

**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 6, 2023

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 6, 2023, GameStop Corp. issued a press release announcing its financial results for its third quarter ended October 28, 2023. 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 6, 2023.](#)

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 6, 2023

By: /s/ Daniel Moore

Daniel Moore

Principal Accounting Officer and Interim Principal Financial Officer

(Principal Accounting Officer and Interim Principal Financial Officer)

GameStop

GameStop Discloses Third Quarter 2023 Results

GRAPEVINE, Texas—(GLOBE NEWSWIRE)—December 6, 2023—GameStop Corp. (NYSE: GME) (“GameStop” or the “Company”) today released financial results for the third quarter ended October 28, 2023. 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 <https://investor.gamestop.com>.

THIRD QUARTER OVERVIEW

- Net sales were \$1.078 billion for the period, compared to \$1.186 billion in the prior year’s third quarter.
- Selling, general and administrative (“SG&A”) expenses were \$296.5 million, or 27.5% of net sales for the period, compared to \$387.9 million, or 32.7% of net sales, in the prior year’s third quarter.
- Net loss was \$3.1 million for the period, compared to a net loss of \$94.7 million for the prior year’s third quarter.
- Cash, cash equivalents and marketable securities were \$1.210 billion at the close of the quarter.
- Long-term debt remains limited to one low-interest, unsecured term loan associated with the French government’s response to COVID-19.

The Company will not be holding a conference call today. Additional information can be found in the Company’s Form 10-Q.

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 expense, adjusted operating loss, adjusted net income (loss), adjusted 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 SG&A expense, adjusted operating loss, adjusted net income (loss), adjusted earnings (loss) per share and adjusted EBITDA exclude the effect of items such as certain transformation costs, asset impairments, severance, as well as divestiture costs. Free cash flow excludes capital expenditures otherwise included in net cash flows provided by (used in) operating activities. 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 2023, 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 competitive nature of the Company's industry; the cyclical nature 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; interruptions to the Company's supply chain or the supply chain of our suppliers; the Company's dependence on sales during the holiday selling season; the Company's ability to obtain favorable terms from its current and future suppliers and service providers; the Company's ability to anticipate, identify and react to trends in pop culture with regard to its sales of collectibles; the Company's ability to maintain strong retail and ecommerce experiences for its customers; the Company's ability to keep pace with changing industry technology and consumer preferences; the Company's ability to manage its profitability and cost reduction initiatives; turnover in senior management or the Company's ability to attract and retain qualified personnel; potential damage to the Company's reputation or customers' perception of the Company; risks associated with new digital asset products and services; the Company's ability to maintain the security or privacy of its customer, associate or Company information; occurrence of weather events, natural disasters, public health crises and other unexpected events; potential failure or inadequacy of the Company's computerized systems; 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 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; the Company's ability to renew or enter into new leases on favorable terms; the potential monetary losses, user disputes, reputational harm and regulatory scrutiny from any hacking, social engineering or other cyber attacks in connection with digital assets; the potential failure or inadequacy of the Company's or its third party partners' systems or blockchain networks related to the Company's digital asset products and services; the unique risks and challenges related to content moderation and control from peer-to-peer NFT marketplaces; 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 the Company's business initiatives; potential future litigation and other legal proceedings; potential legal, regulatory and other actions arising from the Company's digital asset products and services; potential investigations or litigation arising from the Company's digital asset investments, products or services; potential exposure to litigation arising from violations of law by third parties using the Company's digital asset products or services; potential unfavorable development regarding treatment of digital assets under U.S. and foreign tax laws; the Company's ability to comply with anti-money laundering and sanctions laws in connection with its digital asset products and services; volatility in the Company's 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; 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; risks associated with the Company's investment in marketable, nonmarketable and interest-bearing securities, including the impact of such investments on Company's financial results; the Company's ability to implement a new ERP system; the Company's ability to maintain effective control over financial reporting; and the effects of recent developments on the price of digital assets and reputation of the digital asset industry. 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 28, 2023, in GameStop's Quarterly Reports on Form 10-Q filed with the SEC on June 7, 2023, September 6, 2023, 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 (<https://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)

	13 Weeks ended October 28, 2023	13 Weeks ended October 29, 2022
Net sales	\$ 1,078.3	\$ 1,186.4
Cost of sales	796.5	894.8
Gross profit	281.8	291.6
Selling, general and administrative expenses	296.5	387.9
Operating loss	(14.7)	(96.3)
Interest income, net	(12.9)	(3.7)
Other loss, net	2.5	—
Loss before income taxes	(4.3)	(92.6)
Income tax (benefit) expense	(1.2)	2.1
Net loss	\$ (3.1)	\$ (94.7)
Loss per share:		
Basic loss per share	\$ (0.01)	\$ (0.31)
Diluted loss per share	(0.01)	(0.31)
Weighted-average common shares outstanding:		
Basic	305.3	304.2
Diluted	305.3	304.2
<u>Percentage of Net Sales:</u>		
Net sales	100.0 %	100.0 %
Cost of sales	73.9	75.4
Gross profit	26.1	24.6
Selling, general and administrative expenses	27.5	32.7
Operating loss	(1.4)	(8.1)
Interest income, net	(1.2)	(0.3)
Other loss, net	0.2	—
Loss before income taxes	(0.4)	(7.8)
Income tax (benefit) expense	(0.1)	0.2
Net loss	(0.3)%	(8.0)%

GameStop Corp.
Consolidated Statements of Operations

(in millions, except per share data)

(unaudited)

	39 Weeks ended October 28, 2023	39 Weeks ended October 29, 2022
Net sales	\$ 3,479.2	\$ 3,700.8
Cost of sales	2,604.2	2,828.5
Gross profit	875.0	872.3
Selling, general and administrative expenses	964.7	1,227.6
Asset Impairments	—	2.5
Operating loss	(89.7)	(357.8)
Interest income, net	(34.2)	(3.3)
Other loss, net	2.4	—
Loss before income taxes	(57.9)	(354.5)
Income tax (benefit) expense	(1.5)	6.8
Net loss	<u>\$ (56.4)</u>	<u>\$ (361.3)</u>
Loss per share:		
Basic loss per share	\$ (0.18)	\$ (1.19)
Diluted loss per share	(0.18)	(1.19)
Weighted-average common shares outstanding:		
Basic	304.9	304.1
Diluted	304.9	304.1
<u>Percentage of Net Sales:</u>		
Net sales	100.0 %	100.0 %
Cost of sales	74.9	76.4
Gross profit	25.1	23.6
Selling, general and administrative expenses	27.7	33.2
Asset Impairments	—	0.1
Operating loss	(2.6)	(9.7)
Interest income, net	(1.0)	(0.1)
Other loss, net	0.1	—
Loss before income taxes	(1.7)	(9.6)
Income tax (benefit) expense	—	0.2
Net loss	<u>(1.7)%</u>	<u>(9.8)%</u>

GameStop Corp.
Condensed Consolidated Balance Sheets

(in millions)

(unaudited)

	October 28, 2023	October 29, 2022
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 909.0	\$ 803.8
Marketable securities	300.5	238.3
Receivables, net of allowance of \$2.1 and \$2.0, respectively	88.3	125.3
Merchandise inventories, net	1,021.3	1,131.3
Prepaid expenses and other current assets	57.7	283.1
Total current assets	2,376.8	2,581.8
Property and equipment, net of accumulated depreciation of \$973.0 and \$981.4, respectively	114.5	138.5
Operating lease right-of-use assets	570.4	523.2
Deferred income taxes	16.6	14.3
Other noncurrent assets	68.6	64.7
Total assets	\$ 3,146.9	\$ 3,322.5
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 812.7	\$ 888.4
Accrued liabilities and other current liabilities	425.7	504.2
Current portion of operating lease liabilities	188.9	186.2
Current portion of long-term debt	10.5	9.9
Total current liabilities	1,437.8	1,588.7
Long-term debt, net	20.0	28.8
Operating lease liabilities	394.8	349.6
Other long-term liabilities	31.5	110.4
Total liabilities	1,884.1	2,077.5
Total stockholders' equity	1,262.8	1,245.0
Total liabilities and stockholders' equity	\$ 3,146.9	\$ 3,322.5

GameStop Corp.
Condensed Consolidated Statements of Cash Flows

(in millions)
(unaudited)

	<u>13 Weeks ended October 28, 2023</u>	<u>13 Weeks ended October 29, 2022</u>
Cash flows from operating activities:		
Net loss	\$ (3.1)	\$ (94.7)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	11.3	15.1
Stock-based compensation expense, net	6.4	13.3
Gain on sale of digital assets	—	(0.2)
Digital asset impairments	—	0.2
(Gain) loss on disposal of property and equipment, net	(5.6)	3.5
Other, net	5.8	11.9
Changes in operating assets and liabilities:		
Receivables, net	(13.3)	(26.0)
Merchandise inventories, net	(357.5)	(414.6)
Prepaid expenses and other current assets	1.7	(11.3)
Prepaid income taxes and income taxes payable	(3.8)	—
Accounts payable and accrued liabilities	381.9	672.7
Operating lease right-of-use assets and liabilities	(3.7)	8.1
Changes in other long-term liabilities	(1.0)	(0.7)
Net cash flows provided by operating activities	<u>19.1</u>	<u>177.3</u>
Cash flows from investing activities:		
Proceeds from sale of digital assets	—	0.1
Purchases of marketable securities	—	(237.0)
Proceeds from sale of property and equipment	13.1	—
Capital expenditures	(8.0)	(13.0)
Other	—	0.3
Net cash flows provided by (used in) investing activities	<u>5.1</u>	<u>(249.6)</u>
Cash flows from financing activities:		
Settlements of stock-based awards	—	(0.3)
Repayments of French term loans	(2.6)	—
Net cash flows used in financing activities	<u>(2.6)</u>	<u>(0.3)</u>
Exchange rate effect on cash, cash equivalents and restricted cash	(7.6)	(24.9)
Increase (decrease) in cash, cash equivalents and restricted cash	14.0	(97.5)
Cash, cash equivalents and restricted cash at beginning of period	915.2	957.0
Cash, cash equivalents and restricted cash at end of period	<u>\$ 929.2</u>	<u>\$ 859.5</u>

GameStop Corp.
Condensed Consolidated Statements of Cash Flows

(in millions)
(unaudited)

	<u>39 Weeks ended October 28, 2023</u>	<u>39 Weeks ended October 29, 2022</u>
Cash flows from operating activities:		
Net loss	\$ (56.4)	\$ (361.3)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	37.6	47.5
Stock-based compensation expense, net	14.0	32.2
Asset impairments	—	2.5
Gain on sale of digital assets	—	(7.1)
Digital asset impairments	—	33.9
(Gain) loss on disposal of property and equipment, net	(5.0)	5.1
Other, net	2.9	6.9
Changes in operating assets and liabilities:		
Receivables, net	65.7	13.3
Merchandise inventories, net	(357.1)	(245.0)
Prepaid expenses and other current assets	5.7	(38.7)
Prepaid income taxes and income taxes payable	(5.1)	0.9
Accounts payable and accrued liabilities	114.5	288.7
Operating lease right-of-use assets and liabilities	(7.1)	(7.7)
Changes in other long-term liabilities	(2.4)	(1.2)
Net cash flows used in operating activities	<u>(192.7)</u>	<u>(230.0)</u>
Cash flows from investing activities:		
Proceeds from sale of digital assets	2.8	77.4
Purchases of marketable securities	(313.0)	(237.0)
Proceeds from the maturities and sales of marketable securities	270.5	—
Capital expenditures	(27.2)	(44.3)
Proceeds from sale of property and equipment	13.1	—
Other	—	0.3
Net cash flows used in investing activities	<u>(53.8)</u>	<u>(203.6)</u>
Cash flows from financing activities:		
Settlements of stock-based awards	(0.1)	(3.3)
Repayments of debt	(8.0)	—
Net cash flows used in financing activities	<u>(8.1)</u>	<u>(3.3)</u>
Exchange rate effect on cash, cash equivalents and restricted cash	<u>(12.2)</u>	<u>(23.5)</u>
Decrease in cash, cash equivalents and restricted cash	<u>(266.8)</u>	<u>(460.4)</u>
Cash, cash equivalents and restricted cash at beginning of period	1,196.0	1,319.9
Cash, cash equivalents and restricted cash at end of period	<u>\$ 929.2</u>	<u>\$ 859.5</u>

Schedule I
Sales Mix
(in millions)
(unaudited)

	13 Weeks ended October 28, 2023		13 Weeks ended October 29, 2022	
	Net Sales	Percent of Total	Net Sales	Percent of Total
Net Sales:				
Hardware and accessories ⁽¹⁾	\$ 579.4	53.7 %	\$ 627.0	52.8 %
Software ⁽²⁾	321.3	29.8	352.1	29.7
Collectibles	177.6	16.5	207.3	17.5
Total	\$ 1,078.3	100.0 %	\$ 1,186.4	100.0 %

	39 Weeks ended October 28, 2023		39 Weeks ended October 29, 2022	
	Net Sales	Percent of Total	Net Sales	Percent of Total
Net Sales:				
Hardware and accessories ⁽¹⁾	\$ 1,902.2	54.7 %	\$ 1,897.2	51.3 %
Software ⁽²⁾	1,056.7	30.3	1,152.2	31.1
Collectibles	520.3	15.0	651.4	17.6
Total	\$ 3,479.2	100.0 %	\$ 3,700.8	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 expense"), operating loss, net loss and loss per share as presented in its unaudited consolidated statements of operations and prepared in accordance with U.S. generally accepted accounting principles ("GAAP") to its adjusted EBITDA, adjusted SG&A expense, adjusted operating loss, adjusted net income (loss) and adjusted earnings (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 28, 2023	13 Weeks Ended October 29, 2022	39 Weeks Ended October 28, 2023	39 Weeks Ended October 29, 2022
Adjusted SG&A expense				
SG&A expense	\$ 296.5	\$ 387.9	\$ 964.7	\$ 1,227.6
Transformation costs ⁽¹⁾	(1.6)	(1.3)	(4.7)	(0.4)
Adjusted SG&A expense	<u>\$ 294.9</u>	<u>\$ 386.6</u>	<u>\$ 960.0</u>	<u>\$ 1,227.2</u>
Adjusted Operating Loss				
Operating loss	\$ (14.7)	\$ (96.3)	\$ (89.7)	\$ (357.8)
Transformation costs ⁽¹⁾	1.6	1.3	4.7	0.4
Asset impairments	—	—	—	2.5
Adjusted operating loss	<u>\$ (13.1)</u>	<u>\$ (95.0)</u>	<u>\$ (85.0)</u>	<u>\$ (354.9)</u>
Adjusted Net Income (Loss)				
Net loss	\$ (3.1)	\$ (94.7)	\$ (56.4)	\$ (361.3)
Transformation costs ⁽¹⁾	1.6	1.3	4.7	0.4
Asset impairments	—	—	—	2.5
Divestitures and other ⁽²⁾	2.5	—	1.4	—
Adjusted net income (loss)	<u>\$ 1.0</u>	<u>\$ (93.4)</u>	<u>\$ (50.3)</u>	<u>\$ (358.4)</u>
Adjusted earnings (loss) per share				
Basic	\$ —	\$ (0.31)	\$ (0.16)	\$ (1.18)
Diluted	—	(0.31)	(0.16)	(1.18)
Number of shares used in adjusted calculation				
Basic	305.3	304.2	304.9	304.1
Diluted	305.4	304.2	304.9	304.1

(1) For the three and nine months ended October 28, 2023, transformation costs include severance, stock-based compensation forfeitures related to workforce optimization efforts in the U.S., and other costs in connection with our transformation initiatives. This amount excludes accelerated lease amortization and fixed asset costs which have not been factored into our non-GAAP measures, but are included in total transition costs. For the three and nine months ended October 29, 2022, transformation costs 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.

(2) Divestitures and other includes an overall net loss from our divestiture of business operations in Europe.

	13 Weeks Ended October 28, 2023	13 Weeks Ended October 29, 2022	39 Weeks Ended October 28, 2023	39 Weeks Ended October 29, 2022
Reconciliation of Net Loss to Adjusted EBITDA				
Net loss	\$ (3.1)	\$ (94.7)	\$ (56.4)	\$ (361.3)
Interest income, net	(12.9)	(3.7)	(34.2)	(3.3)
Depreciation and amortization	11.3	15.1	37.6	47.5
Income tax (benefit) expense	(1.2)	2.1	(1.5)	6.8
EBITDA	\$ (5.9)	\$ (81.2)	\$ (54.5)	\$ (310.3)
Stock-based compensation	6.9	13.3	25.1	32.2
Transformation costs ⁽¹⁾	1.6	1.3	4.7	0.4
Divestitures and other ⁽²⁾	2.5	—	1.4	—
Asset impairments	—	—	—	2.5
Adjusted EBITDA	\$ 5.1	\$ (66.6)	\$ (23.3)	\$ (275.2)

(1) For the three and nine months ended October 28, 2023, transformation costs include severance, stock-based compensation forfeitures related to workforce optimization efforts in the U.S., and other costs in connection with our transformation initiatives. This amount excludes accelerated lease amortization and fixed asset costs which have not been factored into our non-GAAP measures, but are included in total transition costs. For the three and nine months ended October 29, 2022, transformation costs 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.

(2) Divestitures and other includes an overall net loss from our divestiture of business operations in Europe.

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

Non-GAAP results

The following table reconciles the Company's cash flows provided by (used in) 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 28, 2023</u>	<u>13 Weeks Ended</u> <u>October 29, 2022</u>	<u>39 Weeks Ended</u> <u>October 28, 2023</u>	<u>39 Weeks Ended</u> <u>October 29, 2022</u>
Net cash flows provided by (used in) operating activities	\$ 19.1	\$ 177.3	\$ (192.7)	\$ (230.0)
Capital expenditures	(8.0)	(13.0)	(27.2)	(44.3)
Free cash flow	<u>\$ 11.1</u>	<u>\$ 164.3</u>	<u>\$ (219.9)</u>	<u>\$ (274.3)</u>

Non-GAAP Measures and Other Metrics

Adjusted EBITDA, adjusted SG&A expense, adjusted operating loss, adjusted net income (loss) and adjusted earnings (loss) per share are supplemental financial measures of the Company's performance that are not required by, or presented in accordance with, GAAP. We believe that the presentation of these non-GAAP financial measures provide useful information to investors in assessing our financial condition and results of operations. We define adjusted EBITDA as net loss before income taxes, plus interest income, net and depreciation and amortization, excluding stock-based compensation, certain transformation costs, business divestitures, asset impairments, severance and other non-cash charges. Net 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, adjusted SG&A expense, adjusted operating loss, adjusted net income (loss) and adjusted earnings (loss) per share as analytical tools 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, adjusted SG&A expense, adjusted operating loss, adjusted net income (loss) and adjusted earnings (loss) per share are 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, adjusted SG&A expense, adjusted operating loss, adjusted net income (loss) and adjusted earnings (loss) per share 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.

Contact

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