

GameStop Corp.
Form 10-Q
December 07, 2011
[Table of Contents](#)

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 October 29, 2011**

OR

**Transition Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

**For the transition period from _____ to _____
Commission File No. 1-32637**

GameStop Corp.

(Exact name of registrant as specified in its Charter)

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

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

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

76051
(Zip Code)

Registrant's telephone number, including area code:

(817) 424-2000

Edgar Filing: GameStop Corp. - Form 10-Q

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

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

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

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

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

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

Table of Contents

TABLE OF CONTENTS

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

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

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

Edgar Filing: GameStop Corp. - Form 10-Q

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

See accompanying notes to condensed consolidated financial statements.

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

	13 Weeks Ended		39 Weeks Ended	
	October 29, 2011	October 30, 2010	October 29, 2011	October 30, 2010
	(In millions, except per share data) (Unaudited)			
Sales	\$ 1,946.8	\$ 1,899.2	\$ 5,971.9	\$ 5,780.9
Cost of sales	1,373.9	1,352.9	4,235.6	4,147.0
Gross profit	572.9	546.3	1,736.3	1,633.9
Selling, general and administrative expenses	443.3	408.8	1,328.5	1,217.6
Depreciation and amortization	47.0	44.7	140.4	129.4
Operating earnings	82.6	92.8	267.4	286.9
Interest income	(0.2)	(0.3)	(0.7)	(1.3)
Interest expense	5.4	10.0	18.5	30.6
Debt extinguishment expense	0.6	6.0	0.6	6.0
Earnings before income tax expense	76.8	77.1	249.0	251.6
Income tax expense	23.1	22.8	84.8	82.6
Consolidated net income	53.7	54.3	164.2	169.0
Net loss attributable to noncontrolling interests	0.2	0.4	1.0	1.2
Consolidated net income attributable to GameStop	\$ 53.9	\$ 54.7	\$ 165.2	\$ 170.2
Basic net income per common share ¹	\$ 0.39	\$ 0.36	\$ 1.17	\$ 1.12
Diluted net income per common share ¹	\$ 0.39	\$ 0.36	\$ 1.16	\$ 1.10
Weighted average shares of common stock-basic	138.8	150.7	140.8	151.8
Weighted average shares of common stock-diluted	139.8	153		