

# GameStop®

POWER TO THE PLAYERS®

## Q4 / Full Year 2016 Earnings

March 23, 2017

**GameStop**  
POWER TO THE PLAYERS

**ES GAMES**

**KONGREGATE**

**gameinformer**

**MICROMANIA**

**simply·mac**

**springmobile**

**THINKGEEK**

# Safe Harbor

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements may include, but are not limited to, the outlook for fiscal 2017, future financial and operating results and projections, projected store openings, timing and terms of potential acquisitions, the company's plans, objectives, expectations and intentions, and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of GameStop's management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. GameStop undertakes no obligation to publicly update or revise any forward-looking statements. The following factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: the inability to obtain sufficient quantities of product to meet consumer demand, including console hardware and accessories; the timing of release and consumer demand for new and pre-owned video game titles; our ability to continue to expand, and successfully open and operate new stores for, our collectibles and tech brands businesses; risks associated with achievement of anticipated financial and operating results from acquisitions; our ability to sustain and grow our console digital video game sales; the timing and amount of recognition of tax attributes; the risks associated with international operations, wireless industry partnerships and operations and the completion and integration of acquisitions; increased competition and changing technology in the video game industry, including browser and mobile games and digital distribution of console games, and the impact of that competition and those changes on physical video game sales; the costs and consequences of legal proceedings and tax audits; and changes in domestic or foreign laws and regulations that reduce consumer demand for, or increase prices of, our products or otherwise adversely affect our business. Additional factors that could cause GameStop's results to differ materially from those described in the forward-looking statements can be found in GameStop's Annual Report on Form 10-K, as amended, for the fiscal year ended Jan. 30, 2016 filed with the SEC and available at the SEC's Internet site at <http://www.sec.gov> or <http://investor.GameStop.com>.

# GME is a Global Specialty Retailer

We're a global family of specialty retail brands that makes the most popular technologies affordable and simple

GME | CHANGING THE GAME

## VIDEO GAMES

No. 1 Market Share in 13 Countries

\$13 Billion Addressable US Market



**GameStop**  
**POWERUP**  
REWARDS

52 Million Members Worldwide

**gameinformer**

2016: \$7B

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## DIGITAL/MOBILE GAMING

\$1 Billion Digital Business

\$8 Billion Addressable US Market



Downloadable Content

**KONGREGATE**  
Top 10 Mobile Publisher

**GAMETRUST**

2016: >\$1B

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## TECHNOLOGY BRANDS

\$200+ Billion Addressable US Market



- The Largest And Fastest Growing AT&T Wireless Retailer
- AT&T National Dealer

**simply mac**  
Apple Specialist

- Largest Apple Authorized Reseller

2016: ≈\$.8B

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## COLLECTIBLES

\$11 Billion Addressable US Market



**THINKGEEK**  
JOIN IN. GEEK OUT.™



2016: ≈\$.5B

# 2016 Highlights

- Expanded gross margins nearly 400 basis points to a record of 35.0%, representing our third consecutive year of gross margin improvement
- Technology Brands achieved the goal of delivering between \$85 and \$100 million of adjusted operating earnings in fiscal 2016, as it contributed \$90.2 million for the year, a 216.4% increase over 2015.
- The Collectibles business achieved the high end of its \$450 to \$500 million revenue target, posting \$494.1 million in sales in fiscal 2016.
- Our non-physical gaming businesses comprised 36.9% of GME's total adjusted operating earnings in fiscal 2016.
- Non-GAAP digital receipts grew 4% to \$1.1 billion.

# Technology Brands 2016 Highlights

- Acquired 511 Technology Brands stores, ending the year with 1,522 stores and as AT&T's largest authorized retailer.
- Sales increased 52.4% to \$814.0 million for the full year.
- Gross margin dollars increased 80.9% for the full year.
- Adjusted operating earnings grew 216.4% in 2016.

# 2016 Overview

## Consolidated Performance Summary

	Q4 2016	FY 2016
Total Sales	\$3,045.4M -13.6%	\$8,607.9M -8.1%
Comp SSS	-16.3%	-11.0%
Gross Margin	\$1,007.9M 33.1%	\$3,009.3M 35.0%
Operating Earnings	\$286.6 -25.0%	\$557.7 -14.0%
Net Income (Adjusted)	\$243.8M -3.1%	\$390.9M -5.9%
EPS (Adjusted)	\$2.38 -0.8%	\$3.77 -3.3%

# Q4 / Full Year 2016 Sales Category Highlights

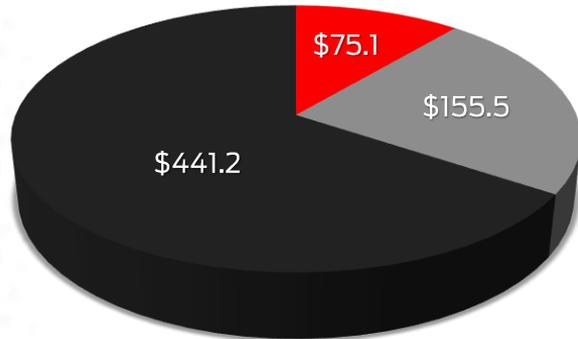
	Q4 2016	FY 2016
New hardware	\$583.0M -29.1%	\$1,396.7M -28.2%
New software	\$927.4M -19.3%	\$2,493.4M -14.2%
Pre-owned/Value	\$680.6M -6.7%	\$2,254.1M -5.1%
Video Game Accessories	\$238.5M -17.4%	\$676.7M -3.7%
Digital	\$57.2M -5.8%	\$181.0M -3.9%
Technology Brands	\$256.0M +43.9%	\$814.0M +52.4%
Collectibles	\$212.4M +27.8%	\$494.1M +59.5%
Other	\$90.3M -30.8%	\$297.9M -26.3%
<b>Total Sales</b>	<b>\$3,045.4M</b> -13.6%	<b>\$8,607.9M</b> -8.1%

# Q4 / Full Year 2016 Gross Profit by Category

	Q4 2016	FY 2016
New hardware	\$58.6M 10.1%	\$154.2M 11.0%
New software	\$224.4M 24.2%	\$600.4M 24.1%
Pre-owned/Value	\$318.9M 46.9%	\$1,044.1M 46.3%
Video Game Accessories	\$82.8M 34.7%	\$235.2M 34.8%
Digital	\$50.8M 88.8%	\$155.5M 85.9%
Technology Brands	\$174.6M 68.2%	\$554.6M 68.1%
Collectibles	\$68.6M 32.3%	\$171.6M 34.7%
Other	\$29.2M 32.3%	\$93.7M 31.5%
<b>Total Gross Profit</b> Gross Margin	<b>\$1,007.9M</b> 33.1%	<b>\$3,009.3M</b> 35.0%

# 2016 Uses of Cash

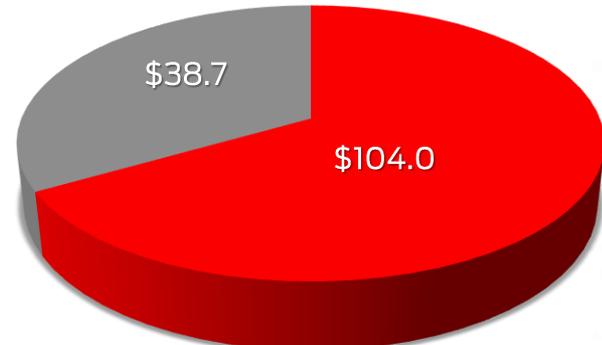
### 2016 Capital Deployment:



In millions

■ Dividend   ■ M&A   ■ Buyback

### 2016 Capital Expenditures: \$142.7 million



In millions

■ Tech Brands   ■ Core Global GME

# 2017 Guidance

	FY 2017
Total Sales	-2.0% to 2.0%
Same Store Sales	-5.0% to 0%
D&A Expense	\$150.0 to \$160.0
Income Tax Rate	35.0% to 35.5%
Operating Margin	6.5% to 7.0%
Net Income	\$320.0 to \$354.0
Diluted EPS*	\$3.10 to \$3.40
Capital Expenditures	\$110.0 to \$120.0

# 2017 Category Sales Guidance

Category Sales Growth	
New hardware	Flat to up slightly
New software	Down mid-single digits
Pre-owned	Down mid-single digits
Tech Brands	+10% to +16%
Collectibles	+30% to +40%

# 2017 Projected Cash Flow Use

## Sources



~\$300M of FCF

## Priorities for FCF

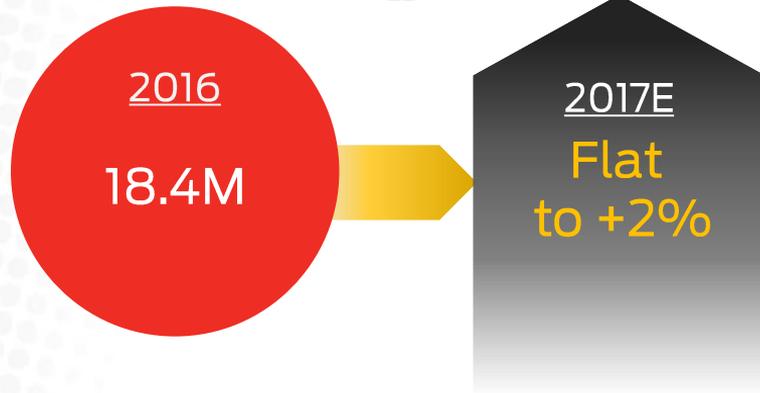
- Dividend
- Tech Brands expansion
- Potential M&A
- Share repurchases

## \$110 to \$120M of Capital Expenditures

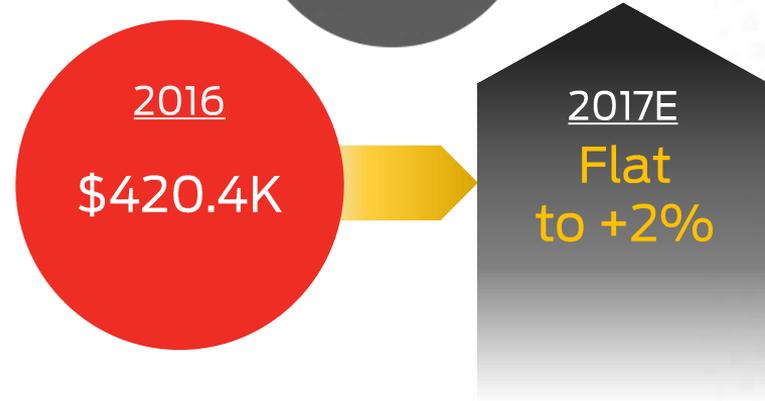


# Technology Brands Store Metrics

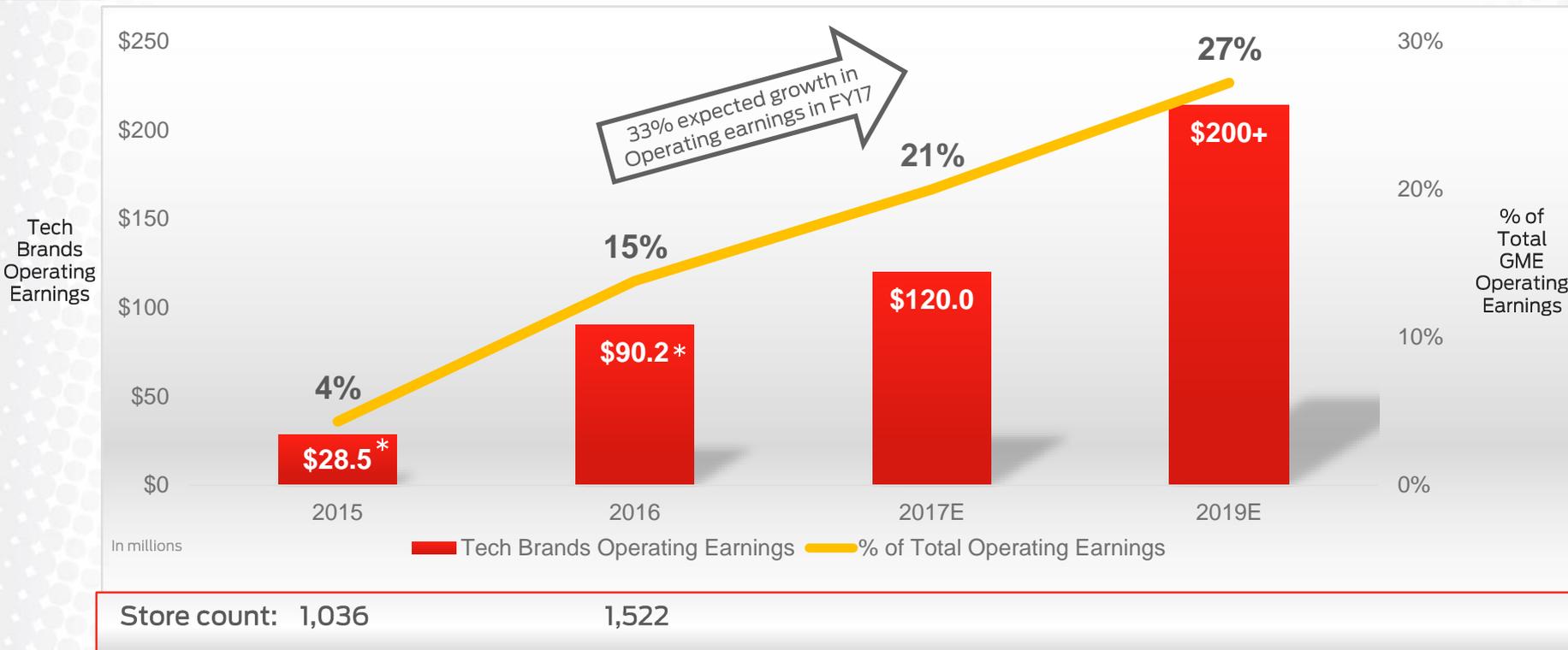
## TRAFFIC



## GROSS PROFIT COMP



# Projected Technology Brands Operating Earnings Growth



\*Operating earnings exclude one time charges

# Collectibles Business

**“Loot” sales are expected to grow 30% to 40% in fiscal 2017**

- Doubling the amount of dedicated wall space in the U.S. from 7.5% of linear feet to 15%
- Converting 50 of our larger U.S. stores to hybrid stores where ½ are dedicated to collectibles
- Adding ~ 20 dedicated ThinkGeek stores in the U.S. and 15 internationally
- Dedicating 3 and 6 foot store-within-a-store sections within our U.S. GameStop branded stores to feature unique licensed product from relevant movie and TV properties
- Entering into licensing agreements with major IP holders to produce unique, exclusive products
- Leveraging our loyalty programs in each country to drive relevant product around a robust launch schedule.



# Collectibles: Forward Looking

Movie industry fully committed to the film franchise model – connected universes, sequels & spinoffs

	Box Office \$ in Billions*	# of Films to Date	Plans thru 2020
	\$9.3	14	3+ films per year
	\$7.7	8	launch <i>Fantastic Beast</i> & full trilogy
	\$6.7	8	5 films
 DC COMICS	\$1.5	5	10 films numerous shows this year

Strong line-ups behind major franchises

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Thank you

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