

GameStop Corp.  
Form 10-K  
April 03, 2013  
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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 10-K**

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended February 2, 2013

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**

**20-2733559**  
*(I.R.S. Employer  
Identification No.)*  
**76051**  
*(Zip Code)*

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(Address of principal executive offices)

Registrant's telephone number, including area code:

(817) 424-2000

Securities registered pursuant to Section 12(b) of the Act:

(Title of Class)	(Name of Exchange on Which Registered)
Class A Common Stock, \$.001 par value per share	New York Stock Exchange
Rights to Purchase Series A Junior Participating Preferred	New York Stock Exchange

Stock, \$.001 par value per share

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant was approximately \$2,010,000,000, based upon the closing market price of \$16.14 per share of Class A Common Stock on the New York Stock Exchange as of July 27, 2012.

Number of shares of \$.001 par value Class A Common Stock outstanding as of March 25, 2013: 117,836,276

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement of the registrant to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, for the 2013 Annual Meeting of Stockholders are incorporated by reference into Part III.



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**PART I**

**Item 1. Business  
General**

GameStop Corp. (together with its predecessor companies, GameStop, we, us, our, or the Company) is the world's largest multichannel game retailer. We sell new and pre-owned video game hardware, physical and digital video game software, accessories, as well as PC entertainment software, new and pre-owned mobile and consumer electronics products and other merchandise. As of February 2, 2013, GameStop's retail network and family of brands include 6,602 Company-operated stores in the United States, Australia, Canada and Europe, primarily under the names GameStop, EB Games and Micromania. We also operate electronic commerce Web sites under the names [www.gamestop.com](http://www.gamestop.com), [www.ebgames.com.au](http://www.ebgames.com.au), [www.ebgames.co.nz](http://www.ebgames.co.nz), [www.gamestop.ca](http://www.gamestop.ca), [www.gamestop.it](http://www.gamestop.it), [www.gamestop.es](http://www.gamestop.es), [www.gamestop.ie](http://www.gamestop.ie), [www.gamestop.de](http://www.gamestop.de), [www.gamestop.co.uk](http://www.gamestop.co.uk) and [www.micromania.fr](http://www.micromania.fr). The network also includes: [www.kongregate.com](http://www.kongregate.com), a leading browser-based game site; *Game Informer* magazine, the leading multi-platform video game publication; Spawn Labs, a streaming technology company; a digital PC distribution platform available at [www.gamestop.com/pcgames](http://www.gamestop.com/pcgames); iOS and Android mobile applications; and an online consumer electronics marketplace available at [www.buymytronics.com](http://www.buymytronics.com).

In the fiscal year ended February 2, 2013, we operated our business in the following segments: United States, Canada, Australia and Europe. Of our 6,602 stores, 4,425 stores are included in the United States segment and 336, 416, and 1,425 stores are included in the Canadian, Australian and European segments, respectively. Each of the operating segments consists primarily of retail operations, with all stores engaged in the sale of new and pre-owned video game systems, software and accessories, which we refer to as video game products, and PC entertainment software and related accessories. We also sell various types of digital products, including downloadable content, network points cards, prepaid digital and online timecards and digitally downloadable software. Our mobile business consists primarily of pre-owned mobile devices, tablets and related accessories. Our buy-sell-trade program creates a unique value proposition to our customers by providing our customers with an opportunity to trade in their pre-owned video game products and mobile devices for store credits and apply those credits towards other merchandise, which in turn, increases sales. Our products are substantially the same regardless of geographic location, with the primary differences in merchandise carried being the timing of release of new products in the various segments, language translations and the timing of roll-outs of newly developed technology enabling the sale of new products, such as digitally downloadable content. Stores in all segments are similar in size at an average of approximately 1,400 square feet. Our corporate office and one of our distribution facilities are housed in a 519,000 square foot facility in Grapevine, Texas.

The Company is a Delaware corporation which, through a predecessor, began operations in November 1996.

**Disclosure Regarding Forward-looking Statements**

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

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

general economic conditions in the U.S. and internationally, and specifically, economic conditions affecting Europe, the electronic game industry and the retail industry;

the launch of next-generation consoles, the timing and features of such consoles and the impact on demand for existing products following the announcement of the launch of next-generation consoles;



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alternate sources of distribution of video game software and content;

alternate means to play video games;

the competitive environment in the electronic game industry;

the growth of mobile, social and browser gaming;

our ability to open and operate new stores and to efficiently close underperforming stores;

our ability to attract and retain qualified personnel;

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

the impact and costs of litigation and regulatory compliance;

unanticipated litigation results, including third party litigation;

the risks involved with our international operations, including continued efforts to consolidate back-office support and close under-performing stores; and

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

In some cases, forward-looking statements can be identified by the use of terms such as anticipates, believes, continues, could, estimates, expects, intends, may, plans, potential, predicts, pro forma, seeks, should, will or similar expressions. These statements are based on current expectations and assumptions and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. You should not place undue reliance on these forward-looking statements.

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

**Industry Background**

Based upon estimates compiled by various market research firms, management estimates that the combined market for physical video game products and PC entertainment software was approximately \$25 billion in 2012 in the parts of the world in which we operate. According to NPD Group, Inc., a market research firm (the "NPD Group"), the electronic game industry was an approximately \$13 billion market in the United States in 2012, the majority of which was attributable to physical video game products, excluding sales of pre-owned video game products. International Development Group, a market research firm ("IDG"), estimates that retail sales of video game hardware and software and PC

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entertainment software totaled approximately \$9.4 billion in Europe in 2012. For 2012, the NPD Group reported that video game retail sales were approximately \$1.2 billion in Canada and \$1.2 billion in the Australian market.

Based on internal estimates compiled from a group of third-party sources, we believe the North American market for digital game sales, including mobile, social, console and PC games, was approximately \$7 billion in 2012 and this market is expected to grow to \$10 billion to \$12 billion by 2015.



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*New Video Game Products.* The Entertainment Software Association ( ESA ) estimates that the average U.S. household owns at least one dedicated game console, PC or smartphone. Additionally, 49% of U.S. households own on average two dedicated game consoles. We expect the following trends in sales of video game products:

*Video Game Hardware.* Gaming consoles are typically launched in cycles as technological developments in both chip processing speeds and data storage provide significant improvements in advanced graphics, audio quality and other entertainment capabilities beyond video gaming. The current generation of consoles includes the Sony PlayStation 3, the Nintendo Wii and Microsoft Xbox 360, which all launched between 2005 and 2007. These console technologies have evolved considerably through several generations since the introduction of video game consoles in the 1980s. The typical cycle for hardware consoles lasts approximately five years and during each cycle it is typical for the price of the hardware consoles to decline over time. This cycle of consoles is longer than previous cycles and as a result sales have declined in recent years. A new console cycle is developing as Nintendo launched the Wii U in November 2012 as the next generation of the Wii. Also, Sony has announced that the next generation of the PlayStation will come to market by the holiday period of 2013. Microsoft has not yet formally announced definitive plans to introduce a new console. The Company expects that demand for current generation hardware will continue to decline in anticipation of the next generation of consoles becoming available in the market.

In addition, portable handheld video game devices have evolved to the Nintendo 3DS, which was introduced in March 2011, and the Sony PlayStation Vita, which was introduced in February 2012. The market for handheld devices has declined in recent years as the proliferation of smart phones and other mobile devices and digitally downloadable mobile video games offer video game players alternative ways to play games.

*Video Game Software.* Sales of video game software generally increase as gaming platforms mature and gain wider acceptance. Sales of video game software are dependent upon manufacturers and third-party publishers developing and releasing game titles for existing game platforms. In recent years the number of new games introduced each year has declined and the market for video game sales has also declined each year. This trend is expected to continue until new consoles are introduced.

*Pre-owned Video Game Products.* As the installed base of video game hardware platforms has increased and new hardware platforms are introduced, a considerable market for pre-owned video game hardware and software has developed. Based on reports published by the NPD Group, we believe that, as of December 2012, the installed base of video game hardware systems in the United States, based on original sales, totaled over 294 million units of handheld and console video game systems and grew by 19 million units in 2012. According to IDG, the installed base of hardware systems as of December 2012 in Europe was approximately 187 million units and grew by 14 million units in 2012. Hardware manufacturers and third-party software publishers have produced a wide variety of software titles for each of these hardware platforms. Based on internal Company estimates, we believe that the installed base of video game software units in the United States currently exceeds 2.3 billion units. As the substantial installed base of video game hardware and software continues to expand, there is ongoing demand for pre-owned video game products.

*PC Entertainment Software.* PC entertainment software is generally played on PCs featuring fast processors, expanded memories, and enhanced graphics and audio capabilities. Trends in sales of PC entertainment software are largely dependent upon introductions of hit titles, which are typically limited to one or two per year.

*Casual Games.* The casual game market consists primarily of digital games and has grown rapidly over the last few years. Casual games are generally defined as simple, easy-to-use, free or very low-priced games played through the internet in Web browsers, on dedicated gaming Web sites or on mobile phones or other mobile devices. Casual games cost less to develop and distribute than a traditional console video game and are often supported by in-game advertising or user-purchased premium content. The typical casual gamer is predominantly female and older than a traditional console video game player.

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### **Business and Growth Strategy**

Our goal is to continue to be the world's largest multichannel retailer of new and pre-owned video game products and PC entertainment software and expand our business into the mobile device category to provide the best video game content to our customers anytime, anywhere and on any device. We plan to strengthen that position by executing the following strategies:

*Increase Market Share and Expand our Market Leadership Position.* We plan to increase market share and awareness of the GameStop brand and drive membership in our loyalty program, expand our sales of new and pre-owned digital mobile products and expand our market leadership position by focusing on the launch of new hardware platforms as well as physical and digital software titles.

*Increase GameStop Brand Awareness and Loyalty Membership.* Substantially all of GameStop's U.S. and European stores are operated under the GameStop name, with the exception of the Micromania stores acquired in France. In 2007, GameStop introduced its new brand tagline "Power to the Players" and in 2010 introduced its U.S. loyalty program called PowerUp Rewards. Building the GameStop brand has enabled us to leverage brand awareness and to capture advertising and marketing efficiencies. Our branding strategy is further supported by international loyalty programs and our Web sites. The PowerUp Rewards loyalty program offers our customers the ability to sign up for a free or paid membership that offers points earned on purchases which can be redeemed for discounts or merchandise. Through PowerUp Rewards, our customers have access to unique, video game related rewards unavailable through any other retailer. The program's paid membership also includes a subscription to *Game Informer* magazine, additional discounts on pre-owned merchandise in our stores and additional credit on trade-ins of pre-owned products. As of February 2, 2013, we had 22.3 million members in the PowerUp Rewards program, 7.9 million of which were paid members. In total, our loyalty programs around the world had approximately 27.5 million members. Our Web sites allow our customers to buy games online, reserve or pick up merchandise in our stores, order in-store for home delivery and to learn about the latest video game products and PC entertainment software and their availability in our stores. We intend to increase customer awareness and brand loyalty. Together, our loyalty programs, Web sites, mobile applications, magazine and other properties are a part of our multi-channel retail strategy designed to enhance our relationships with our customers, make it easier for our customers to transact with us and increase brand loyalty. In the 52 weeks ending February 1, 2014 (fiscal 2013), we plan to continue to aggressively promote our loyalty programs and increase brand awareness over a broader demographic area in order to promote our unique buying experience in-store for new and pre-owned hardware and software, trade-ins of pre-owned video game and mobile consumer electronics products and to leverage our Web sites at [www.gamestop.com](http://www.gamestop.com), [www.ebgames.com.au](http://www.ebgames.com.au), [www.ebgames.co.nz](http://www.ebgames.co.nz), [www.gamestop.ca](http://www.gamestop.ca), [www.gamestop.it](http://www.gamestop.it), [www.gamestop.es](http://www.gamestop.es), [www.gamestop.ie](http://www.gamestop.ie), [www.gamestop.de](http://www.gamestop.de), [www.gamestop.co.uk](http://www.gamestop.co.uk), [www.micromania.fr](http://www.micromania.fr) and [www.gameinformer.com](http://www.gameinformer.com), the online video gaming Web site [www.kongregate.com](http://www.kongregate.com), our digital PC distribution platform available at [www.gamestop.com/pcgames](http://www.gamestop.com/pcgames), and our online consumer electronics marketplace available at [www.buymytronics.com](http://www.buymytronics.com).

*Increase Sales of Pre-Owned Video Game Products.* We believe we are the largest retailer of pre-owned video game products in the world and carry the broadest selection of pre-owned video game products for both current and previous generation platforms, giving us a unique advantage in the video game retail industry. The opportunity to trade in and purchase pre-owned video game products offers our customers a unique value proposition generally unavailable at most mass merchants, toy stores and consumer electronics retailers. We obtain most of our pre-owned video game products from trade-ins made in our stores by our customers. We will continue to expand the selection and availability of pre-owned video game products in our stores as new products are introduced. Pre-owned video game products generate significantly higher gross margins than new video game products. Our strategy consists of increasing consumer awareness of the benefits of trading in and buying pre-owned video game products at our stores through increased marketing activities and the use of both broad and targeted marketing to our PowerUp Rewards and international loyalty program members. The supply of trade-ins of video game products and the demand for resale of these products are affected by overall demand for video game products and the

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introduction of new software and hardware by our suppliers. We expect that trade-ins will be negatively impacted in the time period between recent and expected announcements of next-generation consoles and the launch of these consoles. We expect the launch of next-generation consoles and software to drive trade-ins of older video game products, thereby expanding our supply of pre-owned video game products.

*Expand our Digital Growth Strategy to Protect and Expand our Market Leadership Position.* We expect that future growth in the electronic game industry will be driven by the sale of video games delivered in digital form and the expansion of other forms of gaming. We currently sell various types of products that relate to the digital category, including Xbox Live, PlayStation and Nintendo network points cards, as well as prepaid digital and online timecards and digitally downloadable software. We believe we are the only significant brick-and-mortar retail seller of digitally downloadable add-on content for physical games, which the electronic game industry calls DLC. We believe that we are frequently the leading seller of DLC for certain game titles by out-selling online networks. We operate an online video game platform called Kongregate.com and we acquired a digital PC distribution platform, Impulse, and a streaming technology company, Spawn Labs, during the 52 weeks ended January 28, 2012 ( fiscal 2011 ). We continue to make investments in e-commerce, digital delivery systems, mobile applications, online video game aggregation and in-store and Web site functionality to enable our customers to access digital content and eliminate friction in the digital sales and delivery process. We plan to continue to invest in these types of processes and channels to grow our digital sales base and enhance our market leadership position in the electronic game industry and in the digital aggregation and distribution category. In fiscal 2012, we grew our digital product receipts by 39%. Our digital receipts have grown from approximately \$180 million in 2009 to approximately \$630 million in fiscal 2012.

*Store Opening/Closing Strategy.* The Company has an analysis-driven approach to store opening and closing decisions. We intend to continue to open new stores in targeted markets where we do not currently have a presence and can take market share from uncontested competitors, as well as in markets in which we already operate where we have a demonstrated track record of successful new store openings and have realized returns on invested capital that have exceeded our internal targets. We analyze each market relative to target population and other demographic indices, real estate availability, competitive factors and past operating history, if available. In some cases, these new stores may adversely impact sales at existing stores, but our goal is to minimize the impact. On average, our new stores opened in the past three fiscal years have had a return of original investment of less than two years. We will be aggressive in the analysis of our existing store base to determine optimal levels of profitability and close stores where profitability goals are not being met or where we can attempt to transfer sales to other nearby existing stores and increase overall profits. We utilize our PowerUp Rewards loyalty program information to determine areas that are currently underserved and also utilize our database to ensure a high customer transfer rate from closing locations to existing locations. We opened 146 new stores and closed 227 stores in the 53 weeks ended February 2, 2013 ( fiscal 2012 ), reducing our store count by 1.2%, in line with stated targets. We opened 285 new stores and closed 272 stores in fiscal 2011, decreasing the number of stores we opened and significantly increasing the number of stores we closed compared to previous years. We opened 359 new stores and closed 139 stores in the 52 weeks ended January 29, 2011 ( fiscal 2010 ). We plan to open approximately 65 new stores and close approximately 250 stores worldwide in fiscal 2013, resulting in an expected reduction in store count of approximately 2 to 3%.

*Targeting a Broad Audience of Game Players.* We have created store and online environments targeting a broad audience, including the video game enthusiast, the casual gamer and the seasonal gift giver. Our stores focus on the video game enthusiast who demands the latest merchandise featuring the hottest technology immediately on the day of release and the value-oriented customer who wants a wide selection of value-priced pre-owned video game products. Our buy-sell-trade program offers consumers the opportunity to trade-in pre-owned video game products in exchange for store credits applicable to future purchases, which, in turn, drives more sales. Our online properties, including e-commerce sites and Kongregate.com, continue to evolve to meet the needs of consumers looking to research or buy traditional boxed product video games, download the latest PC games or play browser and casual games on their PCs or mobile devices.

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*Expand our Mobile Business.* In 2011, we began a new category of business which we refer to as Mobile. We define the mobile category as buy-sell-trade of pre-owned mobile devices, including gaming tablets, new tablets and related services and accessories for those devices. We take trades of select pre-owned electronics and smartphones in all of our stores. We believe taking trades of these devices is a logical extension of our expertise in buying, selling and trading of pre-owned video game products. We use our centralized refurbishment centers in the U.S. and in certain of our international locations to refurbish these devices and then re-sell them in our stores. As of February 2, 2013, we were selling select pre-owned electronics in all of our U.S. stores and on our Web site at [www.gamestop.com](http://www.gamestop.com), and in a majority of stores in our international markets. We plan to continue to drive awareness in our stores of this business and expand internationally in fiscal 2013. As the proliferation of smart phones and tablets continues and those devices are increasingly used for playing digital games, the market for such devices and the marketing of related games provide us opportunities to grow our revenues and profits.

*Enhancing our Image as a Destination Location.* Our stores and e-commerce sites serve as destination locations for game players, mobile consumer electronics consumers and gift givers due to our broad selection of products, compelling PowerUp Rewards offers, game-oriented environment, trade-in programs and unique pricing proposition. We offer all major video game platforms, provide a broad assortment of new and pre-owned video game products and popular mobile devices and offer a larger and more current selection of merchandise than other retailers. In our stores, we provide a high level of customer service by hiring game enthusiasts and providing them with ongoing sales training, as well as training in the latest technical and functional elements of our products and services, making them the most knowledgeable associates in the video game retail market. Our stores are equipped with several video game sampling areas, which provide our customers with the opportunity to play games before purchase, as well as equipment to play video game clips.

Kongregate.com serves as a destination for gamers seeking the latest in online game play with over 65,000 games from more than 17,000 developers in a social environment in which gamers can connect with their friends and compare achievements. Many of the favorite Kongregate games are available through the Kongregate app for use on mobile devices.

*Consistently Achieving High New Release Market Share.* We focus marketing efforts and store associates on driving the sale of new release video game products, both physical and digital. We employ a variety of rapid-response distribution methods in our efforts to be the first-to-market and consistently in-stock for new physical and digital video game products and PC entertainment software. This highly efficient distribution network is essential, as a significant portion of a new title's sales will be generated in the first few days and weeks following its release. As the world's largest retailer of video game products and PC entertainment software with a proven capability to distribute new releases to our customers quickly and capture market share immediately following new product launches, we believe we regularly receive larger allocations of popular new video game products and PC entertainment software. On a daily basis, we actively monitor sales trends, customer reservations and store manager feedback to ensure a high in-stock position for each store. To assist our customers in obtaining immediate access to new releases, we offer our customers the opportunity to pre-order products in our stores or through our Web sites prior to their release.

*Investing in our Information Systems and Distribution Capabilities.* We employ sophisticated and fully-integrated inventory management, store-level point-of-sale and financial systems and state-of-the-art distribution facilities. These systems enable us to maximize the efficiency of the flow of over 4,600 SKUs, improve store efficiency, optimize store in-stock positions and carry a broad selection of inventory. Our proprietary inventory management systems enable us to maximize sales of new release titles and avoid markdowns as titles mature and utilize electronic point-of-sale equipment that provides corporate and regional headquarters with daily information regarding store-level sales and available inventory levels to automatically generate replenishment shipments to each store at least twice a week. In addition, our highly-customized inventory management systems allow us to actively manage the pricing and product availability of our pre-owned video game products across our store base and to reallocate our inventory as necessary. Our systems enable each store to carry a merchandise

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assortment uniquely tailored to its own sales mix and customer needs. Our ability to react quickly to consumer purchasing trends has resulted in a target mix of inventory, reduced shipping and handling costs for overstocks and reduced our need to discount products.

### **Operating Segments**

We identified our four operating 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. Segment results for the United States include retail operations in the 50 states, the District of Columbia, Guam and Puerto Rico, the electronic commerce Web site [www.gamestop.com](http://www.gamestop.com), *Game Informer* magazine, [www.kongregate.com](http://www.kongregate.com), a digital PC game distribution platform available at [www.gamestop.com/pcgames](http://www.gamestop.com/pcgames), Spawn Labs and an online consumer electronics marketplace available at [www.buymytronics.com](http://www.buymytronics.com). Segment results for Canada include retail and e-commerce operations in stores throughout 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 12 European countries.

Our U.S. segment is supported by distribution centers in Texas and Kentucky, and further supported by the use of third-party distribution centers for new release titles. We distribute merchandise to our Canadian segment from distribution centers in Ontario. We have a distribution center near Brisbane, Australia which supports our Australian operations and a small distribution facility in New Zealand which supports the stores in New Zealand. European segment operations are supported by six regionally-located distribution centers.

All of our segments purchase products from many of the same vendors, including Sony Corporation ( Sony ) and Electronic Arts. Products from certain other vendors such as Microsoft and Nintendo are obtained either directly from the manufacturer or publisher or through distributors depending upon the particular market in which we operate.

Additional information, including financial information, regarding our operating segments can be found in Management's Discussion and Analysis of Financial Condition and Results of Operations elsewhere in this Annual Report on Form 10-K and in Note 17 of Notes to Consolidated Financial Statements.

### **Merchandise**

Substantially all of our revenues are derived from the sale of tangible products; however, we also sell downloadable software and subscription, time and points cards which do not involve physical product. Our product offerings consist of new and pre-owned video game products, PC entertainment software, and related products, such as video game accessories and strategy guides, as well as new and pre-owned mobile devices such as tablets, phones and music players. Our in-store inventory generally consists of a constantly changing selection of over 4,600 SKUs. We have buying groups in each of our segments that negotiate terms, discounts and cooperative advertising allowances for the stores in their respective geographic areas. We use customer requests and feedback, advance orders, industry magazines and product reviews to determine which new releases are expected to be hits. Advance orders are tracked at individual stores to distribute titles and capture demand effectively. This merchandise management is essential because a significant portion of a game's sales are usually generated in the first days and weeks following its release.

*Video Game Hardware.* We offer the video game platforms of all major manufacturers, including the Sony PlayStation 3, PlayStation Vita and PSP, Microsoft Xbox 360 and Kinect and the Nintendo DSi, DSi XL, 3DS, 3DS XL, Wii and Wii U. We also offer extended service agreements on video game hardware and software. In support of our strategy to be the destination location for electronic game players, we aggressively promote the sale of video game platforms. Video game hardware sales are generally driven by the introduction of new

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platform technology and the reduction in price points as platforms mature. A new console cycle is developing as Nintendo launched the Wii U in November 2012 as the next generation of the Wii. Also, Sony has announced that the next generation of the PlayStation will come to market by the holiday period of 2013. We believe that selling video game hardware increases store traffic and promotes customer loyalty, leading to increased sales of video game software and accessories, which have higher gross margins than video game hardware.

*Video Game Software.* We purchase new video game software from the leading manufacturers, including Sony, Nintendo and Microsoft, as well as all other major third-party game publishers, such as Electronic Arts and Activision. We are one of the largest customers of video game titles sold by these publishers. We generally carry over 700 SKUs of new video game software at any given time across a variety of genres, including Sports, Action, Strategy, Adventure/Role Playing and Simulation. In 2010, we began selling digitally downloadable add-on content developed by publishers for existing games.

*Pre-owned Video Game Products.* We believe we are the largest retailer of pre-owned video games in the world. We provide our customers with an opportunity to trade in their pre-owned video game products in our stores in exchange for store credits which can be applied towards the purchase of other products, primarily new merchandise. We have the largest selection (approximately 3,100 SKUs) of pre-owned video game titles which have an average price of \$19 as compared to an average price of \$41 for new video game titles and which generate significantly higher gross margins than new video game products. Our trade-in program provides our customers with a unique value proposition which is generally unavailable at mass merchants, toy stores and consumer electronics retailers. This program provides us with an inventory of pre-owned video game products which we resell to our more value-oriented customers. In addition, our highly-customized inventory management system allows us to actively manage the pricing and product availability of our pre-owned video game products across our store base and to reallocate our inventory as necessary. Our trade-in program also allows us to be one of the only suppliers of previous generation platforms and related video games. We also operate refurbishment centers in the U.S., Canada, Australia and Europe where defective video game products can be tested, repaired, relabeled, repackaged and redistributed back to our stores.

*PC Entertainment and Other Software.* We purchase PC entertainment software from over 20 publishers, including Electronic Arts, Microsoft and Activision. We offer PC entertainment software across a variety of genres, including Sports, Action, Strategy, Adventure/Role Playing and Simulation.

*Downloadable Content and Subscription, Time and Points Cards.* The proliferation of online game play through Microsoft Xbox Live, the PlayStation Network and PC gaming Web sites has led to consumer demand for subscription, time and points cards ( digital currency ) as well as digitally downloadable content for existing console video games. We sell a wide variety of digital currency and we have developed technology to sell downloadable content in our stores and on our U.S. Web site. We believe we are the worldwide leading retailer of digital currency sales and the sale of downloadable content for Xbox Live and the PlayStation Network. We believe that we are frequently the leading seller of downloadable content for most major game titles.

*Accessories and Other Products.* Video game accessories consist primarily of controllers, memory cards, headsets and other add-ons. We also carry strategy guides, magazines and gaming-related toys. In all, we stock more than 300 SKUs of accessories and other products. In general, this category has higher margins than new video game and PC entertainment products.

*Mobile Products.* In 2011, we began a new category of business which we refer to as Mobile. Our Mobile business consists of the sale of new tablets and accessories and buying, selling and trading of select pre-owned smartphones, tablets and MP3 players in our U.S. stores and in a majority of stores in our international markets.

## **Store Operations**

As of February 2, 2013, we operated 6,602 stores, primarily under the names GameStop, EB Games and Micromania. We design our stores to provide an electronic gaming atmosphere with an engaging and visually captivating layout. Our stores are typically equipped with several video game sampling areas, which provide our

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customers the opportunity to play games before purchase, as well as equipment to play video game clips. We use store configuration, in-store signage and product demonstrations to produce marketing opportunities both for our vendors and for us.

Our stores average approximately 1,400 square feet and carry a balanced mix of new and pre-owned video game products and PC entertainment software. Our stores are generally located in high-traffic power strip centers, local neighborhood strip centers, high-traffic shopping malls and pedestrian areas, primarily in major metropolitan areas. These locations provide easy access and high frequency of visits and, in the case of strip centers and high-traffic pedestrian stores, high visibility. We target strip centers that are conveniently located, have a mass merchant or supermarket anchor tenant and have a high volume of customers.

**Site Selection and Locations**

*Site Selection.* Site selections for new stores are made after an extensive review of demographic data, including data from our PowerUp Rewards loyalty program, and other information relating to market potential, competitor access and visibility, compatible nearby tenants, accessible parking, location visibility, lease terms and the location of our other stores. Most of our stores are located in highly visible locations within malls and strip centers. In each of our geographic segments, we have a dedicated staff of real estate personnel experienced in selecting store locations.

*Locations.* The table below sets forth the number of our stores located in the U.S., Canada, Europe and Australia as of February 2, 2013:

	<b>Number of Stores</b>
<b>United States</b>	
Alabama	72
Alaska	7
Arizona	82
Arkansas	34
California	451
Colorado	66
Connecticut	57
Delaware	16
District of Columbia	3
Florida	284
Georgia	132
Guam	2
Hawaii	24
Idaho	17
Illinois	188
Indiana	92
Iowa	32
Kansas	35
Kentucky	75
Louisiana	75
Maine	13
Maryland	103
Massachusetts	99
Michigan	122
Minnesota	55
Mississippi	45
Missouri	79

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	<b>Number of Stores</b>
<b>United States</b>	
Montana	10
Nebraska	20
Nevada	43
New Hampshire	27
New Jersey	154
New Mexico	26
New York	263
North Carolina	140
North Dakota	9
Ohio	185
Oklahoma	45
Oregon	37
Pennsylvania	219
Puerto Rico	46
Rhode Island	15
South Carolina	73
South Dakota	9
Tennessee	104
Texas	378
Utah	28
Vermont	5
Virginia	144
Washington	80
West Virginia	33
Wisconsin	64
Wyoming	8
Sub-total for United States	4,425
<b>International</b>	
Canada	336
Australia	379
New Zealand	37
Sub-total for Australia	416
Austria	27
Denmark	40
Finland	20
France	397
Germany	208
Ireland	51
Italy	440
Norway	48
Spain	110
Sweden	65
Switzerland	19
Sub-total for Europe	1,425
Sub-total for International	2,177
Total stores	6,602





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### **Game Informer**

We publish *Game Informer*, the world's largest video game publication and Web site featuring reviews of new title releases, tips and secrets about existing games and news regarding current developments in the electronic game industry. Print and digital versions of the monthly magazine are sold through subscriptions, digitally and through displays in our stores throughout most of the world. *Game Informer* magazine is the third largest consumer publication in the U.S. and for its December 2012 issue, the magazine had over 7.9 million paid subscribers including over 2.5 million paid digital magazine subscribers. *Game Informer* is a part of the PowerUp Rewards Pro loyalty program as a key feature of each paid PowerUp Rewards membership. We also operate the Web site [www.gameinformer.com](http://www.gameinformer.com), which is the premier destination for moment-by-moment news, features and reviews related to video gaming. In 2012, the Web site averaged over 2.5 million monthly unique visitors. *Game Informer* revenues are also generated through the sale of advertising space in *Game Informer* magazine and on [www.gameinformer.com](http://www.gameinformer.com). English version results from *Game Informer* operations are included in the United States segment where the majority of subscriptions and sales are generated. Other international version results from *Game Informer* operations are included in the segment in which the sales are generated.

### **E-Commerce**

We operate several electronic commerce Web sites in various countries, including [www.gamestop.com](http://www.gamestop.com), [www.ebgames.com.au](http://www.ebgames.com.au), [www.ebgames.co.nz](http://www.ebgames.co.nz), [www.gamestop.ca](http://www.gamestop.ca), [www.gamestop.it](http://www.gamestop.it), [www.gamestop.es](http://www.gamestop.es), [www.gamestop.ie](http://www.gamestop.ie), [www.gamestop.de](http://www.gamestop.de), [www.gamestop.co.uk](http://www.gamestop.co.uk) and [www.micromania.fr](http://www.micromania.fr), that allow our customers to buy video game products and other merchandise online and, in some cases, allow customers to reserve merchandise and then pick it up in stores. The sites also offer customers information and content about available games, release dates for upcoming games, and access to store information, such as location and product availability. Additionally, we offer over 1,100 titles of digitally downloadable PC video games available for purchase at [www.gamestop.com/pcgames](http://www.gamestop.com/pcgames). E-commerce results are included in the geographic segment where the sales originate.

### **Kongregate**

In August 2010, we purchased Kongregate Inc., the operator of online video gaming site [www.kongregate.com](http://www.kongregate.com), which offers free-to-play video games to over 15 million unique visitors per month. Kongregate earns revenues from in-game advertising and offering game players the opportunity to advance their game play with in-game transactions for virtual goods. Kongregate has a proprietary virtual currency called Kreds which can be purchased and then used to pay for in-game transactions. Over 17,000 developers have uploaded more than 65,000 games to Kongregate.com that have been played nearly 3 billion times.

### **Spawn Labs**

In March 2011, we purchased Spawn Labs, Inc. ( Spawn Labs ), a streaming technology company. Spawn Labs brought to the Company patented technology and a talented team of technologists with unique game streaming and virtualization expertise. Spawn Labs is developing a streaming service which the Company may deploy in fiscal 2013 depending on consumer demand and other factors.

### **BuyMyTronics**

In March 2012, we purchased the assets of BuyMyTronics, an online consumer electronics marketplace available at [www.buymytronics.com](http://www.buymytronics.com). BuyMyTronics provides consumers and businesses with solutions to earn cash for their pre-owned personal or corporate-issued mobile phones, tablets, MP3 players and other consumer electronic devices. The results of BuyMyTronics are reported with our mobile results.

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### **Advertising**

Our stores are primarily located in high traffic, high visibility areas of regional shopping malls, strip centers and pedestrian shopping areas. Given the high foot traffic drawn past the stores themselves, we use in-store marketing efforts such as window displays and "coming soon" signs to attract customers, as well as to promote pre-owned video game products. Inside our stores, we feature selected products through the use of vendor displays, "coming soon" or preview videos, signs, catalogs, point-of-purchase materials and end-cap displays. These advertising efforts are designed to increase the initial sales of new titles upon their release.

On a global basis, we receive cooperative advertising and market development funds from manufacturers, distributors, software publishers and accessory suppliers to promote their respective products. Generally, vendors agree to purchase advertising space in one of our advertising vehicles. Once we run the advertising, the vendor pays to us an agreed amount.

In fiscal 2010, we launched our PowerUp Rewards loyalty program in the United States which gives our customers the ability to sign up for a free or paid membership that offers points earned on purchases in our stores, on our U.S. Web site and on Kongregate.com, which can be redeemed for discounts or merchandise. The program's paid tier also includes a subscription to *Game Informer* magazine, additional discounts on selected merchandise and additional credit on trade-ins in our stores. This program is designed to incent our customers to shop more often at our stores and to allow us to market directly to our customers based on their individual tastes and preferences. Our PowerUp Rewards program provides members with the opportunity to earn unique video game related rewards not available through any other retailer. Vendors also participate in this program to increase the sales of their individual products. We also have loyalty programs in France, Italy, Germany, Australia and Spain. Our various loyalty programs total over 27.5 million members.

In the last several years, as part of our brand-building efforts and targeted growth strategies, we expanded our advertising and promotional activities in certain targeted markets at certain key times of the year. In addition, we expanded our use of television and radio advertising in certain markets to promote brand awareness and store openings. We expect our investment in advertising through our loyalty programs, including PowerUp Rewards, to increase as we continue to expand our membership base and add loyalty programs in international markets and build our brand.

### **Information Management**

Our operating strategy involves providing a broad merchandise selection to our customers as quickly and as cost-effectively as possible. We use our inventory management systems to maximize the efficiency of the flow of products to our stores, enhance store efficiency and optimize store in-stock and overall investment in inventory.

*Distribution.* We operate distribution facilities in various locations throughout the world, with each location strategically located to support the operations in a particular country or region. In order to enhance our first-to-market distribution network, we also utilize the services of several off-site, third-party operated distribution centers that pick up products from our suppliers, repackage the products for each of our stores and ship those products to our stores by package carriers. Our ability to rapidly process incoming shipments of new release titles at our facilities and third-party facilities and deliver those shipments to all of our stores, either that day or by the next morning, enables us to meet peak demand and replenish stores. Inventory is shipped to each store at least twice a week, or daily, if necessary, in order to keep stores in supply of products. Our distribution facilities also typically support refurbishment of pre-owned products to be redistributed to our stores.

We distribute products to our U.S. stores through a 362,000 square foot distribution center in Grapevine, Texas and a 260,000 square foot distribution center in Louisville, Kentucky. We currently use the center in Louisville, Kentucky to support our first-to-market distribution efforts, while our Grapevine, Texas facility supports efforts to replenish stores. The state-of-the-art facilities in both U.S. locations are designed to effectively control and minimize inventory levels. Technologically-advanced conveyor systems and flow-through racks control costs and improve speed of fulfillment in both facilities. The technology used in the distribution centers allows for high-volume receiving, distributions to stores and returns to vendors.

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We distribute merchandise to our Canadian segment from two distribution centers in Brampton, Ontario. We have a distribution center near Brisbane, Australia which supports our Australian operations and a small distribution facility in New Zealand which supports the stores in New Zealand. European segment operations are supported by six regionally-located distribution centers in Milan, Italy; Memmingen, Germany; Arlov, Sweden; Valencia, Spain; Dublin, Ireland; and Paris, France. We continue to invest in state-of-the-art facilities in our distribution centers as the distribution volume, number of stores supported and returns on such investments permit.

*Digital Distribution.* We have developed proprietary technology to work in conjunction with developers, as well as Microsoft and Sony, to enable us to sell digitally distributed game content in our stores and on our e-commerce sites. The downloadable content typically available today consists of add-on content developed by publishers for existing games.

*Management Information Systems.* Our proprietary inventory management systems and point-of-sale technology show daily sales and in-store stock by title by store. Our systems use this data to automatically generate replenishment shipments to each store from our distribution centers, enabling each store to carry a merchandise assortment uniquely tailored to its own sales mix and rate of sale. Our call lists and reservation system also provide our buying staff with information to determine order size and inventory management for store-by-store inventory allocation. We constantly review and edit our merchandise categories with the objective of ensuring that inventory is up-to-date and meets customer needs.

To support most of our operations, we use a large-scale, Intel-based computing environment with a state-of-the-art storage area network and a wired and wireless corporate network installed at our U.S. and regional headquarters, and a secure, virtual private network to access and provide services to computing assets located in our stores, distribution centers and satellite offices and to our mobile workforce. This strategy has proven to minimize initial outlay of capital while allowing for flexibility and growth as operations expand. To support certain of our international operations, we use a mid-range, scalable computing environment and a state-of-the-art storage area network. Computing assets and our mobile workforce around the globe access this environment via a secure, virtual private network. Regional communication links exist to each of our distribution centers and offices in international locations with connectivity to our U.S. data center as required by our international, distributed applications.

Our in-store point-of-sale system enables us to efficiently manage in-store transactions. This proprietary point-of-sale system has been enhanced to facilitate trade-in transactions, including automatic look-up of trade-in prices and printing of machine-readable bar codes to facilitate in-store restocking of pre-owned video games. In addition, our central database of all pre-owned video game products allows us to actively manage the pricing and product availability of our pre-owned video game products across our store base and reallocate our pre-owned video game products as necessary.

## **Field Management and Staff**

Each of our stores employs, on average, one manager, one assistant manager and between two and ten sales associates, many of whom are part-time employees. Each store manager is responsible for managing their personnel and the economic performance of their store. We have cultivated a work environment that attracts employees who are actively interested in electronic games. We seek to hire and retain employees who know and enjoy working with our products so that they are better able to assist customers. To encourage them to sell the full range of our products and to maximize our profitability, we provide our employees with targeted incentive programs to drive overall sales and sales of higher margin products. In certain locations, we also provide certain employees with the opportunity to take home and try new video games, which enables them to better discuss those games with our customers. In addition, employees are casually dressed to encourage customer access and increase the game-oriented focus of the stores.

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Our stores communicate with our corporate offices daily via e-mail. This e-mail allows for better tracking of trends in upcoming titles, competitor strategies and in-stock inventory positions. In addition, this electronic communication allows title selection in each store to be continuously updated and tailored to reflect the tastes and buying patterns of the store's local market. These communications also give field management access to relevant inventory levels and loss prevention information. We have invested in significant management training programs for our store managers and our district managers to enhance their business management skills. We also sponsor annual store managers conferences at which we operate intense educational training programs to provide our employees with information about the video game products that will be released by publishers in the holiday season. All video game software publishers are invited to attend the conferences.

GameStop's U.S. store operations are managed by a centrally-located senior vice president of stores, four market vice presidents of stores and 30 regional store operations directors. The regions are further divided into districts, each with a district manager covering an average of 14 stores. In total, there are approximately 300 districts. Our international operations are managed by a senior executive, with stores in Europe managed by two senior vice presidents, one vice president and with managing directors in each region. Our stores in Australia and Canada are each managed by a vice president. We also employ regional loss prevention managers who assist the stores in implementing security measures to prevent theft of our products.

### **Customer Service**

Our store personnel provide value-added services to each customer, such as maintaining lists of regular customers and reserving new releases for customers with a down payment to ensure product availability. In addition, our store personnel readily provide product reviews to ensure customers are making informed purchasing decisions and inform customers of available resources, including *Game Informer* and our e-commerce sites, to increase a customer's enjoyment of the product upon purchase.

### **Vendors**

We purchase substantially all of our new products worldwide from over 80 manufacturers, software publishers and several distributors. Purchases from the top ten vendors accounted for approximately 88% of our new product purchases in fiscal 2012. Only Sony, Activision, Nintendo, Microsoft and Electronic Arts (which accounted for 17%, 16%, 14%, 13%, and 11%, respectively) individually accounted for more than 10% of our new product purchases during fiscal 2012. We have established price protections and return privileges with our primary vendors in order to reduce our risk of inventory obsolescence. In addition, we have few purchase contracts with trade vendors and generally conduct business on an order-by-order basis, a practice that is typical throughout the industry. We believe that maintaining and strengthening our long-term relationships with our vendors is essential to our operations and continued expansion. We believe that we have very good relationships with our vendors.

### **Competition**

The electronic game industry is intensely competitive and subject to rapid changes in consumer preferences and frequent new product introductions. We compete with mass merchants and regional chains; computer product and consumer electronics stores; other video game and PC software specialty stores; toy retail chains; direct sales by software publishers; and online retailers and game rental companies. Video game products are also distributed through other methods such as digital delivery. We also compete with sellers of pre-owned video game products. Additionally, we compete with other forms of entertainment activities, including casual and mobile games, movies, television, theater, sporting events and family entertainment centers.

In the U.S., we compete with Wal-Mart Stores, Inc. ( Wal-Mart ); Target Corporation ( Target ); Amazon.com, Inc. ( Amazon.com ); and Best Buy Co., Inc. ( Best Buy ). Competing video game specialists in Europe include Game Retail Limited based in the United Kingdom and its Spanish affiliate, Game Stores Iberia. Throughout Europe we also compete with major consumer electronics retailers such as Media Markt,

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Saturn and FNAC, major hypermarket chains like Carrefour and Auchan, and online retailer Amazon.com. Competitors in Canada include Wal-Mart, Best Buy and its subsidiary Future Shop. In Australia, competitors include K-Mart, Target and JB HiFi stores.

### **Seasonality**

Our business, like that of many retailers, is seasonal, with the major portion of our sales and operating profit realized during the fourth fiscal quarter, which includes the holiday selling season. During fiscal 2012, we generated approximately 40% of our sales during the fourth quarter. On a pro forma basis, excluding the 53<sup>rd</sup> week sales from fiscal 2012, we generated approximately 39% of our sales during the fourth quarter. Our fiscal 2012 operating loss is impacted by \$680.7 million of goodwill and asset impairments. Therefore, the seasonality of our operating earnings (loss) is not comparable between fiscal 2012 and fiscal 2011. Excluding the impact of the goodwill and asset impairment charges, we generated approximately 65% and 59% of our operating earnings during the fourth quarter of fiscal 2012 and fiscal 2011, respectively. During fiscal 2011, we generated approximately 37% of our sales during the fourth quarter.

### **Trademarks**

We have a number of trademarks and servicemarks, including GameStop, Game Informer, EB Games, Electronics Boutique, Kongregate, BuyMyTronics, Power to the Players, and PowerUp Rewards, which have been registered by us with the United States Patent and Trademark Office. For many of our trademarks and servicemarks, including Micromania, we also have registered or have registrations pending with the trademark authorities throughout the world. We maintain a policy of pursuing registration of our principal marks and opposing any infringement of our marks.

### **Employees**

We have approximately 17,000 full-time salaried and hourly employees and between 30,000 and 48,000 part-time hourly employees worldwide, depending on the time of year. Fluctuation in the number of part-time hourly employees is due to the seasonality of our business. We believe that our relationship with our employees is excellent. Some of our international employees are covered by collective bargaining agreements, while none of our U.S. employees are represented by a labor union or are members of a collective bargaining unit.

### **Available Information**

We make available on our corporate Web site ([www.gamestopcorp.com](http://www.gamestopcorp.com)), under Investor Relations SEC Filings, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports as soon as reasonably practicable after we electronically file or furnish such material to the Securities and Exchange Commission (SEC). You may read and copy this information or obtain copies of this information by mail from the Public Reference Room of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. Further information on the operation of the SEC's Public Reference Room in Washington, D.C. can be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a Web site that contains reports, proxy statements and other information about issuers, like GameStop, who file electronically with the SEC. The address of that site is <http://www.sec.gov>. In addition to copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, the Company's Code of Standards, Ethics and Conduct is available on our Web site under Investor Relations Corporate Governance and is available to our stockholders in print, free of charge, upon written request to the Company's Investor Relations Department at GameStop Corp., 625 Westport Parkway, Grapevine, Texas 76051.

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**Item 1A. Risk Factors**

An investment in our Company involves a high degree of risk. You should carefully consider the risks below, together with the other information contained in this report, before you make an investment decision with respect to our Company. The risks described below are not the only ones facing our Company. Additional risks not presently known to us, or that we consider immaterial, may also impair our business operations. Any of the following risks could materially adversely affect our business, operating results or financial condition, and could cause a decline in the trading price of our common stock and the value of your investment.

**Risks Related to Our Business**

*If economic conditions do not improve, demand for the products we sell may decline.*

Sales of our products involve discretionary spending by consumers. Consumers are typically more likely to make discretionary purchases, including purchasing video game products, when there are favorable economic conditions. In recent years, poor worldwide economic conditions have led consumers to delay or reduce discretionary spending, including purchases of the products we sell. If conditions do not improve, these delays or reductions may continue, which could negatively impact our business, results of operations and financial condition.

*The electronic game industry is cyclical, which could cause significant fluctuation in our earnings.*

The electronic game industry has been cyclical in nature in response to the introduction and maturation of new technology. Following the introduction of new video game platforms, sales of these platforms and related software and accessories generally increase due to initial demand, while sales of older platforms and related products generally decrease as customers migrate toward the new platforms. A new console cycle is developing as Nintendo launched the Wii U in November 2012 as the next generation of the Wii. Also, Sony has announced that the next generation of the PlayStation will come to market by the holiday period of 2013. Microsoft has not formally announced definitive plans to introduce a new console. We expect sales of our products to decline until the launch of these new consoles. If video game platform manufacturers delay or fail to develop new hardware platforms, or the platforms are not successful, our sales of video game products could decline.

*If we fail to keep pace with changing industry technology, we will be at a competitive disadvantage.*

The interactive entertainment industry is characterized by swiftly changing technology, evolving industry standards, frequent new and enhanced product introductions and product obsolescence. Video games are now played on a wide variety of products, including mobile phones, tablets, social networking Web sites and other devices. In order to continue to compete effectively in the electronic game industry, we need to respond quickly to technological changes and to understand their impact on our customers' preferences. It may take significant time and resources to respond to these technological changes. If we fail to keep pace with these changes, our business may suffer.

*Technological advances in the delivery and types of video games and PC entertainment software, as well as changes in consumer behavior related to these new technologies, could lower our sales.*

While it is currently possible to download video game content to the current generation video game systems, downloading is constrained by bandwidth capacity. However, downloading technology is becoming more prevalent and continues to evolve rapidly. If advances in technology continue to expand our customers' ability to access and download the current format of video games and incremental content for their games through these and other sources, our customers may no longer choose to purchase video games in our stores or reduce their purchases in favor of other forms of game delivery. As a result, our sales and earnings could decline. While the Company has developed and implemented various strategies to incorporate these new delivery methods into the Company's business model, including hiring employees with experience in digital gaming and making investments in and acquisitions of digital gaming, streaming and technology-based companies, we can provide no assurances that these strategies will be successful or profitable.

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### ***We may not compete effectively as browser, mobile and social gaming becomes more popular.***

Gaming continues to evolve rapidly. The popularity of browser, mobile and social gaming has increased greatly and this popularity is expected to continue to grow. Browser, mobile and social gaming is accessed through hardware other than the consoles and traditional hand-held video game devices we currently sell. If we are unable to respond to this growth in popularity of browser, mobile and social games and transition our business to take advantage of these new forms of gaming, our financial position and results of operations could suffer. The Company has been and is currently pursuing various strategies to integrate these new forms of gaming into the Company's business model, but we can provide no assurances that these strategies will be successful or profitable.

### ***We depend upon the timely delivery of products.***

We depend on major hardware manufacturers, primarily Microsoft, Sony and Nintendo, to deliver new and existing video game platforms and new innovations on a timely basis and in anticipated quantities. In addition, we depend on software publishers to introduce new and updated software titles. We have experienced sales declines due to a reduction in the number of new software titles available for sale. Any material delay in the introduction or delivery, or limited allocations, of hardware platforms or software titles could result in reduced sales in one or more fiscal quarters.

### ***We depend upon third parties to develop products and software.***

Our business depends upon the continued development of new and enhanced video game platforms and accessories, PC hardware and video game and PC entertainment software. Our business could suffer and has declined due to the failure of manufacturers to develop new or enhanced video game platforms, a decline in the continued technological development and use of multimedia PCs, or the failure of software publishers to develop popular game and entertainment titles for current or future generation video game systems or PC hardware.

### ***Our ability to obtain favorable terms from our suppliers may impact our financial results.***

Our financial results depend significantly upon the business terms we can obtain from our suppliers, including competitive prices, unsold product return policies, advertising and market development allowances, freight charges and payment terms. We purchase substantially all of our products directly from manufacturers, software publishers and, in some cases, distributors. Our largest vendors worldwide are Sony, Activision, Nintendo, Microsoft and Electronic Arts, which accounted for 17%, 16%, 14%, 13% and 11%, respectively, of our new product purchases in fiscal 2012. If our suppliers do not provide us with favorable business terms, we may not be able to offer products to our customers at competitive prices.

### ***If our vendors fail to provide marketing and merchandising support at historical levels, our sales and earnings could be negatively impacted.***

The manufacturers of video game hardware and software and PC entertainment software have typically provided retailers with significant marketing and merchandising support for their products. As part of this support, we receive cooperative advertising and market development payments from these vendors. These cooperative advertising and market development payments enable us to actively promote and merchandise the products we sell and drive sales at our stores and on our Web sites. We cannot assure you that vendors will continue to provide this support at historical levels. If they fail to do so, our sales and earnings could be negatively impacted.



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***We have made and may make investments and acquisitions which could negatively impact our business if we fail to successfully complete and integrate them, or if they fail to perform in accordance with our expectations.***

To enhance our efforts to grow and compete, we have made and continue to make investments and acquisitions. These activities include investments in and acquisitions of digital, browser, social and mobile gaming and technology-based companies as the delivery methods for video games continue to evolve. Our plans to pursue future transactions are subject to our ability to identify potential candidates and negotiate favorable terms for these transactions. Accordingly, we cannot assure you that future investments or acquisitions will be completed. In addition, to facilitate future transactions, we may take actions that could dilute the equity interests of our stockholders, increase our debt or cause us to assume contingent liabilities, all of which may have a detrimental effect on the price of our common stock. Also, companies that we have acquired, and that we may acquire in the future, could have products that are in development, and there is no assurance that these products will be successfully developed. Finally, if any acquisitions are not successfully integrated with our business, or fail to perform in accordance with our expectations, our ongoing operations could be adversely affected. Integration of digital, browser, social and mobile gaming and technology-based companies may be particularly challenging to us as these companies are outside of our historical operating expertise.

***Pressure from our competitors may force us to reduce our prices or increase spending, which could decrease our profitability.***

The electronic game industry is intensely competitive and subject to rapid changes in consumer preferences and frequent new product introductions. We compete with mass merchants and regional chains, including Wal-Mart and Target; computer product and consumer electronics stores, including Best Buy; internet-based retailers such as Amazon.com; other U.S. and international video game and PC software specialty stores located in malls and other locations, such as Carrefour and Media Markt; toy retail chains; direct sales by software publishers; and online retailers and game rental companies. Some of our competitors have longer operating histories and may have greater financial resources than we do or other advantages, including non-taxability of sold merchandise. In addition, video game products and content are increasingly being digitally distributed and new competitors built to take advantage of these new capabilities are entering the marketplace, and other methods may emerge in the future. We also compete with other sellers of pre-owned video game products and other PC software distribution companies, including Steam. Additionally, we compete with other forms of entertainment activities, including browser, social and mobile games, movies, television, theater, sporting events and family entertainment centers. If we lose customers to our competitors, or if we reduce our prices or increase our spending to maintain our customers, we may be less profitable.

***We depend upon our key personnel and they would be difficult to replace.***

Our success depends upon our ability to attract, motivate and retain key management for our stores and skilled merchandising, marketing, financial and administrative personnel at our headquarters. We depend upon the continued services of our key executive officers: Daniel A. DeMatteo, our Executive Chairman; J. Paul Raines, our Chief Executive Officer; Tony D. Bartel, our President; Robert A. Lloyd, our Executive Vice President and Chief Financial Officer; Michael Mauler, our Executive Vice President-International; and Michael P. Hogan, our Executive Vice President-Strategic Business and Brand Development. The loss of services of any of our key personnel could have a negative impact on our business.

***International events could delay or prevent the delivery of products to our suppliers.***

Our suppliers rely on foreign sources, primarily in Asia, to manufacture a portion of the products we purchase from them. As a result, any event causing a disruption of imports, including natural disasters or the imposition of import restrictions or trade restrictions in the form of tariffs or quotas, could increase the cost and reduce the supply of products available to us, which could lower our sales and profitability.

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***Our international operations expose us to numerous risks.***

We have international retail operations in Australia, Canada and Europe. Because release schedules for hardware and software introduction in these markets often differ from release schedules in the United States, the timing of increases and decreases in foreign sales may differ from the timing of increases and decreases in domestic sales. We are also subject to a number of other factors that may affect our current or future international operations. These include:

economic downturns, specifically in the regions in which we operate;

currency exchange rate fluctuations;

international incidents;

natural disasters;

government instability; and

competitors entering our current and potential markets.

Our operations in Europe are also subject to risks associated with the current economic conditions and uncertainties in the European Union ( EU ). European and global economic conditions have already been negatively impacted by the ability of certain EU member states to service their sovereign debt obligations. Additionally, there continues to be uncertainty over the possibility that other EU member states may experience similar financial troubles, the ultimate outcome of the EU governments financial support programs, the possible breakup or restructuring of the EU and the possible elimination or restructuring of the EU monetary system. These continued uncertainties could further disrupt European and global economic conditions. Unfavorable economic conditions could negatively impact consumer demand for our products. These factors could have an adverse effect on our business, results of operations and financial condition.

We are also subject to risks that our operations outside the United States could be conducted by our employees, contractors, representatives or agents in ways that violate the Foreign Corrupt Practices Act or other similar anti-bribery laws. While we have policies and procedures intended to ensure compliance with these laws, our employees, contractors, representatives and agents may take actions that violate our policies. Moreover, it may be more difficult to oversee the conduct of any such persons who are not our employees, potentially exposing us to greater risk from their actions. Any violations of those laws by any of those persons could have a negative impact on our business.

***There may be possible changes in our global tax rate.***

As a result of our operations in many foreign countries, our global tax rate is derived from a combination of applicable tax rates in the various jurisdictions in which we operate. Depending upon the sources of our income, any agreements we may have with taxing authorities in various jurisdictions and the tax filing positions we take in various jurisdictions, our overall tax rate may be higher than other companies or higher than our tax rates have been in the past. We base our estimate of an annual effective tax rate at any given point in time on a calculated mix of the tax rates applicable to our Company and to estimates of the amount of income to be derived in any given jurisdiction. A change in the mix of our business from year to year and from country to country, changes in rules related to accounting for income taxes, changes in tax laws in any of the multiple jurisdictions in which we operate or adverse outcomes from the tax audits that regularly are in process in any jurisdiction in which we operate could result in an unfavorable change in our overall tax rate, which could have a material adverse effect on our business and results of our operations.

***If we are unable to renew or enter into new leases on favorable terms, our revenue growth may decline.***

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All of our retail stores are located in leased premises. If the cost of leasing existing stores increases, we cannot assure you that we will be able to maintain our existing store locations as leases expire. In addition, we may not be able to enter into new leases on favorable terms or at all, or we may not be able to locate suitable

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alternative sites or additional sites for new store expansion in a timely manner. Our revenues and earnings may decline if we fail to maintain existing store locations, enter into new leases, locate alternative sites or find additional sites for new store expansion.

***Restrictions on our ability to take trade-ins of and sell pre-owned video game products or pre-owned mobile devices could negatively affect our financial condition and results of operations.***

Our financial results depend on our ability to take trade-ins of, and sell, pre-owned video game products and pre-owned mobile devices within our stores. Actions by manufacturers or publishers of video game products or mobile devices or governmental authorities to prohibit or limit our ability to take trade-ins or sell pre-owned video game products or mobile devices, or to limit the ability of consumers to play pre-owned video games, could have a negative impact on our sales and earnings.

***Sales of video games containing graphic violence may decrease as a result of actual violent events or other reasons, and our financial results may be adversely affected as a result.***

Many popular video games contain material with graphic violence. These games receive an M or T rating from the Entertainment Software Ratings Board. As actual violent events occur and are publicized, such as the recent shootings at Newtown, Connecticut, or for other reasons, public acceptance of graphic violence in video games may decline. Consumer advocacy groups may increase their efforts to oppose sales of graphically-violent video games and may seek legislation prohibiting their sales. As a result, our sales of those games may decrease, which could adversely affect our financial results.

***An adverse trend in sales during the holiday selling season could impact our financial results.***

Our business, like that of many retailers, is seasonal, with the major portion of our sales and operating profit realized during the fourth fiscal quarter, which includes the holiday selling season. During fiscal 2012, we generated approximately 40% of our sales during the fourth quarter. Any adverse trend in sales during the holiday selling season could lower our results of operations for the fourth quarter and the entire fiscal year.

***Our results of operations may fluctuate from quarter to quarter, which could affect our business, financial condition and results of operations.***

Our results of operations may fluctuate from quarter to quarter depending upon several factors, some of which are beyond our control. These factors include:

the timing and allocations of new product releases including new console launches;

the timing of new store openings or closings;

shifts in the timing of certain promotions;

the effect of changes in tax rates in the jurisdictions in which we operate;

acquisition costs and the integration of companies we acquire or invest in;

the mix of earnings in the countries in which we operate;

the costs associated with the exit of unprofitable markets or stores; and

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changes in foreign currency exchange rates.

These and other factors could affect our business, financial condition and results of operations, and this makes the prediction of our financial results on a quarterly basis difficult. Also, it is possible that our quarterly financial results may be below the expectations of public market analysts.

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### ***Failure to effectively manage our new store openings could lower our sales and profitability.***

Our growth strategy depends in part upon opening new stores and operating them profitably. We opened 146 stores in fiscal 2012 and expect to open approximately 65 new stores in fiscal 2013. Our ability to open new stores and operate them profitably depends upon a number of factors, some of which may be beyond our control. These factors include:

the ability to identify new store locations, negotiate suitable leases and build out the stores in a timely and cost efficient manner;

the ability to hire and train skilled associates;

the ability to integrate new stores into our existing operations; and

the ability to increase sales at new store locations.

Our growth will also depend on our ability to process increased merchandise volume resulting from new store openings through our inventory management systems and distribution facilities in a timely manner. If we fail to manage new store openings in a timely and cost efficient manner, our growth or profits may decrease.

### ***Failure to execute our strategy to close stores and transfer customers and sales to nearby stores could adversely impact our financial results.***

Our strategy includes closing stores which are not meeting our performance standards or stores at the end of their lease terms and transferring sales to other nearby GameStop locations. We believe that we can ultimately increase profitability by successfully transferring customers and sales to other stores by marketing directly to the PowerUp Rewards members who have shopped in the stores that we plan to close. If we are unsuccessful in marketing to customers of the stores that we plan to close or in transferring sales to nearby stores, our sales and profitability could be adversely affected.

### ***We rely on centralized facilities for refurbishment of our pre-owned products. Any disruption to these facilities could adversely affect our profitability.***

We rely on centralized facilities for the refurbishment of all pre-owned products that we sell. If any disruption occurred at these facilities, whether due to natural disaster or severe weather, or events such as fire, accidents, power outages, systems failures, or other unforeseen causes, sales of our pre-owned products could decrease. Since we generally obtain higher margins on our pre-owned products, any adverse effect on their sales could adversely affect our profitability.

### ***If our management information systems fail to perform or are inadequate, our ability to manage our business could be disrupted.***

We rely on computerized inventory and management systems to coordinate and manage the activities in our distribution centers, as well as to communicate distribution information to the off-site, third-party operated distribution centers with which we work. The third-party distribution centers pick up products from our suppliers, repackage the products for each of our stores and ship those products to our stores by package carriers. We use inventory replenishment systems to track sales and inventory. Our ability to rapidly process incoming shipments of new release titles and deliver them to all of our stores, either that day or by the next morning, enables us to meet peak demand and replenish stores at least twice a week, to keep our stores in stock at optimum levels and to move inventory efficiently. If our inventory or management information systems fail to adequately perform these functions, our business could be adversely affected. In addition, if operations in any of our distribution centers were to shut down or be disrupted for a prolonged period of time or if these centers were unable to accommodate the continued store growth in a particular region, our business could suffer.

### ***Data breaches involving customer or employee data stored by us could adversely affect our reputation and revenues.***

We store confidential information with respect to our customers and employees. A breach of the systems storing personal account information and other sensitive data could lead to fraudulent activity resulting in claims and lawsuits against us in connection with data security breaches.

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Also, the interpretation and enforcement of data protection laws in the United States, Europe and elsewhere are uncertain and, in certain circumstances, contradictory. These laws may be interpreted and enforced in a manner that is inconsistent with our policies and practices. If we are subject to data security breaches or government-imposed fines, we may have a loss in sales or

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be forced to pay damages or other amounts, which could adversely affect profitability, or be subject to substantial costs related to compliance. In addition, any damage to our reputation resulting from a data breach could have an adverse impact on our revenues and future growth prospects, or increase costs arising from the implementation of enhanced security measures.

*Litigation and litigation results could negatively impact our future financial condition and results of operations.*

In the ordinary course of our business, the Company is, from time to time, subject to various litigation and legal proceedings. In the future, the costs or results of such legal proceedings, individually or in the aggregate, could have a negative impact on the Company's results of operations or financial condition.

*Legislative actions and changes in accounting rules may cause our general and administrative expenses or income tax expense to increase and impact our future financial condition and results of operations.*

In order to comply with laws adopted by the U.S. government or other regulatory bodies, we may be required to increase our expenditures and hire additional personnel and additional outside legal, accounting and advisory services, all of which may cause our general and administrative costs or income tax expenses to increase. Changes in the accounting rules could materially increase the expenses that we report under U.S. generally accepted accounting principles ( GAAP ) and adversely affect our operating results.

*We may not pay cash dividends on our common stock in the future.*

We initiated our first cash dividend on our common stock during fiscal 2012. Notwithstanding the foregoing, there is no assurance that we will continue to pay cash dividends on our common stock in the future. Certain provisions in our credit facility triggered by certain borrowing levels restrict our ability to pay dividends in the future. Subject to any financial covenants in current or future financing agreements that directly or indirectly restrict our ability to pay dividends, the payment of dividends is within the discretion of our Board of Directors and will depend upon our future earnings and cash flow from operations, our capital requirements, our financial condition and any other factors that the Board of Directors may consider. Unless we continue to pay cash dividends on our common stock in the future, the success of an investment in our common stock will depend entirely upon its future appreciation. Our common stock may not appreciate in value or even maintain the price at which it was purchased.

*We may record future goodwill impairment charges or other asset impairment charges which could negatively impact our future results of operations and financial condition.*

In recent periods we have recorded significant non-cash charges relating to the impairment of goodwill and other intangible assets that had a material adverse effect on our consolidated statements of operations and consolidated balance sheets. Because we have grown in part through acquisitions, goodwill and other acquired intangible assets represent a substantial portion of our assets. We also have long-lived assets consisting of property and equipment and other identifiable intangible assets which we review both on an annual basis as well as when events or circumstances indicate that the carrying amount of an asset may not be recoverable. If a determination is made that a significant impairment in value of goodwill, other intangible assets or long-lived assets has occurred, such determination could require us to write off a substantial portion of our assets. A write off of these assets could have a material adverse effect on our consolidated statements of operations and consolidated balance sheets.

**Risks Relating to Indebtedness**

*Because of our floating rate credit facility, we may be adversely affected by interest rate changes.*

Our financial position may be affected by fluctuations in interest rates, as our senior credit facility is subject to floating interest rates.



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Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. If we were to borrow against our senior credit facility, a significant increase in interest rates could have an adverse effect on our financial position and results of operations.

*The terms of our senior credit facility may impose significant operating and financial restrictions on us.*

The terms of our senior credit facility may impose significant operating and financial restrictions on us in certain circumstances. These restrictions, among other things, limit GameStop's ability to:

incur, assume or permit to exist additional indebtedness or guaranty obligations;

incur liens or agree to negative pledges in other agreements;

engage in sale and leaseback transactions;

make loans and investments;

declare dividends, make payments or redeem or repurchase capital stock;

engage in mergers, acquisitions and other business combinations;

prepay, redeem or purchase certain indebtedness;

amend or otherwise alter the terms of our organizational documents and indebtedness;

sell assets; and

engage in transactions with affiliates.

We cannot assure you that these covenants will not adversely affect our ability to finance our future operations or capital needs or to pursue available business opportunities.

*We may incur additional indebtedness in the future, which may adversely impact our financial condition and results of operations.*

We may incur additional indebtedness in the future, including additional secured indebtedness. Our senior credit facility restricts us from incurring additional indebtedness and is subject to important exceptions and qualifications. Such future indebtedness may have restrictions similar to or more restrictive than those contained in our senior credit facility. The incurrence of additional indebtedness could impact our financial condition and results of operations.

## **Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

All of our stores are leased. Store leases typically provide for an initial lease term of three to seven years, plus renewal options. This arrangement gives us the flexibility to pursue extension or relocation opportunities that arise from changing market conditions. We believe that, as current leases expire, we will be able to obtain either renewals at present locations, leases for equivalent locations in the same area, or be able to close the stores with expiring leases and transfer enough of the sales to other nearby stores to improve, if not at least maintain, profitability.

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The terms of the store leases for the 6,602 leased stores open as of February 2, 2013 expire as follows:

<b>Lease Terms to Expire During (12 Months Ending on or About January 31)</b>	<b>Number of Stores</b>
2013	2,703
2014	1,390
2015	1,037
2016	521
2017 and later	951
	6,602

At February 2, 2013, the Company owned or leased office and distribution facilities, with lease expiration dates ranging from 2013 to 2021 and an average remaining lease life of approximately four years, in the following locations:

<b>Location</b>	<b>Square Footage</b>	<b>Owned or Leased</b>	<b>Use</b>
<b><u>United States</u></b>			
Grapevine, Texas, USA	519,000	Owned	Distribution and administration
Grapevine, Texas, USA	182,000	Owned	Manufacturing and distribution
Louisville, Kentucky, USA	260,000	Leased	Distribution
Minneapolis, Minnesota, USA	15,000	Leased	Administration
Austin, Texas, USA	9,000	Leased	Administration
Denver, Colorado, USA	7,500	Leased	Distribution and administration
West Chester, Pennsylvania, USA	6,100	Leased	Administration
San Francisco, California, USA	5,300	Leased	Administration
<b><u>Canada</u></b>			
Brampton, Ontario, Canada	119,000	Owned	Distribution and administration
Brampton, Ontario, Canada	59,000	Leased	Distribution and administration
<b><u>Australia</u></b>			
Eagle Farm, Queensland, Australia	185,000	Owned	Distribution and administration
Auckland, New Zealand	13,000	Leased	Distribution and administration
<b><u>Europe</u></b>			
Arlov, Sweden	80,000	Owned	Distribution and administration
Milan, Italy	120,000	Owned	Distribution and administration
Memmingen, Germany	67,000	Owned	Distribution and administration
Valencia, Spain	22,000	Leased	Distribution
Valencia, Spain	6,000	Leased	Administration
Dublin, Ireland	38,000	Leased	Distribution and administration
Paris, France	78,000	Leased	Distribution
Sophia Antipolis, France	17,000	Leased	Administration

**Table of Contents****Item 3. Legal Proceedings**

In the ordinary course of the Company's business, the Company is, from time to time, subject to various legal proceedings, including matters involving wage and hour employee class actions and consumer class actions. The Company 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 the Company's stockholders. Management does not believe that any such existing legal proceedings or settlements, individually or in the aggregate, will have a material adverse effect on the Company's financial condition, results of operations or liquidity.

**Item 4. Mine Safety Disclosures**

Not applicable.

**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**  
**Price Range of Common Stock**

The Company's Class A Common Stock is traded on the New York Stock Exchange ( NYSE ) under the symbol GME.

The following table sets forth, for the periods indicated, the high and low sales prices of the Class A Common Stock on the NYSE Composite Tape:

	Fiscal 2012	
	High	Low
Fourth Quarter	\$ 28.35	\$ 21.41
Third Quarter	\$ 24.49	\$ 15.32
Second Quarter	\$ 23.08	\$ 15.47
First Quarter	\$ 25.86	\$ 20.94

	Fiscal 2011	
	High	Low
Fourth Quarter	\$ 26.14	\$ 21.46
Third Quarter	\$ 26.66	\$ 18.34
Second Quarter	\$ 28.66	\$ 23.01
First Quarter	\$ 26.94	\$ 19.19

**Approximate Number of Holders of Common Equity**

As of March 6, 2013, there were approximately 1,535 record holders of the Company's Class A Common Stock, par value \$.001 per share.

**Dividends**

Prior to February 2012, the Company had never declared or paid any dividends on its common stock. During fiscal 2012, the Company paid quarterly dividends of \$0.15 per share of Class A Common Stock during the first and second fiscal quarters and \$0.25 per share of Class A Common Stock during the third and fourth fiscal quarters. On February 18, 2013, the Company declared a quarterly dividend of \$0.275 per share of Class A Common Stock, paid on March 19, 2013 to stockholders of record on March 5, 2013. Our payment of dividends

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is and will continue to be restricted by or subject to, among other limitations, applicable provisions of federal and state laws, our earnings and various business considerations, including our financial condition, results of operations, cash flow, the level of our capital expenditures, our future business prospects, our status as a holding company and such other matters that our Board of Directors deems relevant. In addition, the terms of the senior credit facility restrict our ability to pay dividends under certain circumstances. See "Liquidity and Capital Resources" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-K.

**Issuer Purchases of Equity Securities**

Purchases by the Company of its equity securities during the fourth quarter of the fiscal year ended February 2, 2013 were as follows:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(1) (In millions of dollars)
October 28 through November 24, 2012	128,100	\$ 25.88	128,100	\$ 496.7
November 25 through December 29, 2012	329,450	\$ 25.37	329,450	\$ 488.3
December 30, 2012 through February 2, 2013	2,732,700	\$ 23.05	2,732,700	\$ 425.3
Total	3,190,250	\$ 23.41	3,190,250	

- (1) On November 13, 2012, our Board of Directors authorized \$500 million to be used for share repurchases. The authorization has no expiration date.

**Table of Contents****GameStop Stock Comparative Performance Graph**

The following graph compares the cumulative total stockholder return on our Class A Common Stock for the period commencing February 1, 2008 through February 1, 2013 (the last trading date of fiscal 2012) with the cumulative total return on the Standard & Poor's 500 Stock Index (the S&P 500) and the Dow Jones Retailers, Other Specialty Industry Group Index (the Dow Jones Specialty Retailers Index) over the same period. Total return values were calculated based on cumulative total return assuming (i) the investment of \$100 in our Class A Common Stock, the S&P 500 and the Dow Jones Specialty Retailers Index on February 1, 2008 and (ii) reinvestment of dividends.

The following stock performance graph and related information shall not be deemed soliciting material or filed with the SEC, nor should such information be incorporated by reference into any future filings under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate it by reference in such filing.

	2/1/2008	1/30/2009	1/29/2010	1/28/2011	1/27/2012	2/1/2013
GME	100	47.18	37.64	39.95	46.31	48.78
S&P 500 Index	100	59.19	76.96	91.47	94.33	108.44
Dow Jones Specialty Retailers Index	100	62.62	90.57	120.35	131.53	139.75

**Securities Authorized for Issuance under Equity Compensation Plans**

For information regarding securities authorized for issuance under equity compensation plans, refer to Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

**Item 6. Selected Financial Data**

The following table sets forth our selected consolidated financial and operating data for the periods and at the dates indicated. Our fiscal year is composed of 52 or 53 weeks ending on the Saturday closest to January 31. The fiscal year ended February 2, 2013 consisted of 53 weeks. The fiscal years ended January 28, 2012, January 29, 2011, January 30, 2010 and January 31, 2009 consisted of 52 weeks. The Statement of Operations Data for the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011 and the Balance Sheet Data as of February 2, 2013 and January 28, 2012 are derived from, and are qualified by reference to, our audited consolidated financial statements which are included elsewhere in this Form 10-K. The Statement of

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Operations Data for fiscal years ended January 30, 2010 and January 31, 2009 and the Balance Sheet Data as of January 29, 2011, January 30, 2010 and January 31, 2009 are derived from our audited consolidated financial statements which are not included elsewhere in this Form 10-K.

Our selected financial data set forth below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included elsewhere in this Form 10-K.

	53 Weeks Ended February 2, 2013	52 Weeks Ended January 28, 2012	52 Weeks Ended January 29, 2011	52 Weeks Ended January 30, 2010	52 Weeks Ended January 31, 2009
(In millions, except per share data and statistical data)					
<b>Statement of Operations Data:</b>					
Net sales	\$ 8,886.7	\$ 9,550.5	\$ 9,473.7	\$ 9,078.0	\$ 8,805.9
Cost of sales	6,235.2	6,871.0	6,936.1	6,643.3	6,535.8
Gross profit	2,651.5	2,679.5	2,537.6	2,434.7	2,270.1
Selling, general and administrative expenses	1,835.9	1,842.1	1,698.8	1,633.3	1,444.0
Depreciation and amortization	176.5	186.3	174.7	162.6	145.0
Goodwill impairments(1)	627.0				
Asset impairments and restructuring charges(2)	53.7	81.2	1.5	1.8	1.4
Merger-related expenses(3)					4.6
Operating earnings (loss)	(41.6)	569.9	662.6	637.0	675.1
Interest expense (income), net	3.3	19.8	35.2	43.2	38.8
Debt extinguishment expense		1.0	6.0	5.3	2.3
Earnings (loss) before income tax expense	(44.9)	549.1	621.4	588.5	634.0
Income tax expense	224.9	210.6	214.6	212.8	235.7
Consolidated net income (loss)	(269.8)	338.5	406.8	375.7	398.3
Net loss attributable to noncontrolling interests	0.1	1.4	1.2	1.6	
Consolidated net income (loss) attributable to GameStop Corp.	\$ (269.7)	\$ 339.9	\$ 408.0	\$ 377.3	\$ 398.3
Basic net income (loss) per common share	\$ (2.13)	\$ 2.43	\$ 2.69	\$ 2.29	\$ 2.44
Diluted net income (loss) per common share	\$ (2.13)	\$ 2.41	\$ 2.65	\$ 2.25	\$ 2.38
Dividends per common share	\$ 0.80	\$	\$	\$	\$
Weighted average common shares outstanding basic	126.4	139.9	151.6	164.5	163.2
Weighted average common shares outstanding diluted	126.4	141.0	154.0	167.9	167.7
<b>Store Operating Data:</b>					
Number of stores by segment					
United States	4,425	4,503	4,536	4,429	4,331
Canada	336	346	345	337	325
Australia	416	411	405	388	350
Europe	1,425	1,423	1,384	1,296	1,201

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Total	6,602	6,683	6,670	6,450	6,207
Comparable store sales increase (decrease)(4)	(8.0)%	(2.1)%	1.1%	(7.9)%	12.3%
Inventory turnover	5.0	5.1	5.1	5.2	5.8
<b>Balance Sheet Data:</b>					
Working capital	\$ 295.6	\$ 363.4	\$ 407.0	\$ 471.6	\$ 255.3
Total assets	4,133.6	4,847.4	5,063.8	4,955.3	4,483.5
Total debt, net			249.0	447.3	545.7
Total liabilities	1,847.3	1,807.2	2,167.9	2,232.3	2,212.9
Total equity	2,286.3	3,040.2	2,895.9	2,723.0	2,270.6



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- (1) The Company's results of operations for fiscal 2012 include charges related to goodwill impairments of \$627.0 million resulting from the Company's interim goodwill impairment tests performed during the third quarter of fiscal 2012.
- (2) The Company's results of operations for fiscal 2012 include charges related to asset impairments of \$53.7 million of which \$44.9 million relates to the impairment of the Micromania trade name and \$8.8 million relates to other impairment charges from the interim and annual evaluations of store property, equipment and other assets. The Company's results of operations for fiscal 2011 include charges related to asset impairments and restructuring charges of \$81.2 million, of which \$37.8 million relates to the impairment of the Micromania trade name, \$22.7 million relates to the impairment of investments in non-core businesses and \$20.7 million relates to other impairments, termination benefits and facility closure costs. For fiscal years 2008 through 2010, the asset impairments and restructuring charges are related to the impairment charges from the annual evaluation of store property, equipment and other assets.
- (3) The Company's results of operations for the 52 weeks ended January 31, 2009 include expenses of \$4.6 million which were of a one-time or short-term nature associated with the Micromania acquisition, of which \$3.5 million related to foreign currency losses on funds used to purchase Micromania.
- (4) Comparable store sales is a measure commonly used in the retail industry, which indicates store performance by measuring the growth in sales for certain stores for a particular period over the corresponding period in the prior year. Our comparable store sales is comprised of sales from stores operating for at least 12 full months as well as sales related to our Web sites 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 the 53 weeks ended February 2, 2013 compares the 53 weeks for the period ended February 2, 2013 to the most closely comparable weeks for the prior year period. 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.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion should be read in conjunction with the information contained in our consolidated financial statements, including the notes thereto. Statements regarding future economic performance, management's plans and objectives, and any statements concerning assumptions related to the foregoing contained in Management's Discussion and Analysis of Financial Condition and Results of Operations constitute forward-looking statements. Certain factors, which may cause actual results to vary materially from these forward-looking statements, accompany such statements or appear elsewhere in this Form 10-K, including the factors disclosed under Item 1A. Risk Factors.*

**General**

GameStop Corp. (together with its predecessor companies, GameStop, we, us, our, or the Company) is the world's largest multichannel game retailer. We sell new and pre-owned video game hardware, physical and digital video game software, accessories, as well as PC entertainment software and other merchandise primarily through our GameStop, EB Games and Micromania stores. As of February 2, 2013, we operated 6,602 stores, in the United States, Australia, Canada and Europe, which are primarily located in major shopping malls and strip centers. We also operate electronic commerce Web sites [www.gamestop.com](http://www.gamestop.com), [www.ebgames.com.au](http://www.ebgames.com.au), [www.ebgames.co.nz](http://www.ebgames.co.nz), [www.gamestop.ca](http://www.gamestop.ca), [www.gamestop.it](http://www.gamestop.it), [www.gamestop.es](http://www.gamestop.es), [www.gamestop.ie](http://www.gamestop.ie), [www.gamestop.de](http://www.gamestop.de), [www.gamestop.co.uk](http://www.gamestop.co.uk) and [www.micromania.fr](http://www.micromania.fr). The network also includes: [www.kongregate.com](http://www.kongregate.com), a leading browser-based game site; *Game Informer* magazine, the leading multi-platform video game publication; Spawn Labs, a streaming technology company; a digital PC distribution platform available at [www.gamestop.com/pcgames](http://www.gamestop.com/pcgames); iOS and Android mobile applications; and an online consumer electronics marketplace available at [www.buymytronics.com](http://www.buymytronics.com).

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Our fiscal year is composed of 52 or 53 weeks ending on the Saturday closest to January 31. The fiscal year ended February 2, 2013 ( fiscal 2012 ) consisted of 53 weeks. The fiscal years ended January 28, 2012 ( fiscal 2011 ) and January 29, 2011 ( fiscal 2010 ) consisted of 52 weeks.

Growth in the electronic game industry is generally driven by the introduction of new technology. Gaming consoles are typically launched in cycles as technological developments in both chip processing speeds and data storage provide significant improvements in advanced graphics, audio quality and other entertainment capabilities beyond video gaming. The current generation of consoles (the Sony PlayStation 3, the Microsoft Xbox 360 and the Nintendo Wii) were introduced between 2005 and 2007. The Nintendo DSi XL was introduced in early 2010, the Nintendo 3DS was introduced in March 2011 and the Sony PlayStation Vita was introduced in February 2012. A new console cycle is developing as Nintendo launched the Wii U in November 2012 as the next generation of the Wii. Also, Sony has announced that the next generation of the PlayStation will come to market by the holiday period of 2013. Microsoft has not formally announced definitive plans to introduce a new console. Typically, following the introduction of new video game platforms, sales of new video game hardware increase as a percentage of total sales in the first full year following introduction. As video game platforms mature, the sales mix attributable to complementary video game software and accessories, which generate higher gross margins, generally increases in the subsequent years. The net effect is generally a decline in gross margins in the first full year following new platform releases and an increase in gross margins in the years subsequent to the first full year following the launch period. The planned launch of the next-generation Sony PlayStation by the holiday period of 2013 will negatively impact our overall gross margin in that quarter and in future years. Unit sales of maturing video game platforms are typically also driven by manufacturer-funded retail price reductions, further driving sales of related software and accessories. Historically, new hardware consoles are typically introduced every four to five years. However, the current generation of hardware consoles is now over six years old and consumer demand is declining. We have seen declines in new hardware and software sales in fiscal 2012 due to the age of the current console cycle. The introduction of new consoles, like the Wii U, or further price cuts on the current generation of consoles could partially offset these declines.

We expect that future growth in the electronic game industry will also be driven by the sale of video games delivered in digital form and the expansion of other forms of gaming. We currently sell various types of products that relate to the digital category, including digitally downloadable content, Xbox LIVE, PlayStation and Nintendo network points cards, as well as prepaid digital and online timecards. We expect our sales of digital products to increase in fiscal 2013. We have made significant investments in e-commerce, digital kiosks and in-store and Web site 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 electronic game industry and in the digital aggregation and distribution category. In fiscal 2011, we also launched our mobile business and began selling an assortment of tablets and accessories. We currently sell tablets and accessories in all of our stores in the United States and in a majority of stores in our international markets. We also sell and accept trades of pre-owned mobile devices in our stores. In addition, we intend to continue to invest in customer loyalty programs designed to attract and retain customers.

### **Critical Accounting Policies**

The Company believes that the following are its most significant accounting policies which are important in determining the reporting of transactions and events:

*Use of Estimates.* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ( GAAP ) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In preparing these financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. Changes in the estimates and assumptions used by management could have significant impact on the Company