inc., SOCOM LLC and Bank of America, N.A., as Issuing Bank, Bank of America, N.A., as Administrative Agent and Collateral Agent, Wells Fargo Capital Finance, LLC, as Syndication Agent, U.S. Bank National Association and Regions Bank, as Co-Documentation Agents, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Sole Lead Arranger and Sole Bookrunner.(15)
10.8	Guaranty, dated as of October 11, 2005, by GameStop Corp. (f/k/a GSC Holdings Corp.) and certain subsidiaries of GameStop Corp. in favor of the agents and lenders.(16)
10.9	Amended and Restated Security Agreement, dated January 4, 2011, among GameStop Corp., as Lead Borrower, the Subsidiary Borrowers party thereto, and Bank of America, N.A., as Collateral Agent.(15)
10.10	Amended and Restated Patent and Trademark Security Agreement, dated January 4, 2011, among GameStop Corp., as Lead Borrower, the Subsidiary Borrowers party thereto, and Bank of America, N.A., as Collateral Agent.(15)
10.11	Mortgage, Security Agreement, and Assignment and Deeds of Trust, dated October 11, 2005, between GameStop of Texas, L.P. and Bank of America, N.A., as Collateral Agent.(16)
10.12	Mortgage, Security Agreement, and Assignment and Deeds of Trust, dated October 11, 2005, between Electronics Boutique of America, Inc. and Bank of America, N.A., as Collateral Agent.(16)

**Table of Contents****Exhibit**

<b>Number</b>	<b>Description</b>
10.13	Amended and Restated Pledge Agreement, dated January 4, 2011, by and among GameStop Corp., as Lead Borrower, the Subsidiary Borrowers party thereto, and Bank of America, N.A., as Collateral Agent.(15)
10.14	Term Loan Agreement, dated November 12, 2008, by and among GameStop Corp. (f/k/a GSC Holdings Corp.), certain subsidiaries of GameStop Corp., Bank of America, N.A., as lender, Bank of America, N.A., as Administrative Agent and Collateral Agent, and Banc of America Securities LLC, as Sole Arranger and Bookrunner.(3)
10.15	Security Agreement, dated November 12, 2008, by and among GameStop Corp. (f/k/a GSC Holdings Corp.), certain subsidiaries of GameStop Corp., Bank of America, N.A., as lender and Bank of America, N.A., as Collateral Agent.(3)
10.16	Patent and Trademark Security Agreement, dated as of November 12, 2008, by and among GameStop Corp. (f/k/a GSC Holdings Corp.), certain subsidiaries of GameStop Corp., Bank of America, N.A., as lender, and Bank of America, N.A., as Collateral Agent.(3)
10.17	Securities Collateral Pledge Agreement, dated November 12, 2008, by and among GameStop Corp. (f/k/a GSC Holdings Corp.), certain subsidiaries of GameStop Corp., Bank of America, N.A., as lender, and Bank of America, N.A., as Collateral Agent.(3)
10.18	Amended and Restated Executive Employment Agreement, dated December 31, 2008, between GameStop Corp. and R. Richard Fontaine.(17)
10.19	Amendment, dated as of April 5, 2010, to Amended and Restated Executive Employment Agreement, dated as of December 31, 2008, between GameStop Corp. and R. Richard Fontaine.(18)
10.20	Second Amendment, dated as of June 2, 2010, to Amended and Restated Executive Employment Agreement, dated as of December 31, 2008, as amended by a First Amendment dated as of April 5, 2010, between GameStop Corp. and R. Richard Fontaine.(19)
10.21	Third Amendment, dated as of February 9, 2011, to Amended and Restated Executive Employment Agreement, dated as of December 31, 2008, as amended by a First Amendment dated as of April 5, 2010 and a Second Amendment dated as of June 2, 2010, between GameStop Corp. and R. Richard Fontaine.(20)
10.22	Amended and Restated Executive Employment Agreement, dated December 31, 2008, between GameStop Corp. and Daniel A. DeMatteo.(17)
10.23	Amendment, dated as of April 5, 2010, to Amended and Restated Executive Employment Agreement, dated as of December 31, 2008, between GameStop Corp. and Daniel A. DeMatteo.(18)
10.24	Second Amendment, dated as of June 2, 2010, to Amended and Restated Executive Employment Agreement, dated as of December 31, 2008, as amended by a First Amendment dated as of April 5, 2010, between GameStop Corp. and Daniel A. DeMatteo.(19)
10.25	Third Amendment, dated as of February 9, 2011, to Amended and Restated Executive Employment Agreement, dated as of December 31, 2008, as amended by a First Amendment dated as of April 5, 2010 and a Second Amendment dated as of June 2, 2010, between GameStop Corp. and Daniel A. DeMatteo.(20)
10.26	Amended and Restated Executive Employment Agreement, dated December 31, 2008, between GameStop Corp. and Tony Bartel.(17)
10.27	Amendment, dated as of June 2, 2010, to Amended and Restated Executive Employment Agreement, dated as of December 31, 2008, between GameStop Corp. and Tony Bartel.(19)
10.28	Second Amendment, dated as of February 9, 2011, to Amended and Restated Executive Employment Agreement, dated as of December 31, 2008, as amended by a First Amendment dated as of June 2, 2010, between GameStop Corp. and Tony Bartel.(20)
10.29	Amended and Restated Executive Employment Agreement, dated December 31, 2008, between GameStop Corp. and Paul Raines.(17)
10.30	Amendment, dated as of June 2, 2010, to Amended and Restated Executive Employment Agreement, dated as of December 31, 2008, between GameStop Corp. and Paul Raines.(19)



**Table of Contents**

**Exhibit**

<b>Number</b>	<b>Description</b>
10.31	Second Amendment, dated as of February 9, 2011, to Amended and Restated Executive Employment Agreement, dated as of December 31, 2008, as amended by a First Amendment dated as of June 2, 2010, between GameStop Corp. and Paul Raines.(20)
10.32	Executive Employment Agreement, dated as of June 2, 2010, between GameStop Corp. and Robert Lloyd.(19)
10.33	Amendment, dated as of February 9, 2011, to Executive Employment Agreement, dated as of June 2, 2010, between GameStop Corp. and Robert Lloyd.(20)
10.34	2011 Incentive Plan.(21)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

- (1) Incorporated by reference to GameStop Holdings Corp. s Form 8-K filed with the Securities and Exchange Commission on April 18, 2005.
- (2) Incorporated by reference to the Registrant s Form 8-K filed with the Securities and Exchange Commission on October 2, 2008.
- (3) Incorporated by reference to the Registrant s Form 8-K filed with the Securities and Exchange Commission on November 18, 2008.
- (4) Incorporated by reference to the Registrant s Form 8-K filed with the Securities and Exchange Commission on February 7, 2007.
- (5) Incorporated by reference to the Registrant s Amendment No. 1 to Form S-4 filed with the Securities and Exchange Commission on July 8, 2005.
- (6) Incorporated by reference to the Registrant s Form 8-K filed with the Securities and Exchange Commission on February 8, 2011.
- (7) Incorporated by reference to GameStop Holdings Corp. s Form 8-K filed with the Securities and Exchange Commission on September 30, 2005.
- (8) Incorporated by reference to the Registrant s Form 10-Q for the fiscal quarter ended October 29, 2005 filed with the Securities and Exchange Commission on December 8, 2005.
- (9) Incorporated by reference to the Registrant s Form S-3ASR filed with the Securities and Exchange Commission on April 10, 2006.

## Edgar Filing: GameStop Corp. - Form 10-Q

- (10) Incorporated by reference to GameStop Holdings Corp. s Amendment No. 3 to Form S-1 filed with the Securities and Exchange Commission on January 24, 2002.
  
- (11) Incorporated by reference to Appendix A to the Registrant s Proxy Statement for 2009 Annual Meeting of Stockholders filed with the Securities and Exchange Commission on May 22, 2009.

**Table of Contents**

- (12) Incorporated by reference to Appendix A to the Registrant's Proxy Statement for 2008 Annual Meeting of Stockholders filed with the Securities and Exchange Commission on May 23, 2008.
  
- (13) Incorporated by reference to GameStop Holdings Corp.'s Form 10-K for the fiscal year ended January 29, 2005 filed with the Securities and Exchange Commission on April 11, 2005.
  
- (14) Incorporated by reference to GameStop Holdings Corp.'s Form 8-K filed with the Securities and Exchange Commission on September 12, 2005.
  
- (15) Incorporated by reference to the Registrant's Form 8-K filed with the Securities and Exchange Commission on January 6, 2011.
  
- (16) Incorporated by reference to the Registrant's Form 8-K filed with the Securities and Exchange Commission on October 12, 2005.
  
- (17) Incorporated by reference to the Registrant's Form 8-K filed with the Securities and Exchange Commission on January 7, 2009.
  
- (18) Incorporated by reference to the Registrant's Form 8-K filed with the Securities and Exchange Commission on April 9, 2010.
  
- (19) Incorporated by reference to the Registrant's Form 8-K filed with the Securities and Exchange Commission on June 2, 2010.
  
- (20) Incorporated by reference to the Registrant's Form 8-K filed with the Securities and Exchange Commission on February 9, 2011.
  
- (21) Incorporated by reference to the Registrant's Form 8-K filed with the Securities and Exchange Commission on June 27, 2011.