
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

Current Report
Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 7, 2022

GameStop Corp.

(Exact name of Registrant as specified in its charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

1-32637
(Commission
File Number)

20-2733559
(IRS Employer
Identification No.)

625 Westport Parkway, Grapevine, TX 76051
(817) 424-2000

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Class A Common Stock	GME	NYSE

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 under the Securities Act (17 CFR 230.405) or Rule 12b-2 under the Exchange Act (17 CFR 240.12b-2).

Emerging growth company

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

Item 2.02 Results of Operations and Financial Condition.

The following information is furnished pursuant to Item 2.02, “Results of Operations and Financial Condition,” and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section.

On December 7, 2022, GameStop Corp. issued a press release announcing its financial results for its third quarter ended October 29, 2022. A copy of the press release is attached hereto as Exhibit 99.1.

The information contained in this Current Report, including the exhibit, shall not be incorporated by reference into any filing of GameStop Corp., whether made before or after the date hereof, regardless of any general incorporation language in such filing, except as otherwise expressly set forth therein.

Item 7.01 Regulation FD Disclosure.

The following information is furnished pursuant to Item 7.01 “Regulation FD Disclosure,” and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

[99.1](#) [Press Release issued by GameStop Corp., dated December 7, 2022.](#)

104 Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURE

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

GAMESTOP CORP.

(Registrant)

Date: December 7, 2022

By: /s/ Diana Saadeh-Jajeh
Diana Saadeh-Jajeh
Chief Financial Officer



GameStop Reports Third Quarter Fiscal Year 2022 Results

GRAPEVINE, Texas--(BUSINESS WIRE)--Dec. 7, 2022-- GameStop Corp. (NYSE: GME) ("GameStop" or the "Company") today released financial results for the third quarter ended October 29, 2022. The Company's condensed and consolidated financial statements, including GAAP and non-GAAP results, are below. The Company's Form 10-Q and supplemental information can be found at <http://investor.GameStop.com>.

THIRD QUARTER OVERVIEW

- Net sales were \$1.186 billion, compared to \$1.297 billion in the prior year's third quarter.
- Sales attributable to new and expanded brand relationships were strong in the quarter, while sales in the collectibles category remained strong on a year-to-date basis.
- Selling, general and administrative expenses ("SG&A") were \$387.9 million, or 32.7% of sales, compared to \$421.5 million, or 32.5% of sales, in the prior year's third quarter. Notably, SG&A as a percentage of revenue was down on a sequential basis from 34.1% in Q2 of this year, reflecting the Company's ongoing cost reduction efforts.
- Inventory was \$1.131 billion at the close of the period, compared to \$1.141 billion at the close of the prior year's third quarter.
- Cash, cash equivalents and marketable securities were \$1.042 billion at the close of the third quarter.
- Long-term debt remains limited to a low-interest, unsecured term loan associated with the French government's response to COVID-19.

CONFERENCE CALL INFORMATION

The Company will host an investor conference call today, December 7, 2022, at 5:00 pm ET to review its financial results. The phone number for the investor conference call is 1-877-407-6169 and the confirmation code is 13734613. This call, along with supplemental information, can also be accessed at <http://investor.GameStop.com>. A recording of the conference call will be made available on the Company's investor relations website for two months.

NON-GAAP MEASURES AND OTHER METRICS

As a supplement to the Company's financial results presented in accordance with U.S. generally accepted accounting principles (GAAP), GameStop may use certain non-GAAP measures, such as adjusted SG&A, adjusted operating income (loss), adjusted net income (loss), adjusted diluted earnings (loss) per share, adjusted EBITDA and free cash flow. The Company believes these non-GAAP financial measures provide useful information to investors in evaluating the Company's core operating performance. Adjusted selling, general and administrative expenses ("Adjusted SG&A"), adjusted operating income (loss), adjusted net income (loss), adjusted diluted earnings (loss) per share and adjusted EBITDA exclude the effect of items such as transformation costs, asset impairments, store closure costs, severance, as well as divestiture costs. Results reported as constant currency exclude the impact of fluctuations in foreign currency exchange rates by converting the Company's local currency financial results using the prior period exchange rates and comparing these adjusted amounts to the Company's current period reported results. The Company's definition and calculation of non-GAAP financial measures may differ from that of other companies. Non-GAAP financial measures should be viewed as supplementing, and not as an alternative or substitute for, the Company's financial results prepared in accordance with GAAP. Certain of the items that may be excluded or included in non-GAAP financial measures may be significant items that could impact the Company's financial position, results of operations or cash flows and should therefore be considered in assessing the Company's actual and future financial condition and performance.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS - SAFE HARBOR

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based upon management's current beliefs, views, estimates and expectations, including as to the Company's industry, business strategy, goals and expectations concerning its market position, strategic and transformation initiatives, future operations, margins, profitability, sales growth, capital expenditures, liquidity, capital resources, expansion of technology expertise, and other financial and operating information, including expectations as to future operating profit improvement. Such statements include without limitation those about the Company's expectations for fiscal 2022, future financial and operating results, projections and other statements that are not historical facts. Forward-looking statements are subject to significant risks and uncertainties and actual developments, business decisions, outcomes and results may differ materially from those reflected or described in the forward-looking statements. The following factors, among others, could cause actual developments, business decisions, outcomes and results to differ materially from those reflected or described in the forward-looking statements: economic, social, and political conditions in the markets in which we operate; the impact of the COVID-19 pandemic on the Company's business and financial results; the cyclicity of the video game industry; the Company's dependence on the timely delivery of new and innovative products from its vendors; the impact of technological advances in the video game industry and related changes in consumer behavior on the Company's sales; the Company's ability to keep pace with changing industry technology and consumer preferences; the Company's ability to obtain favorable terms from its current and future suppliers and service providers; the ability of the Company's third party delivery services to deliver products to the Company's retail locations, fulfillment centers and consumers and changes in the terms the Company has with such service providers; the Company's dependence on sales during the holiday selling season; the decrease in popularity of certain types of video games containing graphic violence; the Company's ability to renew or enter into new leases on favorable terms; the Company's ability to implement a new ERP system; the Company's ability to maintain strong retail and ecommerce experiences for its customers; the Company's strategic plans and transformation initiatives and the Company's ability to achieve the desired results of its transformation initiatives within the anticipated time-frame or at all; enhanced risks as new business initiatives lead the Company to engage in new activities; risks associated with the Company's digital asset products and services, including extreme price volatility, heightened risk of cybersecurity threats, failures in the blockchain networks on which such digital assets are offered, and risks and challenges related to content moderation and control; the competitive nature of the Company's industry, including competition from multi-channel retailers, ecommerce businesses, and others; disruptions or interruptions to the Company's logistics capabilities or supply chain or the supply chain of the Company's suppliers; the Company's ability to anticipate, identify and react to trends in pop culture with regard to its sales of collectibles; the ability and willingness of the Company's vendors to provide marketing and merchandising support at historical or anticipated levels; restrictions on the Company's ability to purchase and sell pre-owned products; changes to tariff and import/export regulations; unfavorable changes in the Company's global tax rate; legislative actions; the Company's ability to comply with federal, state, local and international laws and regulations and statutes; the evolution of government regulation related to blockchain, digital assets and Web 3.0 technology; including as to whether particular assets could be deemed to be securities and developments regarding the treatment of digital assets under tax laws; fluctuations in the Company's results of operations from quarter to quarter; the restrictions contained in the agreement governing the Company's revolving credit facility; the Company's ability to generate sufficient cash flow to fund its operations; the Company's ability to incur additional debt; turnover in senior management or the Company's ability to attract and retain qualified personnel; turnover in the Company's Board of Directors; the Company's ability to maintain the security or privacy of its customer, associate or Company information; potential damage to the Company's reputation or customers' perception of the Company; occurrence of weather events, natural disasters, public health crises and other unexpected events; potential failure or inadequacy of the Company's computerized systems; the Company's ability to maintain effective control over financial reporting; volatility in the Company's Class A Common Stock price, including volatility due to potential short squeezes; continued high degrees of media coverage by third parties; the availability and future sales of substantial amounts of the Company's Class A Common Stock; and potential future litigation and other legal proceedings. Additional factors that could cause results to differ materially from those reflected or described in the forward-looking statements can be found in GameStop's most recent Annual Report on Form 10-K filed with the SEC on March 17, 2022 and in GameStop's Quarterly Reports on Form 10-Q filed with the SEC on September 7, 2022 and the date hereof, and other filings made from time to time with the SEC and available at www.sec.gov or on the Company's investor relations website (<http://investor.GameStop.com>). Forward-looking statements contained in this press release speak only as of the date of this press release. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by any applicable securities laws.

GameStop Corp.
Consolidated Statements of Operations

(in millions, except per share data)
(unaudited)

	<u>13 Weeks ended October 29, 2022</u>	<u>13 Weeks ended October 30, 2021</u>
Net sales	\$ 1,186.4	\$ 1,296.6
Cost of sales	894.8	978.0
Gross profit	291.6	318.6
Selling, general and administrative expenses	387.9	421.5
Operating loss	(96.3)	(102.9)
Interest (income) expense, net	(3.7)	0.8
Loss before income taxes	(92.6)	(103.7)
Income tax expense	2.1	1.7
Net loss	<u>\$ (94.7)</u>	<u>\$ (105.4)</u>
Loss per share:		
Basic loss per share	\$ (0.31)	\$ (0.35)
Diluted loss per share	(0.31)	(0.35)
Weighted-average common shares outstanding:		
Basic	304.2	303.6
Diluted	304.2	303.6
<u>Percentage of Net Sales:</u>		
Net sales	100.0 %	100.0 %
Cost of sales	75.4	75.4
Gross profit	24.6	24.6
Selling, general and administrative expenses	32.7	32.5
Operating loss	(8.1)	(7.9)
Interest (income) expense, net	(0.3)	0.1
Loss before income taxes	(7.8)	(8.0)
Income tax expense	0.2	0.1
Net loss	<u>(8.0)%</u>	<u>(8.1)%</u>

GameStop Corp.
Consolidated Statements of Operations

(in millions, except per share data)
(unaudited)

	<u>39 Weeks ended October 29, 2022</u>	<u>39 Weeks ended October 30, 2021</u>
Net sales	\$ 3,700.8	\$ 3,756.8
Cost of sales	2,828.5	2,787.2
Gross profit	872.3	969.6
Selling, general and administrative expenses	1,227.6	1,170.7
Asset Impairments	2.5	0.6
Operating loss	(357.8)	(201.7)
Interest (income) expense, net	(3.3)	26.0
Loss before income taxes	(354.5)	(227.7)
Income tax expense	6.8	6.1
Net loss	<u>\$ (361.3)</u>	<u>\$ (233.8)</u>
Loss per share:		
Basic loss per share	\$ (1.19)	\$ (0.82)
Diluted loss per share	(1.19)	(0.82)
Weighted-average common shares outstanding:		
Basic	304.1	286.0
Diluted	304.1	286.0
<u>Percentage of Net Sales:</u>		
Net sales	100.0 %	100.0 %
Cost of sales	76.4	74.2
Gross profit	23.6	25.8
Selling, general and administrative expenses	33.2	31.2
Asset Impairments	0.1	—
Operating loss	(9.7)	(5.4)
Interest (income) expense, net	(0.1)	0.7
Loss before income taxes	(9.6)	(6.1)
Income tax expense	0.2	0.2
Net loss	<u>(9.8)%</u>	<u>(6.2)%</u>

GameStop Corp.
Condensed Consolidated Balance Sheets

(in millions)
(unaudited)

	<u>October 29, 2022</u>	<u>October 30, 2021</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 803.8	\$ 1,413.0
Marketable securities	238.3	—
Receivables, net of allowance of \$2.0 and \$5.1, respectively	125.3	83.4
Merchandise inventories	1,131.3	1,140.9
Prepaid expenses and other current assets	283.1	275.8
Total current assets	<u>2,581.8</u>	<u>2,913.1</u>
Property and equipment, net of accumulated depreciation of \$981.4 and \$1,122.0, respectively	138.5	179.6
Operating lease right-of-use assets	523.2	615.8
Deferred income taxes	14.3	—
Other noncurrent assets	64.7	53.5
Total assets	<u>\$ 3,322.5</u>	<u>\$ 3,762.0</u>
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 888.4	\$ 711.5
Accrued liabilities and other current liabilities	504.2	608.5
Current portion of operating lease liabilities	186.2	211.9
Current portion of long-term debt	9.9	1.4
Total current liabilities	<u>1,588.7</u>	<u>1,533.3</u>
Long-term debt, net	28.8	44.8
Operating lease liabilities	349.6	409.7
Other long-term liabilities	110.4	19.3
Total liabilities	<u>2,077.5</u>	<u>2,007.1</u>
Total stockholders' equity	1,245.0	1,754.9
Total liabilities and stockholders' equity	<u>\$ 3,322.5</u>	<u>\$ 3,762.0</u>

GameStop Corp.
Consolidated Statements of Cash Flows

(in millions)
(unaudited)

	13 Weeks ended October 29, 2022	13 Weeks ended October 30, 2021
Cash flows from operating activities:		
Net loss	\$ (94.7)	\$ (105.4)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	15.1	16.9
Stock-based compensation expense	13.3	6.2
Gain on sale of digital assets	(0.2)	—
Digital asset impairments	0.2	—
Loss on disposal of property and equipment, net	3.5	1.4
Other	11.9	(0.8)
Changes in operating assets and liabilities:		
Receivables, net	(26.0)	(15.2)
Merchandise inventories	(414.6)	(546.4)
Prepaid expenses and other current assets	(11.3)	(1.1)
Prepaid income taxes and income taxes payable	—	0.9
Accounts payable and accrued liabilities	672.7	351.7
Operating lease right-of-use assets and liabilities	8.1	(2.0)
Changes in other long-term liabilities	(0.7)	0.1
Net cash flows provided by (used in) operating activities	<u>177.3</u>	<u>(293.7)</u>
Cash flows from investing activities:		
Proceeds from sale of digital assets	0.1	—
Purchases of marketable securities	(237.0)	—
Capital expenditures	(13.0)	(12.5)
Other	0.3	(0.3)
Net cash flows used in investing activities	<u>(249.6)</u>	<u>(12.8)</u>
Cash flows from financing activities:		
Settlements of stock-based awards	(0.3)	—
Other	—	—
Net cash flows (used in) provided by financing activities	<u>(0.3)</u>	<u>—</u>
Exchange rate effect on cash, cash equivalents and restricted cash	(24.9)	(1.0)
Decrease in cash, cash equivalents and restricted cash	<u>(97.5)</u>	<u>(307.5)</u>
Cash, cash equivalents and restricted cash at beginning of period	957.0	1,775.6
Cash, cash equivalents and restricted cash at end of period	<u>\$ 859.5</u>	<u>\$ 1,468.1</u>

GameStop Corp.
Consolidated Statements of Cash Flows

(in millions)
(unaudited)

	39 Weeks ended October 29, 2022	39 Weeks ended October 30, 2021
Cash flows from operating activities:		
Net loss	\$ (361.3)	\$ (233.8)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	47.5	53.2
Stock-based compensation expense	32.2	20.7
Gain on sale of digital assets	(7.1)	—
Digital asset impairments	33.9	—
Asset impairments	2.5	0.6
Loss on disposal of property and equipment, net	5.1	1.9
Loss on retirement of debt	—	18.2
Other	6.9	(1.4)
Changes in operating assets and liabilities:		
Receivables, net	13.3	21.0
Merchandise inventories	(245.0)	(545.2)
Prepaid expenses and other current assets	(38.7)	(5.1)
Prepaid income taxes and income taxes payable	0.9	(12.9)
Accounts payable and accrued liabilities	288.7	376.9
Operating lease right-of-use assets and liabilities	(7.7)	(18.1)
Changes in other long-term liabilities	(1.2)	—
Net cash flows used in operating activities	<u>(230.0)</u>	<u>(324.0)</u>
Cash flows from investing activities:		
Proceeds from sale of digital assets	77.4	—
Purchases of marketable securities	(237.0)	—
Capital expenditures	(44.3)	(40.7)
Other	0.3	(0.4)
Net cash flows used in investing activities	<u>(203.6)</u>	<u>(41.1)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock, net of costs	—	1,672.8
Payments of senior notes	—	(307.4)
Repayments of revolver borrowings	—	(25.0)
Settlements of stock-based awards	(3.3)	(136.6)
Other	—	(0.1)
Net cash flows (used in) provided by financing activities	<u>(3.3)</u>	<u>1,203.7</u>
Exchange rate effect on cash, cash equivalents and restricted cash	(23.5)	(5.5)
(Decrease) increase in cash, cash equivalents and restricted cash	(460.4)	833.1
Cash, cash equivalents and restricted cash at beginning of period	1,319.9	635.0
Cash, cash equivalents and restricted cash at end of period	<u>\$ 859.5</u>	<u>\$ 1,468.1</u>

Schedule I
Sales Mix
(in millions)
(unaudited)

	13 Weeks ended October 29, 2022		13 Weeks ended October 30, 2021	
	Net Sales	Percent of Total	Net Sales	Percent of Total
Net Sales:				
Hardware and accessories ⁽¹⁾	\$ 627.0	52.8 %	\$ 669.9	51.7 %
Software ⁽²⁾	352.1	29.7	434.5	33.5
Collectibles	207.3	17.5	192.2	14.8
Total	\$ 1,186.4	100.0 %	\$ 1,296.6	100.0 %

	39 Weeks ended October 29, 2022		39 Weeks ended October 30, 2021	
	Net Sales	Percent of Total	Net Sales	Percent of Total
Net Sales:				
Hardware and accessories ⁽¹⁾	\$ 1,897.2	51.3 %	\$ 1,983.0	52.8 %
Software ⁽²⁾	1,152.2	31.1	1,229.0	32.7
Collectibles	651.4	17.6	544.8	14.5
Total	\$ 3,700.8	100.0 %	\$ 3,756.8	100.0 %

(1) Includes sales of new and pre-owned hardware, accessories, hardware bundles in which hardware and digital or physical software are sold together in a single SKU, interactive game figures, strategy guides, mobile and consumer electronics.

(2) Includes sales of new and pre-owned video game software, digital software and PC entertainment software.

GameStop Corp.
Schedule II
(in millions, except per share data)
(unaudited)

Non-GAAP results

The following tables reconcile the Company's selling, general and administrative expenses ("SG&A"), operating loss, net loss and loss per share as presented in its unaudited consolidated statements of operations and prepared in accordance with Generally Accepted Accounting Principles ("GAAP") to its adjusted SG&A, adjusted operating loss, adjusted net loss, adjusted EBITDA and adjusted loss per share. The diluted weighted-average shares outstanding used to calculate adjusted earnings per share may differ from GAAP weighted-average shares outstanding. Under GAAP, basic and diluted weighted-average shares outstanding are the same in periods where there is a net loss. The reconciliations below are from continuing operations only.

	13 Weeks Ended October 29, 2022	13 Weeks Ended October 30, 2021	39 Weeks Ended October 29, 2022	39 Weeks Ended October 30, 2021
Adjusted SG&A				
SG&A	\$ 387.9	\$ 421.5	\$ 1,227.6	\$ 1,170.7
Transformation costs ⁽¹⁾⁽³⁾	(1.3)	—	(0.4)	(24.7)
Significant transactions ⁽²⁾	—	—	—	(0.4)
Divestitures and other ⁽³⁾	—	—	—	(0.1)
Adjusted SG&A	<u>\$ 386.6</u>	<u>\$ 421.5</u>	<u>\$ 1,227.2</u>	<u>\$ 1,145.5</u>
Adjusted Operating Loss				
Operating loss	\$ (96.3)	\$ (102.9)	\$ (357.8)	\$ (201.7)
Transformation costs ⁽¹⁾⁽³⁾	1.3	—	0.4	24.7
Asset impairments	—	—	2.5	0.6
Significant transactions ⁽²⁾	—	—	—	0.4
Divestitures and other ⁽³⁾	—	—	—	0.1
Adjusted operating loss	<u>\$ (95.0)</u>	<u>\$ (102.9)</u>	<u>\$ (354.9)</u>	<u>\$ (175.9)</u>
Adjusted Net Loss				
Net loss	\$ (94.7)	\$ (105.4)	\$ (361.3)	\$ (233.8)
Transformation costs ⁽¹⁾⁽³⁾	1.3	—	0.4	24.7
Asset impairments	—	—	2.5	0.6
Significant transactions ⁽²⁾	—	—	—	18.6
Divestitures and other ⁽³⁾	—	—	—	0.1
Adjusted net loss	<u>\$ (93.4)</u>	<u>\$ (105.4)</u>	<u>\$ (358.4)</u>	<u>\$ (189.8)</u>
Adjusted loss per share				
Basic	\$ (0.31)	\$ (0.35)	\$ (1.18)	\$ (0.66)
Diluted	(0.31)	(0.35)	(1.18)	(0.66)
Number of shares used in adjusted calculation				
Basic	304.2	303.6	304.1	286.0
Diluted	304.2	303.6	304.1	286.0

(1) Current year includes the impact of stock-based compensation forfeitures partially offset by cash severance costs related to workforce optimization efforts in connection with our transformation initiatives. Prior year includes cash severance and stock-based compensation costs for key personnel that separated from the Company and expenses for consultants and advisors related to transformation initiatives.

(2) Prior year includes transaction costs associated with the ATM offering. Adjusted net loss in the prior year also includes the impact of the make-whole premium and accelerated amortization associated with the voluntary early redemption of the 2023 Senior Notes.

(3) Prior year amounts related to cash severance costs and stock-based compensation have been reclassified to conform to the current year presentation.

	13 Weeks Ended October 29, 2022	13 Weeks Ended October 30, 2021	39 Weeks Ended October 29, 2022	39 Weeks Ended October 30, 2021
Reconciliation of Net Loss to Adjusted EBITDA				
Net loss	\$ (94.7)	\$ (105.4)	\$ (361.3)	\$ (233.8)
Interest (income) expense, net ⁽¹⁾	(3.7)	0.8	(3.3)	26.0
Depreciation and amortization	15.1	16.9	47.5	53.2
Income tax expense	2.1	1.7	6.8	6.1
EBITDA	\$ (81.2)	\$ (86.0)	\$ (310.3)	\$ (148.5)
Stock-based compensation	13.3	6.2	32.2	12.7
Transformation costs ⁽²⁾⁽³⁾	1.3	—	0.4	6.5
Asset impairments	—	—	2.5	0.6
Significant transactions ⁽¹⁾	—	—	—	0.4
Divestitures and other ⁽³⁾	—	—	—	18.3
Adjusted EBITDA	\$ (66.6)	\$ (79.8)	\$ (275.2)	\$ (110.0)

(1) Prior year includes transaction costs associated with the ATM offering and the impact of the make-whole premium and accelerated amortization associated with the voluntary early redemption of the 2023 Senior Notes.

(2) Current year includes the impact of stock-based compensation forfeitures partially offset by cash severance costs related to workforce optimization efforts in connection with our transformation initiatives. Prior year includes cash severance and stock-based compensation costs for key personnel that separated from the Company and expenses for consultants and advisors related to transformation initiatives.

(3) Prior year amounts related to cash severance costs and stock-based compensation have been reclassified to conform to the current year presentation.

GameStop Corp.
Schedule III
(in millions)
(unaudited)

Non-GAAP results

The following table reconciles the Company's cash flows provided by operating activities as presented in its unaudited Consolidated Statements of Cash Flows and prepared in accordance with GAAP to its free cash flow. Free cash flow is considered a non-GAAP financial measure. Management believes, however, that free cash flow, which measures our ability to generate additional cash from our business operations, is an important financial measure for use by investors in evaluating the company's financial performance.

	<u>13 Weeks Ended</u> <u>October 29, 2022</u>	<u>13 Weeks Ended</u> <u>October 30, 2021</u>	<u>39 Weeks Ended</u> <u>October 29, 2022</u>	<u>39 Weeks Ended</u> <u>October 30, 2021</u>
Net cash flows provided by (used in) operating activities	\$ 177.3	\$ (293.7)	\$ (230.0)	\$ (324.0)
Capital expenditures	(13.0)	(12.5)	(44.3)	(40.7)
Free cash flow	<u>\$ 164.3</u>	<u>\$ (306.2)</u>	<u>\$ (274.3)</u>	<u>\$ (364.7)</u>

Non-GAAP Measures and Other Metrics

Adjusted EBITDA is a supplemental financial measure of the Company's performance that is not required by, or presented in accordance with, GAAP. We believe that the presentation of this non-GAAP financial measure provides useful information to investors in assessing our financial condition and results of operations. We define Adjusted EBITDA as net income (loss) before income taxes, plus interest expense, net and depreciation and amortization, excluding stock-based compensation, transformation costs, business divestitures, asset impairments, severance and other non-cash charges. Net income (loss) is the GAAP financial measure most directly comparable to Adjusted EBITDA. Our non-GAAP financial measures should not be considered as an alternative to the most directly comparable GAAP financial measure. Furthermore, non-GAAP financial measures have limitations as an analytical tool because they exclude some but not all items that affect the most directly comparable GAAP financial measures. Some of these limitations include:

- certain items excluded from Adjusted EBITDA are significant components in understanding and assessing a company's financial performance, such as a company's cost of capital and tax structure;
- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements; and
- our computations of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

We compensate for the limitations of Adjusted EBITDA as an analytical tool by reviewing the comparable GAAP financial measure, understanding the differences between the GAAP and non-GAAP financial measures and incorporating these data points into our decision-making process. Adjusted EBITDA is provided in addition to, and not as an alternative to, the Company's financial results prepared in accordance with GAAP, and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Because Adjusted EBITDA may be defined and determined differently by other companies in our industry, our definitions of these non-GAAP financial measures may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

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