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GameStop Corp.
Form 10-Q
September 11, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

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

FOR THE QUARTERLY PERIOD ENDED AUGUST 4, 2018

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 20-2733559
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

625 Westport Parkway, 76051
Grapevine, Texas (Zip Code)

(Address of principal executive offices)

Registrant's telephone number, including area code:
(817) 424-2000

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 September 4, 2018: 101,946,590

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GAMESTOP CORP.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions, except par value per share)

	August 4, 2018	July 29, 2017	February 3, 2018
ASSETS			
Current assets:			
Cash and cash equivalents	\$279.6	\$262.1	\$ 864.4
Receivables, net	169.7	185.4	182.7
Merchandise inventories, net	1,237.0	1,140.6	1,366.7
Prepaid expenses and other current assets	168.4	202.5	124.9
Total current assets	1,854.7	1,790.6	2,538.7
Property and equipment:			
Land	18.9	19.7	19.9
Buildings and leasehold improvements	724.6	753.4	769.8
Fixtures and equipment	974.5	965.7	973.5
Total property and equipment	1,718.0	1,738.8	1,763.2
Less accumulated depreciation	1,318.5	1,281.4	1,330.0
Net property and equipment	399.5	457.4	433.2
Deferred income taxes	153.6	73.2	158.2
Goodwill	1,654.8	1,698.0	1,667.3
Other intangible assets, net	157.7	512.1	169.5
Other noncurrent assets	62.1	78.5	74.7
Total noncurrent assets	2,427.7	2,819.2	2,502.9
Total assets	\$4,282.4	\$4,609.8	\$ 5,041.6
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$541.7	\$469.8	\$ 902.0
Accrued liabilities	680.7	855.8	976.1
Income taxes payable	53.3	12.1	37.5
Total current liabilities	1,275.7	1,337.7	1,915.6
Deferred income taxes	5.0	22.3	5.0
Long-term debt, net	819.2	816.4	817.9
Other long-term liabilities	78.3	121.7	88.6
Total long-term liabilities	902.5	960.4	911.5
Total liabilities	2,178.2	2,298.1	2,827.1
Commitments and contingencies (Note 7)			
Stockholders' equity:			
Class A common stock — \$.001 par value; 300 shares authorized; 101.9, 101.3 and 101.3 shares issued and outstanding	0.1	0.1	0.1
Additional paid-in capital	27.5	7.9	22.1
Accumulated other comprehensive (loss) income	(40.4)	(1.1)	12.2
Retained earnings	2,117.0	2,304.8	2,180.1
Total stockholders' equity	2,104.2	2,311.7	2,214.5
Total liabilities and stockholders' equity	\$4,282.4	\$4,609.8	\$ 5,041.6
See accompanying condensed notes to unaudited consolidated financial statements.			

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GAMESTOP CORP.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per share data)

	13 Weeks Ended		26 Weeks Ended	
	August 4, 2018	July 29, 2017	August 4, 2018	July 29, 2017
Net sales	\$1,646.7	\$1,687.6	\$3,580.7	\$3,733.5
Cost of sales	1,050.6	1,063.9	2,327.3	2,407.3
Gross profit	596.1	623.7	1,253.4	1,326.2
Selling, general and administrative expenses	542.3	542.4	1,108.4	1,105.9
Depreciation and amortization	32.2	37.7	66.3	75.6
Operating earnings	21.6	43.6	78.7	144.7
Interest income	(0.5)	—	(1.0)	(0.2)
Interest expense	14.4	14.4	28.6	28.5
Earnings before income tax expense	7.7	29.2	51.1	116.4
Income tax expense	32.6	7.0	47.8	35.2
Net (loss) income	\$(24.9)	\$22.2	\$3.3	\$81.2
Dividends per common share	\$0.38	\$0.38	\$0.76	\$0.76
(Loss) earnings per share:				
Basic	\$(0.24)	\$0.22	\$0.03	\$0.80
Diluted	\$(0.24)	\$0.22	\$0.03	\$0.80
Weighted-average shares outstanding:				
Basic	102.1	101.4	101.9	101.3
Diluted	102.1	101.5	102.1	101.4

See accompanying condensed notes to unaudited consolidated financial statements.

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GAMESTOP CORP.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)

	13 Weeks Ended		26 Weeks Ended	
	August 4,	July 29,	August 4,	July 29,
	2018	2017	2018	2017
Net (loss) income	\$(24.9)	\$ 22.2	\$ 3.3	\$ 81.2
Other comprehensive (loss) income:				
Foreign currency translation adjustment	(17.4)	54.4	(52.6)	46.2
Total comprehensive (loss) income	\$(42.3)	\$ 76.6	\$(49.3)	\$ 127.4

See accompanying condensed notes to unaudited consolidated financial statements.

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GAMESTOP CORP.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in millions, except for per share data)

	Class A Common Stock		Additional	Accumulated	Retained	Total
	Shares	Amount	Paid-in Capital	Other Comprehensive Income (Loss)	Earnings	Stockholders' Equity
Balance at February 3, 2018	101.3	\$ 0.1	\$ 22.1	\$ 12.2	\$2,180.1	\$ 2,214.5
Adoption of ASU 2014-09 (Note 1)	—	—	—	—	11.5	11.5
Net income	—	—	—	—	3.3	3.3
Foreign currency translation	—	—	—	(52.6)	—	(52.6)
Dividends declared, \$0.76 per common share	—	—	—	—	(77.9)	(77.9)
Stock-based compensation expense	—	—	9.6	—	—	9.6
Settlement of stock-based awards	0.6	—	(4.2)	—	—	(4.2)
Balance at August 4, 2018	101.9	\$ 0.1	\$ 27.5	\$ (40.4)	\$2,117.0	\$ 2,104.2
	Class A Common Stock					
	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
Balance at January 28, 2017	101.0	\$ 0.1	\$ —	\$ (47.3)	\$2,301.3	\$ 2,254.1
Net income	—	—	—	—	81.2	81.2
Foreign currency translation	—	—	—	46.2	—	46.2
Dividends declared, \$0.76 per common share	—	—	—	—	(77.7)	(77.7)
Stock-based compensation expense	—	—	11.2	—	—	11.2
Settlement of stock-based awards	0.3	—	(3.3)	—	—	(3.3)
Balance at July 29, 2017	101.3	\$ 0.1	\$ 7.9	\$ (1.1)	\$2,304.8	\$ 2,311.7

See accompanying condensed notes to unaudited consolidated financial statements.

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GAMESTOP CORP.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	26 Weeks Ended	
	August 4,	July 29,
	2018	2017
Cash flows from operating activities:		
Net income	\$3.3	\$81.2
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization (including amounts in cost of sales)	66.9	76.2
Stock-based compensation expense	9.6	11.2
Deferred income taxes	—	(14.2)
Loss on disposal of property and equipment	0.9	2.8
Gain on divestitures	—	(7.3)
Other	21.3	21.9
Changes in operating assets and liabilities:		
Receivables, net	9.7	31.2
Merchandise inventories	77.0	(16.5)
Prepaid expenses and other current assets	(13.3)	(10.9)
Prepaid income taxes and income taxes payable	(21.3)	(92.4)
Accounts payable and accrued liabilities	(581.7)	(400.8)
Changes in other long-term liabilities	(2.3)	5.9
Net cash flows used in operating activities	(429.9)	(311.7)
Cash flows from investing activities:		
Purchase of property and equipment	(40.1)	(47.2)
Acquisitions, net of cash acquired	—	(8.5)
Proceeds from divestitures	—	54.7
Other	2.3	0.4
Net cash flows used in investing activities	(37.8)	(0.6)
Cash flows from financing activities:		
Repayment of acquisition-related debt	(12.2)	—
Repurchase of common shares	—	(22.0)
Dividends paid	(79.9)	(78.2)
Borrowings from the revolver	154.0	333.0
Repayments of revolver borrowings	(154.0)	(333.0)
Issuance of common stock, net of share repurchases for withholdings taxes	(4.2)	(3.3)
Net cash flows used in financing activities	(96.3)	(103.5)
Exchange rate effect on cash and cash equivalents and restricted cash	(21.6)	12.9
Decrease in cash and cash equivalents and restricted cash	(585.6)	(402.9)
Cash and cash equivalents and restricted cash at beginning of period	879.3	679.7
Cash and cash equivalents and restricted cash at end of period	\$293.7	\$276.8

See accompanying condensed notes to unaudited consolidated financial statements.

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GAMESTOP CORP.

CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

The Company

GameStop Corp. (“GameStop,” “we,” “us,” “our,” or the “Company”) is a global family of specialty retail brands that makes the most popular technologies affordable and simple. Within our family of brands, we are the world’s largest omnichannel video game retailer, the largest AT&T® (“AT&T”) authorized retailer, the largest Apple® (“Apple”) certified products reseller, and the owner of www.thinkgeek.com, one of the world’s largest sellers of collectible pop-culture themed products. As of August 4, 2018, GameStop’s retail network and family of brands included 7,192 company-operated stores in the United States, Canada, Australia and Europe.

We have five reportable segments, which are comprised of four geographic Video Game Brands segments—United States, Canada, Australia and Europe—and a Technology Brands segment. Our Technology Brands segment includes our Spring Mobile and Simply Mac businesses. Spring Mobile owns and operates our AT&T branded wireless retail stores.

Basis of Presentation and Consolidation

The unaudited condensed consolidated financial statements include our accounts and the accounts of our wholly-owned subsidiaries. All 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 our opinion, necessary for a fair presentation of the information as of and 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 consolidated financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with our annual report on Form 10-K for the 53 weeks ended February 3, 2018, as filed with the Securities and Exchange Commission on April 2, 2018, (the “2017 Annual Report on Form 10-K”). The preparation of financial statements in conformity with GAAP requires us 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, we have made our 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 us could have a significant impact on our financial results. Actual results could differ from those estimates. Due to the seasonal nature of our business, the results of operations for the 26 weeks ended August 4, 2018 are not indicative of the results to be expected for the 52 weeks ending February 2, 2019 (“fiscal 2018”).

Restricted Cash

Restricted cash of \$14.1 million, \$14.7 million and \$14.9 million as of August 4, 2018, July 29, 2017 and February 3, 2018, respectively, consists primarily of bank deposits serving as collateral for bank guarantees issued on behalf of our foreign subsidiaries and is included in other noncurrent assets in our unaudited condensed consolidated balance sheets.

Dividend

On September 4, 2018, our Board of Directors approved a quarterly cash dividend to our stockholders of \$0.38 per share of Class A Common Stock payable on October 2, 2018 to stockholders of record at the close of business on September 18, 2018. Future dividends, if any, will be subject to approval by our Board of Directors.

Adoption of New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standard Update (“ASU”) 2016-15, Statement of Cash Flows, Classification of Certain Cash Receipts and Cash Payments, which provides guidance on eight specific cash flow issues in regard to how cash receipts and cash payments are presented and classified in the statement of cash flows. The FASB also issued ASU 2016-18, Restricted Cash, in November 2016 that requires entities to include restricted cash with cash and cash equivalents when reconciling the

beginning-of-period and end-of-period total amounts presented in the statement of cash flows. These updated standards are effective for fiscal years beginning after December 15, 2017, including interim periods within those years, with early adoption permitted. We adopted these new standards on a retrospective basis, which did not result in a material impact to our consolidated financial statements.

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GAMESTOP CORP.

CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

As required by ASU 2016-18, we include restricted cash with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts presented on our condensed consolidated statement of cash flows. The following table provides a reconciliation of cash and cash equivalents in the condensed consolidated balance sheets to total cash and cash equivalents and restricted cash in the condensed consolidated statements of cash flows (in millions):

	August 4, 2018	July 29, 2017	February 3, 2018
Cash and cash equivalents	\$ 279.6	\$ 262.1	\$ 864.4
Restricted cash (included in prepaid expenses and other current assets)	2.8	—	—
Restricted cash (included in other noncurrent assets)	11.3	14.7	14.9
Total cash and cash equivalents and restricted cash in the statements of cash flows	\$ 293.7	\$ 276.8	\$ 879.3

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which sets forth a new five-step revenue recognition model that replaces the prior revenue recognition guidance in its entirety. The underlying principle of the new standard is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. The updated standard also requires additional disclosures on the nature, timing, and uncertainty of revenue and related cash flows. In 2016, the FASB issued several ASUs that further amended the new revenue standard in the areas of principal versus agent evaluation, licenses of intellectual property, identifying performance obligations, and other clarifications and technical corrections. We adopted the new revenue standard, effective February 4, 2018, by utilizing the modified retrospective transition approach.

The new revenue standard primarily impacted the accounting of our PowerUp Rewards loyalty program and the recognition of breakage associated with our gift cards liability. For our loyalty program, we previously estimated the net cost of the rewards that were issued and recorded this cost (presented as cost of sales) and the associated balance sheet liability as points were accumulated by our loyalty program members. Under the new standard, the transaction price is allocated between the product(s) and loyalty points earned based on the relative stand-alone selling prices and expected point redemption. The portion allocated to the loyalty points is initially recorded as deferred revenue and subsequently recognized as revenue upon redemption or expiration. For our gift cards liability, estimated breakage on unused gift cards and merchandise credit liabilities was previously recognized on a quarterly basis (recorded to cost of sales) to the extent that we believed the likelihood of redemption was remote, generally for balances older than two years. Under the new standard, we recognize breakage in revenue upon redemption and in proportion to historical redemption patterns, regardless of the age of the unused gift cards and merchandise credit liabilities. In addition, the new revenue standard requires presentation of our sales return reserve to be on a gross basis, consisting of a separate right of return asset and liability.

Consistent with the modified retrospective transition approach, we have applied the new revenue standard on a prospective basis, effective February 4, 2018, and recorded adjustments to our current period opening balance sheet (as of February 4, 2018) to reflect the cumulative effect of the new revenue standard. The cumulative-effect adjustment included a reduction of our gift card and customer deposit liabilities of \$44.3 million, an increase to our loyalty program liabilities of \$28.2 million and an increase to our retained earnings of \$16.1 million (\$11.5 million, net of tax). The cumulative-effect adjustment also included a \$4.4 million increase to merchandise inventories, net and accrued liabilities to present our sales return reserve on a gross basis. The adoption of the new standard resulted in expanded revenue recognition disclosures which are included below in Note 2, "Revenue."

The impact of the new revenue standard to our statement of operations for the 13 and 26 weeks ended August 4, 2018 is as follows (in millions):

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	13 Weeks Ended			26 Weeks Ended		
	August 4, 2018			August 4, 2018		
	Under	Impact of	As	Under	Impact of	As
	Prior	New	Reported	Prior	New	Reported
	Standard	Standard		Standard	Standard	
Net sales	\$1,639.5	\$ 7.2	\$1,646.7	\$3,568.8	\$ 11.9	\$ 3,580.7
Cost of sales	1,044.7	5.9	1,050.6	2,317.2	10.1	2,327.3
Gross profit	594.8	1.3	596.1	1,251.6	1.8	1,253.4
Operating earnings	20.3	1.3	21.6	76.9	1.8	78.7
Earnings before income taxes	6.4	1.3	7.7	49.3	1.8	51.1
Income tax expense	32.3	0.3	32.6	47.4	0.4	47.8
Net (loss) income	(25.9)	1.0	(24.9)	1.9	1.4	3.3

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CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The impact of the new revenue standard to our balance sheet as of August 4, 2018 is as follows (in millions):

	August 4, 2018		
	Under Prior Standard	Impact of New Standard	As Reported
Merchandise inventories, net	\$ 1,232.8	\$ 4.2	\$ 1,237.0
Total current assets	1,850.5	4.2	1,854.7
Deferred income taxes	158.2	(4.6)	153.6
Total noncurrent assets	2,432.3	(4.6)	2,427.7
Total assets	4,282.8	(0.4)	4,282.4
Accrued liabilities	694.4	(13.7)	680.7
Income taxes payable	52.9	0.4	53.3
Total current liabilities	1,289.0	(13.3)	1,275.7
Total liabilities	2,191.5	(13.3)	2,178.2
Retained earnings	2,104.1	12.9	2,117.0
Total stockholders' equity	2,091.3	12.9	2,104.2
Total liabilities and stockholders' equity	4,282.8	(0.4)	4,282.4

Recently Issued Accounting Pronouncements

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The new guidance is intended to more closely align hedge accounting with entities' hedging strategies, simplify the application of hedge accounting and increase the transparency of hedging programs. The new guidance is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. We do not anticipate that adoption of this standard will have a material impact to our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases. This standard requires a lessee to recognize a liability related to lease payments and an offsetting right-of-use asset representing a right to use the underlying asset for the lease term on the balance sheet. Entities are required to use a modified retrospective transition approach for leases that exist or are entered into after the beginning of the earliest comparative period presented in the financial statements, with certain reliefs available. In July 2018, the FASB issued ASU 2018-11, Leases (Topic 842): Targeted Improvements, which provides clarifications and improvements to ASU 2016-02 including allowing entities to elect an additional transition method with which to adopt ASU 2016-02. The approved transition method enables entities to apply the transition requirements in this ASU at the effective date of ASU 2016-02 (rather than at the beginning of the earliest comparative period presented as currently required) with the effect of initially applying ASU 2016-02 recognized as a cumulative-effect adjustment to retained earnings in the period of adoption. Consequently, an entity's reporting for the comparative periods presented in the year of adoption would continue to be in accordance with ASC 840, Leases (Topic 840) ("ASC 840"), including the disclosure requirements of ASC 840. These ASUs are effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. We are currently evaluating the overall impact to our consolidated financial statements, though we expect the adoption to result in a material increase in the assets and liabilities reflected in our consolidated balance sheets.

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GAMESTOP CORP.

CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

2. Revenue

Net sales by significant product category for the periods indicated is as follows (in millions):

	13 Weeks Ended		26 Weeks Ended	
	August 4, 2018	July 29, 2017	August 4, 2018	July 29, 2017
New video game hardware ⁽¹⁾	\$298.3	\$248.4	\$657.5	\$638.3
New video game software	300.9	369.3	767.6	889.8
Pre-owned and value video game products	452.1	501.8	947.8	1,028.0
Video game accessories	187.3	144.1	386.4	320.2
Digital	40.2	46.5	83.2	90.6
Technology Brands ⁽²⁾	168.9	188.3	337.9	389.7
Collectibles	141.7	122.5	284.1	237.0
Other ⁽³⁾	57.3	66.7	116.2	139.9
Total	\$1,646.7	\$1,687.6	\$3,580.7	\$3,733.5

(1) Includes sales of hardware bundles, in which physical hardware and digital or physical software are sold together as a single SKU.

(2) Includes mobile and consumer electronics sold through our Technology Brands segment, which includes the operations of our Spring Mobile managed AT&T stores, Simply Mac stores and Cricket Wireless branded stores. We sold our Cricket Wireless branded stores in January 2018.

(3) Includes sales of PC entertainment software, interactive game figures, strategy guides, mobile and consumer electronics sold through our Video Game Brands segments, and revenues from PowerUp Pro loyalty members receiving Game Informer magazine in print form.

See Note 9, "Segments," for net sales by geographic location.

Performance Obligations

Effective February 4, 2018, we adopted ASU 2014-09, Revenue from Contracts with Customers, which set forth a new revenue recognition model that replaced the prior revenue recognition guidance in its entirety (see Note 1 above). The core principle of the new standard is that revenue is recognized when performance obligations are satisfied by transferring goods or services to the customer in an amount that the entity expects to collect in exchange for those goods or services. The satisfaction of a performance obligation with a single customer may occur at a point in time or may occur over time. The significant majority of our revenue is recognized at a point in time, generally when a customer purchases and takes possession of merchandise through our stores or when merchandise purchased through our e-commerce websites is delivered to a customer. We have arrangements with customers where our performance obligations are satisfied over time, which primarily relate to certain commissions earned by our Spring Mobile AT&T stores, extended warranties and our Game Informer magazine. Revenues do not include sales taxes or other taxes collected from customers.

We expect to recognize revenue in future periods for remaining performance obligations we have associated with unredeemed gift cards, trade-in credits, reservation deposits and our PowerUp Rewards loyalty program (collectively, "unredeemed customer liabilities"), extended warranties, subscriptions to our Game Informer magazine and Spring Mobile AT&T dealer agreements.

Performance obligations associated with unredeemed customer liabilities are primarily satisfied at the time our customers redeem their gift cards, trade-in credits, reservation deposits or loyalty program points for products that we offer. Unredeemed customer liabilities are generally redeemed within one year of issuance. As of August 4, 2018, our unredeemed customer liabilities totaled \$311.0 million.

We offer extended warranties on certain new and pre-owned video game products with terms generally ranging from 12 to 24 months, depending on the product. Revenues for extended warranties sold are recognized on a straight-line

basis over the life of the contract. As of August 4, 2018, our deferred revenue liability related to extended warranties totaled \$60.6 million.

Performance obligations associated with subscriptions to our Game Informer magazine are satisfied when monthly magazines are delivered in print form or when made available in digital format. The significant majority of our customers' subscriptions is for 12 monthly issues. As of August 4, 2018, we had deferred revenue of \$48.6 million associated with our Game Informer magazine.

Under our Spring Mobile AT&T dealer agreements, we have an ongoing performance obligation to provide service and support to customers of our AT&T-branded stores. We earn commissions for providing this ongoing service and support, which are based on the customer accounts we have activated or acquired (through store acquisitions), and are earned and paid to us on a monthly basis, generally over a three-year period after a customer's activation date. We did not estimate the total revenues expected to be recognized in the future associated with this ongoing performance obligation since we recognize these revenues in accordance with ASC 606-10-55-18.

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Significant Judgments and Estimates

We accrue PowerUp Rewards loyalty points at the estimated retail price per point, net of estimated breakage, which can be redeemed by our loyalty program members for products that we offer. The estimated retail price per point is based on the actual historical retail prices of product(s) purchased through the redemption of loyalty points. We estimate breakage of loyalty points and unredeemed gift cards based on historical redemption rates.

Contract Balances

Our contract liabilities primarily consist of unredeemed customer liabilities and deferred revenues associated with extended warranties and subscriptions to our Game Informer magazine. The opening balance, current period changes and ending balance of our contract liabilities are as follows (in millions):

	Contract Liabilities
Balance at February 3, 2018	\$ 426.0
Adoption of ASU 2014-09	(16.8)
Increase to contract liabilities ⁽¹⁾	475.9
Decrease to contract liabilities ⁽²⁾	(458.3)
Other adjustments ⁽³⁾	(6.6)
Balance at August 4, 2018	\$ 420.2

(1) Includes issuances of gift cards, trade-in credits and loyalty points, new reservation deposits, new subscriptions to Game Informer and extended warranties sold.

(2) Includes redemptions of gift cards, trade-in credits, loyalty points and reservation deposits as well as revenues recognized for Game Informer and extended warranties. During the 26 weeks ended August 4, 2018, there were \$46.8 million of gift cards redeemed that were outstanding as of February 3, 2018.

(3) Primarily includes foreign currency translation adjustments.

3. Divestitures

In July 2017, we sold our ownership interest in Kongregate, a web and mobile gaming platform and publisher of mobile games, for proceeds of \$54.7 million, net of transaction costs, of which \$3.5 million was restricted cash held in escrow primarily for indemnification purposes. We recognized a gain on the sale of \$7.3 million, net of tax, which is classified in selling, general and administrative expenses in our consolidated statements of operations for the 13 weeks and 26 weeks ended July 29, 2017. The disposed net assets of Kongregate primarily consisted of goodwill.

4. Fair Value Measurements and Financial Instruments

Fair value is defined 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. Applicable accounting standards require 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.

Assets and Liabilities that are Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis include our foreign currency contracts, life insurance policies we own that have a cash surrender value, and certain nonqualified deferred compensation liabilities.

We value our foreign currency contracts, our 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 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, all of which are observable in active markets. When appropriate, valuations are adjusted to reflect credit considerations, generally based on available market evidence.

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In August 2016, we acquired certain assets from Cellular World and Red Skye Wireless. The purchase price included two subsequent payments of contingent consideration. We recognized an acquisition-date liability of \$43.2 million representing the total estimated fair value of the contingent consideration. The first payment of \$20.0 million was contingent on the relocation of certain stores and was paid in August 2017. The second payment was variable based on the sales performance of certain acquired stores during calendar year 2017 and was estimated to be \$23.2 million as of the acquisition date. Based on the actual sales performance of these stores, we recognized an \$11.0 million adjustment to reduce the contingent liability to \$12.2 million during fiscal 2017, which was paid in the first quarter of fiscal 2018. The fair value was estimated based on Level 3 inputs which include future sales projections derived from our historical experience with comparable acquired stores and a discount rate commensurate with the risks and inherent uncertainty in the business.

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

	August 4, 2018		July 29, 2017		February 3, 2018	
	Level 2	Level 3	Level 2	Level 3	Level 2	Level 3
Assets						
Foreign currency contracts						
Other current assets	\$4.5	\$	-\$4.5	\$—	\$2.4	\$—
Other noncurrent assets	—	—	0.3	—	—	—
Company-owned life insurance ⁽¹⁾	14.8	—	12.8	—	13.9	—
Total assets	\$19.3	\$	-\$17.6	\$—	\$16.3	\$—
Liabilities						
Foreign currency contracts						
Accrued liabilities	\$1.3	\$	-\$6.5	\$—	\$9.9	\$—
Other long-term liabilities	—	—	0.4	—	—	—
Nonqualified deferred compensation ⁽²⁾	1.2	—	1.1	—	1.2	—
Contingent consideration ⁽²⁾	—	—	—	43.2	—	12.2
Total liabilities	\$2.5	\$	-\$8.0	\$43.2	\$11.1	\$12.2

(1) Recognized in other non-current assets in our unaudited condensed consolidated balance sheets.

(2) Recognized in accrued liabilities in our unaudited condensed consolidated balance sheets.

We use 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. The total gross notional value of derivatives related to our foreign currency contracts was \$390.4 million, \$480.2 million and \$563.3 million as of August 4, 2018, July 29, 2017 and February 3, 2018, respectively.

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

	13 Weeks Ended August 4, 2018		26 Weeks Ended July 29, August 4, 2017	
Gains (losses) on the change in fair value of derivative instruments	\$4.7 (4.5)	\$ (2.1) 4.2	\$9.4 (7.5)	\$(10.1) 12.5

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(Losses) gains on the re-measurement of related intercompany loans and foreign
currency assets and liabilities

Total \$0.2 \$2.1 \$1.9 \$2.4

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. We manage counterparty risk according to the guidelines and controls established under our 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.

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Assets that are Measured at Fair Value on a Nonrecurring Basis

Assets that are measured at fair value on a nonrecurring basis relate primarily to property and equipment and intangible assets, which are remeasured when the estimated fair value is below its carrying value. For these assets, we do not periodically adjust carrying value to fair value; rather, when we determine that impairment has occurred, the carrying value of the asset is reduced to its fair value. We did not record any impairment charges related to assets measured at fair value on a nonrecurring basis during the 26 weeks ended August 4, 2018 or July 29, 2017.

Other Fair Value Disclosures

The carrying values of our cash equivalents, receivables, net, accounts payable and notes payable approximate the fair value due to their short-term maturities.

As of August 4, 2018, our unsecured 5.50% senior notes due in 2019 had a net carrying value of \$348.5 million and a fair value of \$352.2 million, and our unsecured 6.75% senior notes due in 2021 had a net carrying value of \$470.7 million and a fair value of \$485.2 million. The fair values of our senior notes were determined based on quoted market prices obtained through an external pricing source which derives its price valuations from daily marketplace transactions, with adjustments to reflect the spreads of benchmark bonds, credit risk and certain other variables. We have determined this to be a Level 2 measurement as all significant inputs into the quote provided by our pricing source are observable in active markets.

5. Income Taxes

The Securities and Exchange Commission staff issued Staff Accounting Bulletin ("SAB") 118, which provides guidance on accounting for the immediate tax effects of the Tax Cuts and Jobs Act of 2017 (the "Tax Act"). SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the related accounting under Accounting Standards Codification ("ASC") 740, Accounting for Income Taxes. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for a certain income tax effect of the Tax Act is incomplete, but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act.

The financial reporting impact of the Tax Act is expected to be completed no later than the fourth quarter of fiscal 2018. The impacts of these changes were reflected in the fiscal 2017 provisional tax expense, as discussed in Note 7 to our consolidated financial statements included in our 2017 Annual Report on Form 10-K. There have been no changes to the provisional amounts during the 26 weeks ended August 4, 2018. However, given the complexity of the Tax Act, we are still evaluating the tax impact and obtaining the information required to complete our accounting.

In the 13 weeks ended August 4, 2018, we recorded a \$29.6 million charge to income tax expense associated with the tax dispute in France; see Note 7, "Commitments and Contingencies," for additional information.

6. Debt

Senior Notes

The carrying value of our long-term debt is comprised as follows (in millions):

	August 4, 2018	July 29, 2017	February 3, 2018
2019 Senior Notes principal amount	\$ 350.0	\$ 350.0	\$ 350.0
2021 Senior Notes principal amount	475.0	475.0	475.0
Less: Unamortized debt financing costs	(5.8)	(8.6)	(7.1)
Long-term debt, net	\$ 819.2	\$ 816.4	\$ 817.9

2019 Senior Notes. In September 2014, we issued \$350.0 million aggregate principal amount of unsecured 5.50% senior notes due October 1, 2019 (the "2019 Senior Notes"). The 2019 Senior Notes bear interest at the rate of 5.50% per annum with interest payable semi-annually in arrears on April 1 and October 1 of each year beginning on April 1, 2015. We incurred fees and expenses related to the 2019 Senior Notes offering of \$6.3 million, which were capitalized

during the third quarter of fiscal 2014 and are being amortized as interest expense over the term of the notes. The 2019 Senior Notes were sold in a private placement and are not registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"). The 2019 Senior Notes were offered in the United States to "qualified institutional buyers" pursuant to the exemption from registration under Rule 144A of the Securities Act and in exempted offshore transactions pursuant to Regulation S under the Securities Act.

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2021 Senior Notes. In March 2016, we issued \$475.0 million aggregate principal amount of unsecured 6.75% senior notes due March 15, 2021 (the "2021 Senior Notes"). The 2021 Senior Notes bear interest at the rate of 6.75% per annum with interest payable semi-annually in arrears on March 15 and September 15 of each year beginning on September 15, 2016. The net proceeds from the offering were used for general corporate purposes, including acquisitions and dividends. We incurred fees and expenses related to the 2021 Senior Notes offering of \$8.1 million, which were capitalized during the first quarter of fiscal 2016 and are being amortized as interest expense over the term of the notes. The 2021 Senior Notes were sold in a private placement and are not registered under the Securities Act. The 2021 Senior Notes were offered in the United States to "qualified institutional buyers" pursuant to the exemption from registration under Rule 144A of the Securities Act and in exempted offshore transactions pursuant to Regulation S under the Securities Act.

The indentures governing the 2019 Senior Notes and the 2021 Senior Notes (together, the "Senior Notes") do not contain financial covenants but do contain covenants which place certain restrictions on us and our subsidiaries, including limitations on asset sales, additional liens, investments, stock repurchases, the incurrence of additional debt and the repurchase of debt that is junior to the Senior Notes. In addition, the indentures restrict payments of dividends to stockholders (other than dividends payable in shares of capital stock) if one of the following conditions exist: (i) an event of default has occurred, (ii) we could not incur additional debt under the general debt covenant of the indentures or (iii) the sum of the proposed dividend and all other dividends and other restricted payments made under the indentures from the date of the indentures governing the Senior Notes exceeds the sum of 50% of consolidated net income plus 100% of net proceeds from capital stock sales and other amounts set forth in and determined as provided in the indentures. These restrictions are subject to exceptions and qualifications, including that we can pay up to \$175 million in dividends to stockholders in each fiscal year and we can pay dividends and make other restricted payments in an unlimited amount if our leverage ratio on a pro forma basis after giving effect to the dividend payment and other restricted payments would be less than or equal to 1.0:1.0.

The indentures contain customary events of default, including payment defaults, breaches of covenants, failure to pay certain judgments and certain events of bankruptcy, insolvency and reorganization. If an event of default occurs and is continuing, the principal amount of the Senior Notes, plus accrued and unpaid interest, if any, may be declared immediately due and payable. These amounts automatically become due and payable if an event of default relating to certain events of bankruptcy, insolvency or reorganization occurs.

Revolving Credit Facility

On November 20, 2017, we entered into a second amendment to our asset-based revolving credit facility (the "Amended Revolver"). The Amended Revolver increased the borrowing base capacity to \$420 million and extended the maturity date from March 2019 to November 2022. The Amended Revolver maintains the \$200 million expansion feature and \$50 million letter of credit sublimit, and allows for an incremental \$50 million first-in, last-out facility. The applicable margins for prime rate loans were reduced from a range of 0.25% to 0.75% to a range of 0.25% to 0.50% and, for the London Interbank Offered ("LIBO") rate loans, reduced from a range of 1.25% to 1.75% to a range of 1.25% to 1.50%. Other terms and covenants under the Amended Revolver remain substantially unchanged. The Amended Revolver is secured by substantially all of our assets and the assets of our domestic subsidiaries.

Borrowing availability under the Amended Revolver is limited to a borrowing base which allows us to borrow up to 90% of the appraisal value of the inventory, plus 90% of eligible credit card receivables, net of certain reserves. The borrowing base provides for borrowing of up to 92.5% of the appraisal value during the period between July 15 and October 15 of each year. Letters of credit reduce the amount available to borrow under the Amended Revolver by an amount equal to the face value of the letters of credit. Our ability to pay cash dividends, redeem options and repurchase shares is generally permitted, except under certain circumstances, including if either (1) excess availability under the Amended Revolver is less than 20%, or is projected to be within six months after such payment or (2) excess availability under the Amended Revolver is less than 15%, or is projected to be within six months after such payment, and the fixed charge coverage ratio, as calculated on a pro-forma basis for the prior 12 months, is 1.0:1.0 or less. In the event that excess availability under the Amended Revolver is at any time less than the greater of (1) \$30

million or (2) 10% of the lesser of the total commitment or the borrowing base, we will be subject to a fixed charge coverage ratio covenant of 1.0:1.0.

The Amended Revolver places certain restrictions on us and our subsidiaries, including limitations on asset sales, additional liens, investments, loans, guarantees, acquisitions and the incurrence of additional indebtedness. Absent consent from our lenders, we may not incur more than \$1 billion of senior secured debt and \$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 Amended Revolver is variable and is calculated by applying a margin (1) for prime rate loans of 0.25% to 0.50% above the highest of (a) the prime rate of the administrative agent, (b) the federal funds effective rate plus 0.50% and (c) the LIBO rate for a one month interest period as determined on such day plus 1.00%, and (2) for LIBO rate loans of 1.25% to 1.50% above the LIBO rate. The applicable margin is determined quarterly as a function of our average daily excess availability under the facility. In addition, we are required to pay a commitment fee of 0.25% for any unused portion of the total commitment under the Amended Revolver. As of August 4, 2018, the applicable margin was 0.25% for prime rate loans and 1.25% for LIBO rate loans.

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The Amended 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 us or the borrowers proving to be false in any material respect, certain bankruptcy, insolvency or receivership events affecting us or our subsidiaries, defaults relating to certain other indebtedness, imposition of certain judgments and mergers or the liquidation of the Company or certain of its subsidiaries. During the 26 weeks ended August 4, 2018, we cumulatively borrowed \$154.0 million and repaid \$154.0 million under our revolving credit facility. As of August 4, 2018, total availability under the Amended Revolver was \$407.7 million, with no outstanding borrowings and outstanding standby letters of credit of \$12.3 million. We are currently in compliance with the financial requirements of the Amended Revolver.

Luxembourg Line of Credit

In September 2007, our 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 is available to our 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 August 4, 2018, there were no cash overdrafts outstanding under the Line of Credit and bank guarantees outstanding totaled \$14.4 million.

7. Commitments and Contingencies

Commitments

During the 26 weeks ended August 4, 2018, there were no material changes to our commitments as disclosed in our 2017 Annual Report on Form 10-K.

Contingencies

Legal Proceedings

In the ordinary course of business, we are, from time to time, subject to various legal proceedings, including matters involving wage and hour employee class actions, stockholder actions and consumer class actions. We may enter into discussions regarding settlement of these and other types of lawsuits, and may enter into settlement agreements, if we believe settlement is in the best interest of our stockholders. We do not believe that any such existing legal proceedings or settlements, individually or in the aggregate, will have a material effect on our financial condition, results of operations or liquidity.

Certain of our French subsidiaries have been under audit by the French Tax Administration (the "FTA") for fiscal years 2008 through 2015. We received tax reassessment notices pursuant to which the FTA asserted that the French subsidiaries were ineligible to claim certain tax deductions from November 4, 2008, through January 31, 2013, which has resulted in a tax collection notice received on January 16, 2018 in the amount of approximately €80.0 million. We may receive additional tax reassessments in material amounts for subsequent fiscal years. We filed a response to each reassessment and intend to continue to vigorously contest this matter if we are unable to resolve it through a settlement. We recorded a \$29.6 million charge during the 13 weeks ended August 4, 2018. If we are ultimately unable to settle the case, we will pursue judicial remedies and believe in such case our tax position will be sustained. If we were not to prevail, then the adjustment to our income tax provision could be material.

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8. Earnings Per Share

Basic net income (loss) per common share is computed by dividing the net income (loss) available to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted net income (loss) per common share is computed by dividing the net income (loss) available to common stockholders by the weighted-average number of common shares outstanding and potentially dilutive securities outstanding during the period. Potentially dilutive securities include stock options and unvested restricted stock outstanding during the period, using the treasury stock method. Potentially dilutive securities are excluded from the computations of diluted earnings per share if their effect would be antidilutive. A reconciliation of shares used in calculating basic and diluted net income (loss) per common share is as follows (in millions, except per share data):

	13 Weeks Ended		26 Weeks Ended	
	August 4, 2018	July 29, 2017	August 4, 2018	July 29, 2017
Net (loss) income	\$(24.9)	\$ 22.2	\$ 3.3	\$ 81.2
Basic weighted average common shares outstanding	102.1	101.4	101.9	101.3
Dilutive effect of stock options and restricted stock awards	—	0.1	0.2	0.1
Diluted weighted average common shares outstanding	102.1	101.5	102.1	101.4
Basic (loss) earnings per share	\$(0.24)	\$ 0.22	\$ 0.03	\$ 0.80
Diluted (loss) earnings per share	\$(0.24)	\$ 0.22	\$ 0.03	\$ 0.80
Anti-dilutive stock options and restricted stock awards	2.0	2.1	1.3	2.1

9. Segment Information

We report our business in four geographic Video Game Brands segments: United States, Canada, Australia and Europe; and a Technology Brands segment. We identify segments based on a combination of geographic areas and management responsibility. Each of the segments includes significant retail operations with all Video Game Brands stores engaged in the sale of new and pre-owned video game hardware, software, accessories and collectibles, and Technology Brands stores engaged in the sale of wireless products and services and other consumer electronics. Our Video Game Brands segments also include stand-alone collectibles stores. Segment results for the United States include retail operations in 50 states, the District of Columbia and Guam; our e-commerce websites www.gamestop.com and www.thinkgeek.com; Game Informer magazine; and Kongregate, a web and mobile gaming platform which we sold in July 2017. 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 and e-commerce operations in 10 European countries. Our Technology Brands segment includes our Spring Mobile managed AT&T and Cricket Wireless branded stores and Simply Mac stores, all of which operate in the United States. We sold our Cricket Wireless branded stores in January 2018. We measure segment profit using operating earnings, which is defined as income from continuing operations before intercompany royalty fees, net interest expense and income taxes. Transactions between reportable segments consist primarily of royalties, management fees, intersegment loans and related interest. There were no material intersegment sales during the 13 and 26 weeks ended August 4, 2018 and July 29, 2017.

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The reconciliation of segment operating earnings (loss) to earnings before income taxes for 13 and 26 weeks ended August 4, 2018 and July 29, 2017 is as follows (in millions):

13 weeks ended August 4, 2018	United States	Canada	Australia	Europe	Technology Brands	Consolidated
Net sales	\$1,018.2	\$74.5	\$136.4	\$248.7	\$168.9	\$1,646.7
Operating earnings (loss)	23.3	(3.3)	0.5	(19.2)	20.3	21.6
Interest income						0.5
Interest expense						(14.4)
Earnings before income taxes						\$7.7
13 weeks ended July 29, 2017	United States	Canada	Australia	Europe	Technology Brands	Consolidated
Net sales	\$1,017.8	\$69.9	\$145.3	\$266.3	\$188.3	\$1,687.6
Operating earnings (loss)	37.2	(0.3)	3.1	(11.4)	15.0	43.6
Interest income						—
Interest expense						(14.4)
Earnings before income taxes						\$29.2
26 weeks ended August 4, 2018	United States	Canada	Australia	Europe	Technology Brands	Consolidated
Net sales	\$2,290.6	\$156.4	\$258.5	\$537.3	\$337.9	\$3,580.7
Operating earnings (loss)	91.4	(3.6)	(7.1)	(32.1)	30.1	78.7
Interest income						1.0
Interest expense						(28.6)
Earnings before income taxes						\$51.1
26 weeks ended July 29, 2017	United States	Canada	Australia	Europe	Technology Brands	Consolidated
Net sales	\$2,357.3	\$159.8	\$282.0	\$544.7	\$389.7	\$3,733.5
Operating earnings (loss)	123.1	1.9	4.9	(11.3)	26.1	144.7
Interest income						0.2
Interest expense						(28.5)
Earnings before income taxes						\$116.4

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ITEM MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF
2. OPERATIONS

The following discussion should be read in conjunction with the information contained in our unaudited condensed consolidated financial statements, including the notes thereto. Statements regarding future economic performance, management's plans and objectives, our Board of Directors' review of strategic and financial alternatives, as announced on September 6, 2018, 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. See our Annual Report on Form 10-K, for the fiscal year ended February 3, 2018 filed with the Securities and Exchange Commission on April 2, 2018 (the "2017 Annual Report on Form 10-K"), including the factors disclosed under "Item 1A. Risk Factors," as well as "Disclosure Regarding Forward-looking Statements" and "Item 1A. Risk Factors" below, for certain factors that may cause actual results to vary materially from these forward-looking statements.

OVERVIEW

GameStop Corp. ("GameStop," "we," "us," "our," or the "Company") is a global family of specialty retail brands that makes the most popular technologies affordable and simple. Within our family of brands, we are the world's largest omnichannel video game retailer, the largest AT&T® ("AT&T") authorized retailer, the largest Apple® ("Apple") certified products reseller, and the owner of www.thinkgeek.com, one of the world's largest sellers of collectible pop-culture themed products. As of August 4, 2018, GameStop's retail network and family of brands included 7,192 company-operated stores in the United States, Canada, Australia and Europe.

We have five reportable segments, which are comprised of four geographic Video Game Brands segments—United States, Canada, Australia and Europe—and a Technology Brands segment. Our Technology Brands segment includes our Spring Mobile and Simply Mac businesses. Spring Mobile owns and operates our AT&T branded wireless retail stores.

Our fiscal year is composed of the 52 or 53 weeks ending on the Saturday closest to the last day of January. The fiscal year ending February 2, 2019 ("fiscal 2018") consists of 52 weeks and the fiscal year ended February 3, 2018 ("fiscal 2017") consists of 53 weeks. Our business, like that of many retailers, is seasonal, with the major portion of the net sales realized during the fourth fiscal quarter, which includes the holiday selling season.

Growth in the video game industry is generally driven by the introduction of new technology. Gaming consoles are typically launched in cycles as technological developments provide significant improvements in graphics, audio quality, game play, internet connectivity and other entertainment capabilities beyond video gaming. The current generation of consoles include the Sony PlayStation 4 (2013), Microsoft Xbox One (2013) and the Nintendo Switch (March 2017). In 2016, Sony and Microsoft released refreshes to the PlayStation 4 and Xbox One, respectively, and Sony also released the PlayStation VR. In November 2017, Microsoft released a further enhanced version of its current generation console, the Xbox One X.

The sale of video games delivered through digital channels and other forms of gaming continue to grow and take an increasing percentage of physical video game sales. We currently sell various types of products that relate to the digital category, including digitally downloadable content ("DLC"), full game downloads, Xbox LIVE, PlayStation Plus and Nintendo network points cards, as well as prepaid digital and prepaid subscription cards. We have made significant investments in e-commerce and in-store and website functionality to enable our customers to access digital content easily and facilitate 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.

In our discussion of the results of operations, we refer to comparable store sales, which is a measure commonly used in the retail industry and indicates store performance by measuring the growth or decline in sales for certain stores for a particular period over the corresponding period in the prior year. Our comparable store sales are comprised of sales from our Video Game Brands stores, including stand-alone collectible stores, operating for at least 12 full months as well as sales related to our websites and sales we earn from sales of pre-owned merchandise to wholesalers or dealers. Comparable store sales for our international operating segments exclude the effect of changes in foreign currency exchange rates. The calculation of comparable store sales for 13 weeks and 26 weeks ended August 4, 2018 compares those periods to the most closely comparable weeks for the prior year. The method of calculating comparable store

sales varies across the retail industry. As a result, our method of calculating comparable store sales may not be the same as other retailers' methods. We believe our calculation of comparable store sales best represents our strategy as an omnichannel retailer that provides its consumers several ways to access its products.

Our Technology Brands stores are excluded from the calculation of comparable store sales. We do not consider comparable store sales to be a meaningful metric in evaluating the performance of our Technology Brands stores due to the frequently changing nature of revenue streams and commission structures associated with this segment of our business. Instead, we measure the performance of our Technology Brands stores by using comparable store gross profit, which is calculated using a similar methodology as comparable stores sales, but replacing sales with gross profit in the calculation. Our method of calculating comparable store gross profit may not be the same as other retailers' methods.

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CONSOLIDATED RESULTS OF OPERATIONS

The following table sets forth certain statement of operations items (in millions) and as a percentage of net sales, for the periods indicated:

	13 Weeks Ended				26 Weeks Ended			
	August 4, 2018		July 29, 2017		August 4, 2018		July 29, 2017	
	Amount	Percent of Net Sales	Amount	Percent of Net Sales	Amount	Percent of Net Sales	Amount	Percent of Net Sales
Net sales	\$1,646.7	100.0 %	\$1,687.6	100.0 %	\$3,580.7	100.0 %	\$3,733.5	100.0 %
Cost of sales	1,050.6	63.8	1,063.9	63.0	2,327.3	65.0	2,407.3	64.5
Gross profit	596.1	36.2	623.7	37.0	1,253.4	35.0	1,326.2	35.5
Selling, general and administrative expenses	542.3	32.9	542.4	32.2	1,108.4	30.9	1,105.9	29.6
Depreciation and amortization	32.2	2.0	37.7	2.2	66.3	1.9	75.6	2.0
Operating earnings	21.6	1.3	43.6	2.6	78.7	2.2	144.7	3.9
Interest expense, net	13.9	0.8	14.4	0.9	27.6	0.8	28.3	0.8
Earnings before income tax expense	7.7	0.5	29.2	1.7	51.1	1.4	116.4	3.1
Income tax expense	32.6	2.0	7.0	0.4	47.8	1.3	35.2	0.9
Net (loss) income	\$(24.9)	(1.5) %	\$22.2	1.3 %	\$3.3	0.1 %	\$81.2	2.2 %

We include purchasing, receiving and distribution costs in selling, general and administrative expenses ("SG&A") in the statement of operations. We include processing fees associated with purchases made by check and credit cards in cost of sales 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 SG&A. The net effect of these classifications as a percentage of sales has not historically been material.

The following tables set forth, by significant product category, net sales and gross profit information for the periods indicated (dollars in millions):

	13 Weeks Ended				26 Weeks Ended			
	August 4, 2018		July 29, 2017		August 4, 2018		July 29, 2017	
	Net Sales	Percent of Total Sales	Net Sales	Percent of Total Sales	Net Sales	Percent of Total Sales	Net Sales	Percent of Total Sales
New video game hardware ⁽¹⁾	\$298.3	18.1 %	\$248.4	14.7 %	\$657.5	18.4 %	\$638.3	17.1 %
New video game software	300.9	18.3	369.3	21.9	767.6	21.4	889.8	23.8
Pre-owned and value video game products	452.1	27.5	501.8	29.7	947.8	26.5	1,028.0	27.5
Video game accessories	187.3	11.4	144.1	8.5	386.4	10.8	320.2	8.6
Digital	40.2	2.4	46.5	2.8	83.2	2.3	90.6	2.4
Technology Brands ⁽²⁾	168.9	10.3	188.3	11.2	337.9	9.4	389.7	10.4
Collectibles	141.7	8.6	122.5	7.3	284.1	7.9	237.0	6.4
Other ⁽³⁾	57.3	3.4	66.7	3.9	116.2	3.3	139.9	3.8
Total	\$1,646.7	100.0 %	\$1,687.6	100.0 %	\$3,580.7	100.0 %	\$3,733.5	100.0 %

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	13 Weeks Ended				26 Weeks Ended			
	August 4, 2018		July 29, 2017		August 4, 2018		July 29, 2017	
	Gross Profit	Gross Profit Percent	Gross Profit	Gross Profit Percent	Gross Profit	Gross Profit Percent	Gross Profit	Gross Profit Percent
New video game hardware ⁽¹⁾	\$34.6	11.6 %	\$26.7	10.7 %	\$69.8	10.6 %	\$64.8	10.2 %
New video game software	67.9	22.6	81.8	22.2	166.7	21.7	195.5	22.0
Pre-owned and value video game products	197.5	43.7	225.6	45.0	418.1	44.1	479.3	46.6
Video game accessories	62.7	33.5	47.7	33.1	130.2	33.7	103.6	32.4
Digital	36.3	90.3	37.9	81.5	74.5	89.5	74.0	81.7
Technology Brands ⁽²⁾	132.4	78.4	138.9	73.8	264.0	78.1	283.5	72.7
Collectibles	45.1	31.8	43.2	35.3	90.9	32.0	78.4	33.1
Other ⁽³⁾	19.6	34.2	21.9	32.8	39.2	33.7	47.1	33.7
Total	\$596.1	36.2 %	\$623.7	37.0 %	\$1,253.4	35.0 %	\$1,326.2	35.5 %

(1) Includes sales of hardware bundles, in which physical hardware and digital or physical software are sold together as a single SKU.

(2) Includes mobile and consumer electronics sold through our Technology Brands segment, which includes the operations of our Spring Mobile managed AT&T stores, Simply Mac stores and Cricket Wireless branded stores, which were sold in January 2018.

(3) Includes sales of PC entertainment software, interactive game figures, strategy guides, mobile and consumer electronics sold through our Video Game Brands segments, and revenues from PowerUp Pro loyalty members receiving our Game Informer magazine in print form.

13 weeks ended August 4, 2018 compared with the 13 weeks ended July 29, 2017

	13 Weeks Ended		Change	
	August 4, 2018	July 29, 2017	\$	%
	(\$ in millions)			
Net sales	\$1,646.7	\$1,687.6	\$(40.9)	(2.4)%
Cost of sales	1,050.6	1,063.9	(13.3)	(1.3)
Gross profit	596.1	623.7	(27.6)	(4.4)
Selling, general and administrative expenses	542.3	542.4	(0.1)	—
Depreciation and amortization	32.2	37.7	(5.5)	(14.6)
Operating earnings	21.6	43.6	(22.0)	(50.5)
Interest expense, net	13.9	14.4	(0.5)	(3.5)
Earnings before income tax expense	7.7	29.2	(21.5)	(73.6)
Income tax expense	32.6	7.0	25.6	365.7
Net (loss) income	\$(24.9)	\$22.2	\$(47.1)	(212.2)%

	13 Weeks Ended		Change	
	August 4, 2018	July 29, 2017	\$	%
	(\$ in millions)			
Net Sales:				
New video game hardware ⁽¹⁾	\$298.3	\$248.4	\$49.9	20.1 %
New video game software	300.9	369.3	(68.4)	(18.5)
Pre-owned and value video game products	452.1	501.8	(49.7)	(9.9)
Video game accessories	187.3	144.1	43.2	30.0
Digital	40.2	46.5	(6.3)	(13.5)
Technology Brands ⁽²⁾	168.9	188.3	(19.4)	(10.3)
Collectibles	141.7	122.5	19.2	15.7

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Other ⁽³⁾	57.3	66.7	(9.4)	(14.1)
Total	\$1,646.7	\$1,687.6	\$(40.9)	(2.4)%

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	13 Weeks Ended		Change	
	August 4, 2018	July 29, 2017	\$	%
Gross Profit:	(\$ in millions)			
New video game hardware ⁽¹⁾	\$34.6	\$26.7	\$7.9	29.6 %
New video game software	67.9	81.8	(13.9)	(17.0)
Pre-owned and value video game products	197.5	225.6	(28.1)	(12.5)
Video game accessories	62.7	47.7	15.0	31.4
Digital	36.3	37.9	(1.6)	(4.2)
Technology Brands ⁽²⁾	132.4	138.9	(6.5)	(4.7)
Collectibles	45.1	43.2	1.9	4.4
Other ⁽³⁾	19.6	21.9	(2.3)	(10.5)
Total	\$596.1	\$623.7	\$(27.6)	(4.4)%

(1) Includes sales of hardware bundles, in which physical hardware and digital or physical software are sold together as a single SKU.

(2) Includes mobile and consumer electronics sold through our Technology Brands segment, which includes the operations of our Spring Mobile managed AT&T stores, Simply Mac stores and Cricket Wireless branded stores, which were sold in January 2018.

(3) Includes sales of PC entertainment software, interactive game figures, strategy guides, mobile and consumer electronics sold through our Video Game Brands segments, and revenues from PowerUp Pro loyalty members receiving our Game Informer magazine in print form.

Net Sales

Net sales decreased \$40.9 million, or 2.4%, for the 13 weeks ended August 4, 2018 compared to the 13 weeks ended July 29, 2017. The decrease in net sales was primarily attributable to a decline in comparable store sales of 0.5% in our Video Games Brands stores and a \$19.4 million decline in our Technology Brands segment. These decreases were partially offset by the positive impact of foreign exchange rate fluctuations of \$7.3 million. The decrease in comparable store sales was primarily driven by a decrease in sales of new video game software and pre-owned and value video game products, which were partially offset by an increase in sales of new video game hardware, collectibles and video game accessories. The increase in sales of collectibles is a result of the Company's continued efforts to grow this category through additional exclusive products and expansion of square footage in stores.

The decrease in net sales was due to the following:

New video game software sales decreased \$68.4 million, or 18.5%, for the 13 weeks ended August 4, 2018 compared to the 13 weeks ended July 29, 2017, primarily due to weaker new title releases in the current year quarter, which was partially offset by an increase in sales of Nintendo Switch titles due to the expansion of the hardware install base.

Pre-owned and value video game product sales decreased \$49.7 million, or 9.9%, for the 13 weeks ended August 4, 2018 compared to the 13 weeks ended July 29, 2017, primarily due to weaker new title releases.

Technology Brands sales decreased \$19.4 million, or 10.3%, for the 13 weeks ended August 4, 2018 compared to the 13 weeks ended July 29, 2017. The decrease is primarily due to a lower store count in the current year quarter compared to the same period in the prior year. The store count of our Technology Brands stores decreased to 1,336 as of August 4, 2018 from 1,509 as of July 29, 2017 as a result of right-sizing our store portfolio.

The decreases described above were partially offset by the following:

New video game hardware sales increased \$49.9 million, or 20.1%, for the 13 weeks ended August 4, 2018 compared to the 13 weeks ended July 29, 2017, primarily driven by strong sales of the Microsoft Xbox One X, Nintendo Switch and retro consoles.

Video game accessories sales increased \$43.2 million, or 30.0%, for the 13 weeks ended August 4, 2018 compared to the 13 weeks ended July 29, 2017, due to growth in sales of audio-related and other accessories primarily associated

with the battle royale gaming genre.

Collectibles sales increased \$19.2 million, or 15.7%, for the 13 weeks ended August 4, 2018 compared to the 13 weeks ended July 29, 2017, primarily due to the growth of collectibles sales in our Video Game Brands stores.

Cost of Sales

Cost of sales decreased \$13.3 million, or 1.3%, for the 13 weeks ended August 4, 2018 compared to the 13 weeks ended July 29, 2017, primarily as a result of the change in net sales discussed above as well as the changes in gross profit discussed below.

Table of Contents**Gross Profit**

Gross profit decreased \$27.6 million, or 4.4%, for the 13 weeks ended August 4, 2018 compared to the 13 weeks ended July 29, 2017, and gross profit as a percentage of net sales declined to 36.2% in the current year quarter compared to 37.0% in the prior year quarter. The decrease in gross profit was primarily driven by decreases of \$28.1 million in pre-owned and value video game products, \$13.9 million of new video game software, and \$6.5 million in Technology Brands, partially offset by increases in video game accessories of \$15.0 million and new video game hardware of \$7.9 million.

The net decrease in gross profit as a percentage of net sales was primarily due to a shift in mix between product categories, partially offset by an increase in Technology Brands gross margin to 78.4% in the 13 weeks ended August 4, 2018 from 73.8% in the 13 weeks ended July 29, 2017, primarily due to a shift in mix to higher margin devices.

Selling, General and Administrative Expenses

SG&A was \$542.3 million for the 13 weeks ended August 4, 2018 which was flat compared to \$542.4 million for the 13 weeks ended July 29, 2017. SG&A for the 13 weeks ended July 29, 2017 included a \$7.3 million gain on the sale of Kongregrate.

Income Tax Expense

Income tax expense was \$32.6 million for the 13 weeks ended August 4, 2018 compared to \$7.0 million for the 13 weeks ended July 29, 2017. Income tax expense for the current year quarter includes a \$29.6 million charge associated with the tax dispute in France; see Note 7, "Commitments and Contingencies," to our unaudited consolidated financial statements for additional information. Excluding this charge, our adjusted effective income tax rate was 39.0% in the current year quarter compared to an effective tax rate of 24.0% in the prior year quarter. The increase in the adjusted effective income tax rate compared to the same period in the prior year was primarily driven by certain discrete tax items recognized in the current quarter and the relative mix of earnings across the jurisdictions within which we operate. The current period discrete items offset the effect of a lower statutory tax rate in the United States which became effective in January 2018.

Operating Earnings and Net (Loss) Income

The factors described above led to operating earnings of \$21.6 million for the 13 weeks ended August 4, 2018, or a \$22.0 million decrease from operating earnings of \$43.6 million for the 13 weeks ended July 29, 2017. Net loss was \$24.9 million for the 13 weeks ended August 4, 2018, compared to net income of \$22.2 million for the 13 weeks ended July 29, 2017.

26 weeks ended August 4, 2018 compared with the 26 weeks ended July 29, 2017

	26 Weeks Ended		Change	
	August	July 29,	\$	%
	4, 2018	2017		
	(\$ in millions)			
Net sales	\$3,580.7	\$3,733.5	\$(152.8)	(4.1)%
Cost of sales	2,327.3	2,407.3	(80.0)	(3.3)
Gross profit	1,253.4	1,326.2	(72.8)	(5.5)
Selling, general and administrative expenses	1,108.4	1,105.9	2.5	0.2
Depreciation and amortization	66.3	75.6	(9.3)	(12.3)
Operating earnings	78.7	144.7	(66.0)	(45.6)
Interest expense, net	27.6	28.3	(0.7)	(2.5)
Earnings before income tax expense	51.1	116.4	(65.3)	(56.1)
Income tax expense	47.8	35.2	12.6	35.8
Net income	\$3.3	\$81.2	\$(77.9)	(95.9)%

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	26 Weeks Ended		Change	
	August 4, 2018	July 29, 2017	\$	%
Net Sales:	(\$ in millions)			
New video game hardware ⁽¹⁾	\$657.5	\$638.3	\$19.2	3.0 %
New video game software	767.6	889.8	(122.2)	(13.7)
Pre-owned and value video game products	947.8	1,028.0	(80.2)	(7.8)
Video game accessories	386.4	320.2	66.2	20.7
Digital	83.2	90.6	(7.4)	(8.2)
Technology Brands ⁽²⁾	337.9	389.7	(51.8)	(13.3)
Collectibles	284.1	237.0	47.1	19.9
Other ⁽³⁾	116.2	139.9	(23.7)	(16.9)
Total	\$3,580.7	\$3,733.5	\$(152.8)	(4.1)%
	26 Weeks Ended		Change	
	August 4, 2018	July 29, 2017	\$	%
Gross Profit:	(\$ in millions)			
New video game hardware ⁽¹⁾	\$69.8	\$64.8	\$5.0	7.7 %
New video game software	166.7	195.5	(28.8)	(14.7)
Pre-owned and value video game products	418.1	479.3	(61.2)	(12.8)
Video game accessories	130.2	103.6	26.6	25.7
Digital	74.5	74.0	0.5	0.7
Technology Brands ⁽²⁾	264.0	283.5	(19.5)	(6.9)
Collectibles	90.9	78.4	12.5	15.9
Other ⁽³⁾	39.2	47.1	(7.9)	(16.8)
Total	\$1,253.4	\$1,326.2	\$(72.8)	(5.5)%

(1) Includes sales of hardware bundles, in which physical hardware and digital or physical software are sold together as a single SKU.

(2) Includes mobile and consumer electronics sold through our Technology Brands segment, which includes the operations of our Spring Mobile managed AT&T stores, Simply Mac stores and Cricket Wireless branded stores, which were sold in January 2018.

(3) Includes sales of PC entertainment software, interactive game figures, strategy guides, mobile and consumer electronics sold through our Video Game Brands segments, and revenues from PowerUp Pro loyalty members receiving Game Informer magazine in print form.

Net Sales

Net sales decreased \$152.8 million, or 4.1%, for the 26 weeks ended August 4, 2018 compared to the 26 weeks ended July 29, 2017. The decrease in net sales was primarily attributable to a decrease in comparable store sales of 3.2% in our Video Games Brands stores and a \$51.8 million decline in our Technology Brands segment, partially offset by the positive impact of foreign exchange rate fluctuations of \$49.7 million. The decrease in comparable store sales was driven by a decrease in sales of new video game software and pre-owned and value video game products, which were partially offset by the increase in sales of video game accessories and collectibles. The increase in sales of collectibles is a result of the Company's continued efforts to grow this category through additional exclusive products and expansion of square footage in stores.

The decrease in net sales was due to the following:

• New video game software sales decreased \$122.2 million, or 13.7%, for the 26 weeks ended August 4, 2018 compared to the 26 weeks ended July 29, 2017, primarily due to weaker new title releases in the current year period, which was partially offset by an increase in sales of Nintendo Switch titles due to the expansion of the hardware

install base.

Pre-owned and value video game product sales decreased \$80.2 million, or 7.8%, for the 26 weeks ended August 4, 2018 compared to the 26 weeks ended July 29, 2017, primarily due to weaker new title releases.

Technology Brands sales decreased \$51.8 million, or 13.3%, for the 26 weeks ended August 4, 2018 compared to the 26 weeks ended July 29, 2017, primarily due to a lower store count in the current year period and changes to our dealer compensation structure that occurred in April of the prior year. The store count of our Technology Brands stores decreased to 1,336 as of August 4, 2018 from 1,509 as of July 29, 2017 as a result of right-sizing our store portfolio.

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The decreases described above were partially offset by the following:

Video game accessories sales increased \$66.2 million, or 20.7%, for the 26 weeks ended August 4, 2018 compared to the 26 weeks ended July 29, 2017, due to growth in sales of audio-related and other accessories primarily associated with the battle royale gaming genre.

Collectibles sales increased \$47.1 million, or 19.9%, for the 26 weeks ended August 4, 2018 compared to the 26 weeks ended July 29, 2017, due to the growth of collectibles sales in our Video Game Brands stores.

Cost of Sales

Cost of sales decreased \$80.0 million, or 3.3%, for the 26 weeks ended August 4, 2018 compared to the 26 weeks ended July 29, 2017, primarily as a result of the change in net sales discussed above as well as the changes in gross profit discussed below.

Gross Profit

Gross profit decreased \$72.8 million, or 5.5%, for the 26 weeks ended August 4, 2018 compared to the 26 weeks ended July 29, 2017, and gross profit as a percentage of net sales was 35.0% in the current year period compared to 35.5% in the same period in the prior year. The decrease in gross profit was driven by decreases of \$61.2 million in pre-owned and value video game products, \$28.8 million in new video game software and \$19.5 million in Technology Brands. These decreases were partially offset by increases of \$26.6 million in video game accessories and \$12.5 million in collectibles.

The net decrease in gross profit as a percentage of net sales was primarily due to a shift in mix between product categories, partially offset by an increase in Technology Brands gross margin to 78.1% in the 26 weeks ended August 4, 2018 from 72.7% in the 26 weeks ended July 29, 2017, primarily due to a shift in mix to higher margin devices.

Selling, General and Administrative Expenses

SG&A increased \$2.5 million, or 0.2%, for the 26 weeks ended August 4, 2018 compared to the 26 weeks ended July 29, 2017. Excluding the impact of foreign exchange rate fluctuations, SG&A decreased approximately \$12.8 million when compared to the prior year period.

Income Tax Expense

Income tax expense was \$47.8 million for the 26 weeks ended August 4, 2018, compared to \$35.2 million for the 26 weeks ended July 29, 2017. Income tax expense for the current year period includes a \$29.6 million charge associated with the tax dispute in France; see Note 7, "Commitments and Contingencies," to our unaudited consolidated financial statements for additional information. Excluding this charge, our adjusted effective income tax rate is 35.6% in the current year period compared to an effective tax rate of 30.2% in the same period in the prior year. The increase in the effective income tax rate compared to the same period in the prior year was primarily driven by certain discrete tax items recognized in the current quarter and the relative mix of earnings across the jurisdictions within which we operate. The current period discrete items offset the effect of a lower statutory tax rate in the United States which became effective in January 2018.

Operating Earnings and Net Income

The factors described above led to operating earnings of \$78.7 million for the 26 weeks ended August 4, 2018, or a 45.6% decrease from operating earnings of \$144.7 million for the 26 weeks ended July 29, 2017. Net income decreased to \$3.3 million for the 26 weeks ended August 4, 2018, from net income of \$81.2 million for the 26 weeks ended July 29, 2017.

SEGMENT PERFORMANCE

We report our business in the following segments: Video Game Brands, which consists of four geographic segments in the United States, Canada, Australia and Europe, and Technology Brands. We identified these segments based on a combination of geographic areas, the methods with which we analyze performance, the way in which our sales and profits are derived and how we divide management responsibility. Our sales and profits are driven through our physical stores, which are highly integrated with our e-commerce, digital and mobile businesses. Due to this integration, our physical stores are the basis for our segment reporting. Each of the Video Game Brands segments consists primarily of retail operations, with all stores engaged in the sale of new and pre-owned video game hardware, software and accessories (which we refer to as video game products), new and pre-owned mobile devices, related accessories and collectibles. These products are substantially the same regardless of geographic location, with the

primary differences in merchandise carried being the timing of the release of new products or technologies in the various segments.

With our presence in international markets, we have operations in several foreign currencies, including the Euro, Australian dollar, New Zealand dollar, Canadian dollar, Swiss franc, Danish kroner, Swedish krona, and the Norwegian kroner.

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Operating earnings (loss) by operating segment, defined as income (loss) from operations before intercompany royalty fees, net interest expense and income taxes, and net sales by reportable unit in U.S. dollars were as follows (in millions):

13 weeks ended August 4, 2018 compared with the 13 weeks ended July 29, 2017

As of and for the 13 Weeks Ended August 4, 2018	United States	Canada	Australia	Europe	Technology Brands	Consolidated
Net sales	\$1,018.2	\$74.5	\$136.4	\$248.7	\$168.9	\$1,646.7
Operating earnings (loss)	\$23.3	\$(3.3)	\$0.5	\$(19.2)	\$20.3	\$21.6
Segment operating data:						
Store count	3,840	317	467	1,232	1,336	7,192
Comparable store sales ⁽¹⁾	2.4	% 6.2	% (5.6)	% (10.1)	% n/a	(0.5)%
As of and for the 13 Weeks Ended July 29, 2017	United States	Canada	Australia	Europe	Technology Brands	Consolidated
Net sales	\$1,017.8	\$69.9	\$145.3	\$266.3	\$188.3	\$1,687.6
Operating earnings (loss)	\$37.2	\$(0.3)	\$3.1	\$(11.4)	\$15.0	\$43.6
Segment operating data:						
Store count	3,913	321	467	1,270	1,509	7,480
Comparable store sales ⁽¹⁾	(1.4)	% 8.8	% 8.4	% 10.7	% n/a	1.9%

Our Technology Brands stores are excluded from the calculation of comparable store sales as we do not consider it to be a meaningful metric in evaluating their performance due to the frequently changing nature of revenue streams and commission structures associated with this segment of our business. Instead, we measure the performance of our Technology Brands stores by using comparable store gross profit, which is calculated using a similar methodology as comparable store sales, but replacing sales with gross profit in the calculation. During the 13 weeks ended August 4, 2018, comparable store gross profit for our Technology Brands stores declined 1.2%.

Video Game Brands

United States

Segment results for Video Game Brands in the United States include retail GameStop operations in 50 states, the District of Columbia and Guam, the electronic commerce websites www.gamestop.com and www.thinkgeek.com, and Game Informer magazine; and Kongregate, a web and mobile gaming platform that we sold in July 2017. Net sales for the 13 weeks ended August 4, 2018 remained flat compared to the 13 weeks ended July 29, 2017. Comparable store sales increased by 2.4% which was offset by the impact of the divestiture of Kongregate in the prior year. The increase in comparable store sales was primarily the result of increases in sales of new video game hardware, video game accessories, and collectibles. These increases were partially offset by decreases in sales of new video game software and pre-owned and value video game products. Operating earnings for the 13 weeks ended August 4, 2018 decreased \$13.9 million compared to the prior year quarter, primarily due to a decline in gross profit as a result of a shift in product mix to lower margin categories, which was partially offset by reductions in SG&A.

Canada

Segment results for Canada include retail and e-commerce operations in Canada. Net sales in the Canadian segment for the 13 weeks ended August 4, 2018 increased \$4.6 million, or 6.6%, compared to the 13 weeks ended July 29, 2017, driven by a 6.2% increase in comparable store sales. The increase in comparable store sales was primarily the result of increases in sales of new video game hardware, collectibles and video game accessories, which were partially offset by the decrease in sales of pre-owned and value video game products and new video game software. Operating loss for the 13 weeks ended August 4, 2018 increased by \$3.0 million to \$3.3 million, as a result of a decline in gross profit due to a shift in product mix to lower margin categories and higher SG&A.

Australia

Segment results for Australia include retail and e-commerce operations in Australia and New Zealand. Net sales in the Australia segment for the 13 weeks ended August 4, 2018 decreased \$8.9 million, or 6.1%, compared to the 13 weeks ended July 29, 2017 driven by a decrease in comparable store sales of 5.6%. The decrease in comparable store sales

was primarily due to a decrease in sales of new video game software, partially offset by an increase in sales of new video game hardware and video game accessories. Operating earnings decreased by \$2.6 million compared to the prior year quarter to \$0.5 million for the 13 weeks ended August 4, 2018 due to the decline in sales.

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Europe

Segment results for Europe include retail and e-commerce operations in 10 European countries. Net sales in the European segment for the 13 weeks ended August 4, 2018 decreased \$17.6 million, or 6.6%, compared to the 13 weeks ended July 29, 2017 driven by a decrease in comparable store sales of 10.1%, partially offset by the positive impact of foreign exchange rate fluctuations of \$8.8 million. The decrease in comparable store sales was primarily due to decreases in sales of new video game hardware, new video game software and pre-owned and value video game products. These decreases were partially offset by an increase in sales of collectibles and video game accessories. Operating loss for the 13 weeks ended August 4, 2018 increased \$7.8 million to \$19.2 million compared to the prior year quarter, primarily due to the decline in sales. The decline in sales was partially driven by the successful launch of the Nintendo Switch in the prior year period, where the Europe segment received a stronger allocation of units relative to our other international segments.

Technology Brands

Segment results for the Technology Brands segment include our Spring Mobile managed AT&T and Cricket Wireless branded stores and our Simply Mac business. We sold our Cricket Wireless branded stores in January 2018. Net sales for the 13 weeks ended August 4, 2018 decreased \$19.4 million, or 10.3%, compared to the prior year quarter driven by a lower store count in the current year quarter. Comparable store gross profit declined by 1.2% primarily due to lower store traffic. Operating earnings for the 13 weeks ended August 4, 2018 increased \$5.3 million compared to the prior year quarter as a result of the closures of lower-performing stores as a result of right-sizing our store portfolio. 26 weeks ended August 4, 2018 compared with the 26 weeks ended July 29, 2017

As of and for the 26 Weeks Ended August 4, 2018	United States	Canada	Australia	Europe	Technology Brands	Consolidated
Net sales	\$2,290.6	\$156.4	\$258.5	\$537.3	\$ 337.9	\$3,580.7
Operating earnings (loss)	\$91.4	\$(3.6)	\$(7.1)	\$(32.1)	\$ 30.1	\$78.7
Segment operating data:						
Store count	3,840	317	467	1,232	1,336	7,192
Comparable store sales ⁽¹⁾	(0.5)%	(5.3)%	(10.2)%	(9.8)%	n/a	(3.2)%
As of and for the 26 Weeks Ended July 29, 2017	United States	Canada	Australia	Europe	Technology Brands	Consolidated
Net sales	\$2,357.3	\$159.8	\$282.0	\$544.7	\$ 389.7	\$3,733.5
Operating earnings (loss)	\$123.1	\$1.9	\$4.9	\$(11.3)	\$ 26.1	\$144.7
Segment operating data:						
Store count	3,913	321	467	1,270	1,509	7,480
Comparable store sales ⁽¹⁾	(2.0)%	13.6 %	13.0 %	13.6 %	n/a	2.1 %

Our Technology Brands stores are excluded from the calculation of comparable store sales as we do not consider it to be a meaningful metric in evaluating their performance due to the frequently changing nature of revenue streams and commission structures associated with this segment of our business. Instead, we measure the performance of (1) our Technology Brands stores by using comparable store gross profit, which is calculated using a similar methodology as comparable store sales, but replacing sales with gross profit in the calculation. During the 26 weeks ended August 4, 2018, comparable store gross profit for our Technology Brands stores declined 4.4%.

Video Game Brands

United States

Segment results for Video Game Brands in the United States include retail GameStop operations in 50 states, the District of Columbia and Guam, the electronic commerce websites www.gamestop.com and www.thinkgeek.com, Game Informer magazine and Kongregate, a platform for web and mobile gaming which we sold in July 2017. Net sales for the 26 weeks ended August 4, 2018 decreased \$66.7 million, or 2.8%, compared to the 26 weeks ended July 29, 2017, primarily due to a 0.5% decrease in comparable store sales and the impact of the divestiture of Kongregate. The decrease in comparable store sales was primarily the result of a decrease in sales of pre-owned and value video game products and new video game software, partially offset by an increase in sales of new video game hardware,

video game accessories and collectibles. Operating earnings for the 26 weeks ended August 4, 2018 decreased by \$31.7 million compared to the prior year period. The decrease in operating earnings was primarily the result of a decrease in gross profit due to a shift in product mix to lower margin product categories, which was partially offset by reductions in SG&A.

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Canada

Segment results for Canada include retail and e-commerce operations in Canada. Net sales in the Canadian segment for the 26 weeks ended August 4, 2018 decreased \$3.4 million, or 2.1%, compared to the 26 weeks ended July 29, 2017, primarily due to a 5.3% decrease in comparable store sales, partially offset by the positive impact of foreign exchange rate fluctuations of \$4.2 million. This decrease in comparable store sales was driven by a decline of sales in new video game software and pre-owned and value video game products, partially offset by an increase in sales of collectibles. Operating loss for the 26 weeks ended August 4, 2018 totaled \$3.6 million compared to operating earnings of \$1.9 million in the same period of the prior year. The decrease in operating earnings is due to the decline in comparable store sales as well as higher SG&A.

Australia

Segment results for Australia include retail and e-commerce operations in Australia and New Zealand. Net sales in the Australian segment for the 26 weeks ended August 4, 2018 decreased \$23.5 million, or 8.3%, compared to the 26 weeks ended July 29, 2017 driven by a decrease in comparable store sales of 10.2%. The decrease in comparable store sales was primarily due to a decline in sales of new video game software, pre-owned and value video game products and new video game hardware. Operating loss for the 26 weeks ended August 4, 2018 was \$7.1 million compared to operating earnings of \$4.9 million for the 26 weeks ended July 29, 2017 mainly as a result of the decline in sales.

Europe

Segment results for Europe include retail operations and e-commerce operations in 10 European countries. Net sales in the European segment for the 26 weeks ended August 4, 2018 decreased \$7.4 million, or 1.4%, compared to the 26 weeks ended July 29, 2017, driven by a decrease in comparable store sales of 9.8%, which was partially offset by the positive impact of foreign exchange rate fluctuations of \$45.6 million. The decrease in comparable store sales was primarily due to a decline in sales of new video game hardware, new video game software and pre-owned and value video game products. These decreases were partially offset by increases in sales of collectibles and video game accessories. Operating loss for the 26 weeks ended August 4, 2018 increased \$20.8 million primarily due to the decline in sales. The decline in sales was partially driven by the successful launch of the Nintendo Switch in the prior year period, where the Europe segment received a stronger allocation of units relative to our other international segments.

Technology Brands

Segment results for the Technology Brands segment include our Spring Mobile managed AT&T and Cricket Wireless branded stores and our Simply Mac business. We sold our Cricket Wireless branded stores in January 2018. Net sales for the 26 weeks ended August 4, 2018 decreased \$51.8 million, or 13.3%, compared to the 26 weeks ended July 29, 2017, primarily due to a lower store count in the current year period and changes to our dealer compensation structure that occurred in April of the prior year. Comparable store gross profit declined by 4.4% driven by the changes to our dealer compensation structure and a decline in store traffic. Operating earnings for the 26 weeks ended August 4, 2018 increased \$4.0 million compared to the prior year period. The increase is primarily due to the closures of lower-performing stores as a result of right-sizing our store portfolio, partially offset by the the impact of the changes to our dealer compensation structure.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Based on our current operating plans, we believe that available cash balances, cash generated from our operating activities and funds available under our \$420.0 million asset-based revolving credit facility together will provide sufficient liquidity to fund our operations, store openings and remodeling activities and corporate capital allocation programs, including acquisitions, share or debt repurchases, and the payment of dividends declared by the Board of Directors, for at least the next 12 months.

As of August 4, 2018, we had total cash on hand of \$279.6 million and an additional \$407.7 million of available borrowing capacity under our revolving credit facility.

On an ongoing basis, we evaluate and consider strategic acquisitions, divestitures, repurchasing shares of our common stock or our outstanding debt obligations, as well as other transactions that we believe may enhance stockholder value. On September 6, 2018, we announced that our Board of Directors is conducting a comprehensive review of strategic

and financial alternatives to enhance stockholder value, including, but not limited to, a potential sale of the Company. There can be no assurance that this review will result in any specific transaction. The amount, nature and timing of any potential transaction will depend on our operating performance and other circumstances; our then-current commitments and obligations; the amount, nature and timing of our capital requirements; any limitations imposed by our current credit arrangements; and overall market conditions.

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Cash Flows

During the 26 weeks ended August 4, 2018, cash used in operations was \$429.9 million, compared to cash used in operations of \$311.7 million during the 26 weeks ended July 29, 2017. The increase in cash used in operations of \$118.2 million was primarily attributable to the decrease in net income and timing of vendor payments.

Cash used in investing activities was \$37.8 million during the 26 weeks ended August 4, 2018, compared to \$0.6 million during the the 26 weeks ended July 29, 2017. The \$37.2 million increase in cash used in investing activities is primarily attributable to net proceeds of \$54.7 million from the sale of Kongregate in the prior year period.

Cash used in financing activities was \$96.3 million during the 26 weeks ended August 4, 2018, compared to \$103.5 million during the 26 weeks ended July 29, 2017. The change is primarily due to payments for repurchases of common shares made in the prior year period of \$22.0 million, partially offset by \$12.2 million in repayments of acquisition-related debt in the current year period.

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 initiatives. Our cash and cash equivalents are carried at cost and consist primarily of time deposits with commercial banks.

On November 20, 2017, we entered into a second amendment to our asset-based revolving credit facility (the "Amended Revolver"). The Amended Revolver increased the borrowing base capacity to \$420 million and extended the maturity date from March 2019 to November 2022. The Amended Revolver maintains the \$200 million expansion feature and \$50 million letter of credit sublimit, and allows for an incremental \$50 million first-in, last-out facility. The applicable margins for prime rate loans were reduced from a range of 0.25% to 0.75% to a range of 0.25% to 0.50% and, for London Interbank Offered ("LIBO") rate loans, reduced from a range of 1.25% to 1.75% to a range of 1.25% to 1.50%. Other terms and covenants under the Amended Revolver remain substantially unchanged. We are required to pay a commitment fee of 0.25% for any unused portion of the total commitment under the Amended Revolver. As of August 4, 2018, our applicable margins were 0.25% for prime rate loans and 1.25% for LIBO rate loans. As of August 4, 2018, total availability under the Amended Revolver was \$407.7 million, with no outstanding borrowings and outstanding standby letters of credit of \$12.3 million.

In March 2016, we issued \$475.0 million aggregate principal amount of unsecured 6.75% senior notes due March 15, 2021 (the "2021 Senior Notes"). Interest is payable semi-annually in arrears on March 15 and September 15 of each year. The net proceeds from the offering were used for general corporate purposes, including acquisitions and dividends.

In September 2014, we issued \$350.0 million aggregate principal amount of unsecured 5.50% senior notes due October 1, 2019 (the "2019 Senior Notes," and together with the 2021 Senior Notes, the "Senior Notes"). Interest is payable semi-annually in arrears on April 1 and October 1 of each year. The net proceeds from the offering were used for general corporate purposes, including acquisitions and dividends.

The agreement governing our Amended Revolver and the indentures governing our Senior Notes place certain restrictions on us and our subsidiaries, including, among others, limitations on asset sales, additional liens, investments, incurrence of additional debt and share repurchases. In addition, the indentures governing our Amended Revolver and Senior Notes contain customary events of default, including, among others, payment defaults, breaches of covenants and certain events of bankruptcy, insolvency and reorganization. The Amended Revolver is also subject to a fixed charge coverage ratio covenant if excess availability is below certain thresholds. We are currently in compliance with all covenants under our indentures governing the Senior Notes and our Amended Revolver.

See Note 6, "Debt," to our consolidated financial statements for additional information related to our Amended Revolver and Senior Notes.

Our Luxembourg subsidiary maintains 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 is available to our 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 August 4, 2018, there were no cash overdrafts outstanding under the Line of Credit and bank guarantees outstanding totaled \$14.4 million.

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Uses of Capital

In fiscal 2018, our capital expenditures are projected to be approximately \$110.0 million to \$120.0 million, primarily related to store remodels and our distribution and information systems. We plan to fund these capital expenditures from cash on hand and cash provided by operations.

On March 20, 2018 and June 26, 2018, we made quarterly dividend payments of \$0.38 per share of Class A Common Stock to stockholders. Additionally, on September 4, 2018, our Board of Directors approved a quarterly cash dividend to our stockholders of \$0.38 per share of Class A Common Stock payable on October 2, 2018 to stockholders of record at the close of business on September 18, 2018. Future dividends will be subject to approval by our Board of Directors.

CRITICAL ACCOUNTING POLICIES

Our unaudited 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 us 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 "Part II—Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2017 Annual Report on Form 10-K. Other than the adoption of Accounting Standard Update 2014-09, as described in Note 1, "General Information," to our unaudited condensed consolidated financial statements, there have been no material changes to our critical accounting policies from those included in our 2017 Annual Report on Form 10-K.

As disclosed in the 2017 Annual Report on Form 10-K, considerable judgment is necessary to estimate the fair value of goodwill and indefinite-lived intangible assets associated with our reporting units. As of August 4, 2018, there are no indicators of material impairment present. However, changes in the assumptions previously used in the discounted cash flow analyses, including sales trends, operating margins expectations, planned capital expenditures and discount rates may result in different estimated fair values that could result in material impairment charges. In addition, sustained declines in our stock price and related market capitalization could impact key assumptions in the overall estimated fair values of our reporting units and could result in material impairment charges.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

See Note 1 to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for a description of recent accounting pronouncements, including the expected dates of adoption and estimated effects, if any, on our consolidated financial statements.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and other oral and written statements made by us to the public contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 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. Please refer to the "Disclosure Regarding Forward-looking Statements" and "Risk Factors" sections in our 2017 Annual Report on Form 10-K as well as Item 1A of Part II of this Quarterly Report on Form 10-Q for a description of these risks and uncertainties.

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 Quarterly Report on Form 10-Q. In light of these risks and uncertainties, the forward-looking events and circumstances contained in this Quarterly Report on Form 10-Q may not occur, causing actual results to differ materially from those anticipated or implied by our forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our quantitative and qualitative disclosures about market risk as set forth in our 2017 Annual Report on Form 10-K.

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ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, our management conducted an evaluation, under the supervision and with the participation of the principal executive officer and principal financial officer, of our 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, our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and that our 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 our periodic reports.

Changes in Internal Control Over Financial Reporting

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

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

Certain of our French subsidiaries have been under audit by the French Tax Administration (the "FTA") for fiscal years 2008 through 2015. We received tax reassessment notices pursuant to which the FTA asserted that the French subsidiaries were ineligible to claim certain tax deductions from November 4, 2008, through January 31, 2013, which has resulted in a tax collection notice received on January 16, 2018 in the amount of approximately €80.0 million. We may receive additional tax reassessments in material amounts for subsequent fiscal years. We filed a response to each reassessment and intend to continue to vigorously contest this matter if we are unable to resolve it through a settlement. We recorded a \$29.6 million charge during the 13 weeks ended August 4, 2018. If we are ultimately unable to settle the case, we will pursue judicial remedies and believe in such case our tax position will be sustained. If we were not to prevail, then the adjustment to our income tax provision could be material.

ITEM 1A. RISK FACTORS

You should carefully consider the factors discussed in "Item 1A. Risk Factors" in our 2017 Annual Report on Form 10-K. These risks could materially and adversely affect our business, financial condition and results of operations. Other than the risk factor described below, there have been no material changes from the risk factors disclosed in our 2017 Annual Report on Form 10-K.

We are exploring strategic and financial alternatives, but there can be no assurance that we will be successful in identifying or consummating any strategic or financial alternatives, that such alternatives will result in additional value for stockholders, or that exploration of such alternatives will not adversely impact the Company.

On September 6, 2018, we announced that our Board of Directors is conducting a comprehensive review of strategic and financial alternatives to enhance stockholder value, including, but not limited to, a potential sale of the Company. There can be no assurance that this review will result in any specific transaction and we undertake no obligation to provide further updates with respect to the review.

The price of our common stock may be subject to fluctuation in response to developments relating to our review of strategic and financial alternatives. In addition, the review process may be disruptive to our business. Activities relating to the review and related uncertainties could divert the attention of our management from their day-to-day business and could have a negative impact on our ability to retain and attract qualified employees. Further, our ability to attract and retain key personnel may be impaired. If we are unable to effectively manage these risks, our business,

financial condition or results of operations may be adversely impacted.

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ITEM 6. EXHIBITS

Exhibit Number	Description	Previously Filed as an Exhibit to and Incorporated by Reference From	Date Filed
10.1	<u>Letter Agreement with Shane S. Kim dated May 31, 2018. *</u>	Current Report on Form 8-K	June 4, 2018
10.2	<u>Amendment to Employment Agreement dated May 31, 2018 with Robert A. Lloyd. *</u>	Current Report on Form 8-K	June 4, 2018
10.3	<u>Amendment to Employment Agreement dated May 31, 2018 with Daniel J. Kaufman. *</u>	Current Report on Form 8-K	June 4, 2018
10.4	<u>Amendment to Employment Agreement dated May 31, 2018 with Troy W. Crawford. *</u>	Current Report on Form 8-K	June 4, 2018
10.5	<u>Amendment to Employment Agreement dated May 31, 2018 with Daniel A. DeMatteo. *</u>	Current Report on Form 8-K	June 4, 2018
10.6	<u>Retention Agreement with Robert A. Lloyd. *</u>	Current Report on Form 8-K	June 4, 2018
10.7	<u>Retention Agreement with Daniel J. Kaufman. *</u>	Current Report on Form 8-K	June 4, 2018
10.8	<u>Retention Agreement with Troy W. Crawford. *</u>	Current Report on Form 8-K	June 4, 2018
31.1	<u>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.</u>	Filed herewith.	
31.2	<u>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.</u>	Filed herewith.	
32.1	<u>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.</u>	Furnished herewith.	
32.2	<u>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.</u>	Furnished herewith.	
101.INS	XBRL Instance Document	Submitted electronically herewith.	
101.SCH	XBRL Taxonomy Extension Schema	Submitted electronically herewith.	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	Submitted electronically herewith.	
101.DEF	XBRL Taxonomy Extension Definition Linkbase	Submitted electronically herewith.	
101.LAB	XBRL Taxonomy Extension Label Linkbase	Submitted electronically herewith.	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	Submitted electronically herewith.	

* This exhibit is a management or compensatory contract.

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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
Chief Operating Officer and Chief Financial Officer
(Principal Financial Officer)

Date: September 11, 2018

GAMESTOP CORP.

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

Date: September 11, 2018