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

Form 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED JULY 31, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

COMMISSION FILE NO. 1-32637

GameStop Corp.
(Exact name of registrant as specified in its charter)

Delaware	**20-2733559**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
625 Westport Parkway Grapevine, Texas	**76051**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code:
(817) 424-2000

Securities Registered Pursuant to Section 12(b) of the Act:

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

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐ 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. ☐

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

Number of shares of $.001 par value Class A Common Stock outstanding as of September 1, 2021: 76,491,496

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GAMESTOP CORP.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except par value per share)

	July 31, 2021	August 1, 2020	January 30, 2021
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,720.4	$ 735.1	$ 508.5
Restricted cash	36.7	11.0	110.0
Receivables, net	68.5	83.1	105.3
Merchandise inventories	596.4	474.6	602.5
Prepaid expenses and other current assets	235.0	76.1	224.9
Total current assets	2,657.0	1,379.9	1,551.2
Property and equipment, net	186.6	219.7	201.2
Operating lease right-of-use assets	645.2	689.0	662.1
Deferred income taxes	—	29.2	—
Long-term restricted cash	18.5	12.5	16.5
Other noncurrent assets	38.5	44.9	41.6
Total assets	$ 3,545.8	$ 2,375.2	$ 2,472.6
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 409.7	$ 256.4	$ 341.8
Accrued liabilities and other current liabilities	563.1	580.7	626.8
Current portion of operating lease liabilities	221.5	218.8	227.4
Short-term debt, including current portion of long-term debt, net	—	221.3	121.7
Borrowings under revolving line of credit	—	35.0	25.0
Total current liabilities	1,194.3	1,312.2	1,342.7
Long-term debt, net	47.5	215.9	216.0
Operating lease liabilities	432.0	475.5	456.7
Other long-term liabilities	20.0	19.3	20.5
Total liabilities	1,693.8	2,022.9	2,035.9
Commitments and contingencies (Note 7)			
Stockholders' equity:			
Class A common stock — $.001 par value; 300 shares authorized; 75.9, 65.2 and 65.3 shares issued and outstanding, respectively	0.1	0.1	0.1
Additional paid-in capital	1,561.7	2.9	11.0
Accumulated other comprehensive loss	(56.3)	(63.9)	(49.3)
Retained earnings	346.5	413.2	474.9
Total stockholders' equity	1,852.0	352.3	436.7
Total liabilities and stockholders' equity	$ 3,545.8	$ 2,375.2	$ 2,472.6

See accompanying notes to unaudited condensed consolidated financial statements.

GAMESTOP CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data)

	Three Months Ended		Six Months Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Net sales	$ 1,183.4	$ 942.0	$ 2,460.2	$ 1,963.0
Cost of sales	862.5	689.8	1,809.2	1,428.4
Gross profit	320.9	252.2	651.0	534.6
Selling, general and administrative expenses	378.9	348.2	749.2	734.7
Asset impairments	—	0.9	0.6	4.8
Gain on sale of assets	—	(11.3)	—	(11.3)
Operating loss	(58.0)	(85.6)	(98.8)	(193.6)
Interest income	(0.1)	(0.4)	(0.2)	(1.3)
Interest expense	0.6	7.9	25.4	15.5
Loss from continuing operations before income taxes	(58.5)	(93.1)	(124.0)	(207.8)
Income tax expense	3.1	17.9	4.4	68.3
Net loss from continuing operations	(61.6)	(111.0)	(128.4)	(276.1)
Loss from discontinued operations, net of tax	—	(0.3)	—	(0.9)
Net loss	$ (61.6)	$ (111.3)	$ (128.4)	$ (277.0)
Basic loss per share:				
Continuing operations	$ (0.85)	$ (1.71)	$ (1.85)	$ (4.26)
Discontinued operations	—	(0.01)	—	(0.01)
Basic loss per share	$ (0.85)	$ (1.71)	$ (1.85)	$ (4.28)
Diluted loss per share:				
Continuing operations	$ (0.85)	$ (1.71)	$ (1.85)	$ (4.26)
Discontinued operations	—	(0.01)	—	(0.01)
Diluted loss per share	$ (0.85)	$ (1.71)	$ (1.85)	$ (4.28)
Weighted-average shares outstanding:				
Basic	72.6	65.0	69.3	64.7
Diluted	72.6	65.0	69.3	64.7

See accompanying notes to unaudited condensed consolidated financial statements.

GAMESTOP CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in millions)

	Three Months Ended		Six Months Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Net loss	$ (61.6)	$ (111.3)	$ (128.4)	$ (277.0)
Other comprehensive (loss) income:				
Foreign currency translation adjustment	(9.1)	27.0	(7.0)	14.9
Total comprehensive loss	$ (70.7)	$ (84.3)	$ (135.4)	$ (262.1)

See accompanying notes to unaudited condensed consolidated financial statements.

GAMESTOP CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions, except for per share data)

	Class A Common Stock Shares	Class A Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
Balance at January 30, 2021	65.3	$ 0.1	$ 11.0	$ (49.3)	$ 474.9	$ 436.7
Net loss	—	—	—	—	(66.8)	(66.8)
Issuance of common stock, net of cost	3.5	—	551.7	—	—	551.7
Foreign currency translation	—	—	—	2.1	—	2.1
Stock-based compensation expense	—	—	5.7	—	—	5.7
Settlement of stock-based awards	0.5	—	(49.9)	—	—	(49.9)
Balance at May 1, 2021	69.3	$ 0.1	$ 518.5	$ (47.2)	$ 408.1	$ 879.5
Net loss	—	—	—	—	(61.6)	(61.6)
Issuance of common stock, net of cost	5.0	—	1,121.1	—	—	1,121.1
Foreign currency translation	—	—	—	(9.1)	—	(9.1)
Stock-based compensation expense	—	—	8.8	—	—	8.8
Settlement of stock-based awards	1.6	—	(86.7)	—	—	(86.7)
Balance at July 31, 2021	75.9	$ 0.1	$ 1,561.7	$ (56.3)	$ 346.5	$ 1,852.0

	Class A Common Stock Shares	Class A Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
Balance at February 1, 2020	64.3	$ 0.1	$ —	$ (78.8)	$ 690.2	$ 611.5
Net loss	—	—	—	—	(165.7)	(165.7)
Foreign currency translation	—	—	—	(12.1)	—	(12.1)
Stock-based compensation expense	—	—	1.8	—	—	1.8
Settlement of stock-based awards	0.3	—	(0.5)	—	—	(0.5)
Balance at May 2, 2020	64.6	$ 0.1	$ 1.3	$ (90.9)	$ 524.5	$ 435.0
Net loss	—	—	—	—	(111.3)	(111.3)
Foreign currency translation	—	—	—	27.0	—	27.0
Stock-based compensation expense	—	—	2.1	—	—	2.1
Settlement of stock-based awards	0.6	—	(0.5)	—	—	(0.5)
Balance at August 1, 2020	65.2	$ 0.1	$ 2.9	$ (63.9)	$ 413.2	$ 352.3

See accompanying notes to unaudited condensed consolidated financial statements.

GAMESTOP CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Six Months Ended	
	July 31, 2021	August 1, 2020
Cash flows from operating activities:		
Net loss	$ (128.4)	$ (277.0)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization (including amounts in cost of sales)	36.3	41.7
Loss (gain) on retirement of debt	18.2	(1.5)
Asset impairments	0.6	4.8
Stock-based compensation expense	14.5	3.9
Deferred income taxes	—	45.4
Loss (gain) on disposal of property and equipment, net	0.5	(9.6)
Other, net	(0.6)	1.3
Changes in operating assets and liabilities:		
Receivables, net	36.2	60.5
Merchandise inventories	1.2	394.2
Prepaid expenses and other current assets	(4.0)	1.7
Prepaid income taxes and income taxes payable	(13.8)	69.8
Accounts payable and accrued liabilities	25.2	(193.7)
Operating lease right-of-use assets and lease liabilities	(16.1)	2.8
Changes in other long-term liabilities	(0.1)	(0.8)
Net cash flows (used in) provided by operating activities	(30.3)	143.5
Cash flows from investing activities:		
Purchase of property and equipment	(28.2)	(17.5)
Proceeds from sale of property and equipment	—	51.8
Other	(0.1)	1.7
Net cash flows (used in) provided by investing activities	(28.3)	36.0
Cash flows from financing activities:		
Proceeds from issuance of common stock, net of costs	1,672.8	—
Proceeds from French term loans	—	23.6
Borrowings from the revolver	—	150.0
Repayments of revolver borrowings	(25.0)	(115.0)
Payments of senior notes	(307.4)	(5.3)
Settlement of stock-based awards	(136.6)	(1.0)
Other	(0.1)	(0.3)
Net cash flows provided by financing activities	1,203.7	52.0
Exchange rate effect on cash, cash equivalents and restricted cash	(4.5)	13.6
Increase in cash, cash equivalents and restricted cash	1,140.6	245.1
Cash, cash equivalents and restricted cash at beginning of period	635.0	513.5
Cash, cash equivalents and restricted cash at end of period	$ 1,775.6	$ 758.6

See accompanying notes to unaudited condensed consolidated financial statements.

GAMESTOP CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

The Company

GameStop Corp. (“GameStop,” “we,” “us,” “our,” or the “Company”) offers games, entertainment products and technology through its e-commerce properties and stores.

The Company operates its business in four geographic segments: United States, Canada, Australia and Europe. The information contained in these unaudited condensed financial statements refers to continuing operations unless otherwise noted.

Basis of Presentation and Consolidation

The unaudited condensed consolidated financial statements include our accounts and the accounts of our wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The unaudited condensed consolidated financial statements included herein reflect all adjustments (consisting only of normal, recurring adjustments) which are, in our opinion, necessary for a fair presentation of the information as of and for the periods presented. These unaudited condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and the instructions to Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all disclosures required under GAAP for complete consolidated financial statements.

These unaudited condensed consolidated financial statements should be read in conjunction with our annual report on Form 10-K for the 52 weeks ended January 30, 2021, as filed with the Securities and Exchange Commission ("SEC") on March 23, 2021 (the “2020 Annual Report on Form 10-K”). Due to the seasonal nature of our business, the results of operations for the six months ended July 31, 2021 are not indicative of the results to be expected for the 52 weeks ending January 29, 2022. Our fiscal year is composed of the 52 or 53 weeks ending on the Saturday closest to the last day of January. Each of our fiscal years ending January 29, 2022 and January 30, 2021 consist of 52 weeks. All three- and six-month periods presented herein contain 13 weeks and 26 weeks, respectively. All references to years, quarters and months relate to fiscal periods rather than calendar periods. The discussion and analysis of our results of operations refers to continuing operations unless otherwise noted. Our business, like that of many retailers, is seasonal, with the major portion of the net sales realized during the fourth quarter, which includes the holiday selling season.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires us 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, we have made our best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. Changes in the estimates and assumptions that we have used could have a significant impact on our financial results. Actual results could differ from those estimates.

Reclassifications

We have made certain classifications in our consolidated statements in order to conform to the current year presentation. In our consolidated balance sheets, restricted cash of $11.0 million as of August 1, 2020 has been reclassified from prepaid expenses and other current assets to restricted cash to conform to the current year presentation. Additionally, restricted cash of $12.5 million as of August 1, 2020 has been reclassified from other noncurrent assets to long-term restricted cash to conform to the current year presentation.

In our consolidated statements of cash flows, gain on retirement of debt of $1.5 million for the six months ended August 1, 2020 was reclassified from other to loss (gain) on retirement of debt.

Significant Accounting Policies

There have been no material changes to our significant accounting policies included in Note 1, "Nature of Operations and Summary of Significant Accounting Policies," within the 2020 Annual Report on Form 10-K.

Restricted Cash

Restricted cash of $55.2 million, $23.5 million and $126.5 million as of July 31, 2021, August 1, 2020 and January 30, 2021, respectively, consists primarily of bank deposits that collateralize our obligations to vendors and landlords.

The following table provides a reconciliation of cash, cash equivalents and restricted cash in the condensed consolidated balance sheets to total cash, cash equivalents and restricted cash in the condensed consolidated statements of cash flows (in millions):

	July 31, 2021	August 1, 2020	January 30, 2021
Cash and cash equivalents	$ 1,720.4	$ 735.1	$ 508.5
Restricted cash	36.7	11.0	110.0
Long-term restricted cash	18.5	12.5	16.5
Total cash, cash equivalents and restricted cash in the statements of cash flows	$ 1,775.6	$ 758.6	$ 635.0

Assets Held-for-Sale

Our corporate aircraft was classified as assets held-for-sale as of May 2, 2020 and had an estimated fair value, less costs to sell, of $9.1 million. We recognized impairment charges of $0.5 million and $3.2 million on the corporate aircraft during the three and six months ended August 1, 2020, respectively, which were partially attributable to economic impacts associated with the COVID-19 pandemic. On June 5, 2020, we sold the corporate aircraft and received net cash proceeds from the sale totaling $8.6 million, net of costs to sell. No gain or loss was recognized upon the sale in the second quarter of 2020.

Property and Equipment, Net

Accumulated depreciation related to our property and equipment totaled $1,113.7 million, $1,176.5 million and $1,117.7 million as of July 31, 2021, August 1, 2020 and January 30, 2021, respectively.

We periodically review our property and equipment when events or changes in circumstances indicate that its carrying amounts may not be recoverable or its depreciation or amortization periods should be accelerated. We assess recoverability based on several factors, including our intention with respect to our stores and those stores’ projected undiscounted cash flows. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds its fair value, determined based on an estimate of discounted future cash flows or readily available market information for similar assets. No impairment losses were recorded during the six months ended July 31, 2021. Impairment losses were recorded totaling $0.3 million and $1.0 million during the three and six months ended August 1, 2020, respectively.

At-the-Market Equity Offering

During the first quarter of 2021, we sold 3,500,000 shares of our common stock under our "at-the-market" equity offering program (the "Q1 ATM"). We generated $556.7 million in gross proceeds from sales under the Q1 ATM and paid fees to the sales agent of $5.0 million. Additionally, we incurred $0.2 million in other administrative fees in connection with the Q1 ATM, which are included in selling, general and administration expenses on the consolidated statements of operations.

During the second quarter of 2021, we sold 5,000,000 shares of our common stock under our "at-the-market" equity offering program (the "Q2 ATM"). We generated $1.126 billion in gross proceeds from sales under the Q2 ATM and paid fees to the sales agent of $5.1 million. Additionally, we incurred $0.2 million in other administrative fees in connection with the Q2 ATM, which are included in selling, general and administration expenses on the consolidated statements of operations.

We have used, and intend to continue to use, the $1.67 billion in aggregate net proceeds generated from sales under the Q1 ATM and Q2 ATM for working capital and general corporate purposes, including repayment of indebtedness, funding our transformation and growth initiatives and product category expansion efforts, capital expenditures and the satisfaction of our tax withholding obligations upon the vesting of shares of restricted stock held by our executive officers and other employees.

Discontinued Operations and Dispositions

The historic results of our Spring Mobile business, sold during the fourth quarter of 2018, are presented as discontinued operations, which primarily consist of residual wind-down costs for all periods presented. The net loss from discontinued operations for the three months ended August 1, 2020 consisted of $0.4 million and $0.1 million in selling, general and administrative expenses and in income tax benefit, respectively. The net loss from discontinued operations for the six months ended August 1, 2020 consisted of $1.2 million and $0.3 million in selling, general and administrative expenses in income tax benefit, respectively. There were no discontinued operations during 2021.

Recent Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. This standard is intended to simplify the accounting and disclosure requirements for income taxes by eliminating various exceptions in accounting for income taxes as well as clarifying and amending existing guidance to improve consistency in application of ASC

740. The provisions of ASU 2019-12 are effective for years beginning after December 15, 2021, with early adoption permitted. The adoption of this standard is not expected to result in a material impact on our consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. This standard provides practical expedients for contract modifications with the transition from reference rates, such as LIBOR, that are expected to be discontinued. This guidance is applicable for our revolving line of credit, which uses LIBOR as a reference rate. The provisions of ASU 2020-04 are effective as of March 12, 2020 and may be adopted prospectively through December 31, 2022. We are currently evaluating the impact that ASU 2020-04 will have on our consolidated financial statements.

2. COVID-19 Impacts

Throughout 2020, we temporarily closed stores or limited store operations at various times across our four operating segments. During the first quarter of 2021, temporary store closures were limited to certain jurisdictions in Europe and Canada. During the second quarter of 2021, most of our stores in all jurisdictions returned to normal operations. However, with the resurgence of COVID-19 cases due to variants, we experienced some temporary closures in our Australian segment prior to the end of the second quarter of 2021. As certain of our stores experienced temporary closures during the six months ended July 31, 2021, some of our stores offered and continue to offer curbside pick-up. We remain vigilant in our compliance with COVID-19 regulations across our operating regions.

While the gaming industry has not been as severely impacted by the COVID-19 pandemic as certain other consumer businesses, store closures during the stay-at-home orders in certain countries continue to adversely impact our results of operations during the six months ended July 31, 2021. In light of our strengthened balance sheet, we project that we will have adequate liquidity for the next 12 months and the foreseeable future to maintain normal operations.

During the second quarter of 2021, we continued to evaluate the impact of the COVID-19 pandemic on our assets, including accounts receivable, inventory, and long-lived assets. In addition, during the second quarter of 2021, we continued to assess the likelihood of realizing the benefits of our deferred tax assets. As a result of our assessment, we continue to maintain a full valuation allowance on all of our net deferred tax assets.

The COVID-19 pandemic remains an evolving situation and its future impact on all areas of our business remain unknown. The COVID-19 pandemic and the related responses of governments, customers, suppliers and other third parties may materially adversely impact our business, financial condition, results of operations and cash flows.

3. Revenue

Net sales by significant product category for the periods indicated is as follows (in millions):

	Three Months Ended		Six Months Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Hardware and accessories [(1)]	$ 609.6	$ 441.6	$ 1,313.1	$ 954.7
Software [(2)]	396.6	386.5	794.5	803.5
Collectibles	177.2	113.9	352.6	204.8
Total	$ 1,183.4	$ 942.0	$ 2,460.2	$ 1,963.0

(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.

See Note 9, "Segment Information," for net sales by geographic location.

Performance Obligations

We have arrangements with customers where our performance obligations are satisfied over time, which primarily relate to extended warranties and our *Game Informer*® magazine. We expect to recognize revenue in future periods for remaining performance obligations we have associated with unredeemed gift cards, trade-in credits, reservation deposits and our PowerUp Rewards loyalty program (collectively, "unredeemed customer liabilities"), extended warranties and subscriptions to our *Game Informer*® magazine. These performance obligations are included in accrued liabilities and other current liabilities in our consolidated balance sheets.

Performance obligations associated with unredeemed customer liabilities are primarily satisfied at the time customers redeem gift cards, trade-in credits, customer deposits or loyalty program points for products that we offer. Unredeemed customer liabilities are generally redeemed within one year of issuance. As of July 31, 2021 and August 1, 2020, our unredeemed customer liabilities totaled $209.0 million and $213.0 million, respectively.

We offer extended warranties on certain new and pre-owned video game products with terms generally ranging from 12 to 24 months, depending on the product. Revenues for extended warranties sold are recognized on a straight-line basis over the life of the contract. As of July 31, 2021 and August 1, 2020, our deferred revenue liability related to extended warranties totaled $69.5 million and $50.6 million, respectively.

Performance obligations associated with subscriptions to *Game Informer*® magazine are satisfied when monthly magazines are delivered in print form or made available in digital format. The significant majority of customer subscriptions are for 12 monthly issues. As of July 31, 2021 and August 1, 2020, we had deferred revenue of $39.6 million and $29.1 million, respectively, associated with our *Game Informer*® magazine.

Significant Judgments and Estimates

We accrue PowerUp Rewards loyalty points at the estimated retail price per point, net of estimated breakage, which can be redeemed by loyalty program members for products we offer. The estimated retail price per point is based on the actual historical retail prices of product(s) purchased through the redemption of loyalty points. We estimate breakage of loyalty points and unredeemed gift cards based on historical redemption rates.

Contract Balances

Our contract liabilities primarily consist of unredeemed customer liabilities and deferred revenues associated with gift cards, extended warranties and subscriptions to *Game Informer*® magazine. The opening balance, current period changes and ending balance of our contract liabilities are as follows (in millions):

	July 31, 2021	August 1, 2020
Contract liability beginning balance	$ 348.2	$ 339.2
Increase to contract liabilities (1)	401.2	354.1
Decrease to contract liabilities (2)	(430.3)	(402.0)
Other adjustments (3)	(1.0)	1.4
Contract liability ending balance	$ 318.1	$ 292.7

(1) Includes issuances of gift cards, trade-in credits and loyalty points, new reservation deposits, new subscriptions to *Game Informer*® and extended warranties sold.

(2) Includes redemptions of gift cards, trade-in credits, loyalty points and customer deposits as well as revenues recognized for *Game Informer*® and extended warranties. During the six months ended July 31, 2021, there were $34.9 million of gift cards redeemed that were outstanding as of January 30, 2021. During the six months ended August 1, 2020, there were $30.4 million of gift cards redeemed that were outstanding as of February 1, 2020.

(3) Primarily includes foreign currency translation adjustments.

4. Fair Value Measurements and Financial Instruments

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Applicable accounting standards require disclosures that categorize assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly through market-corroborated inputs. Level 3 inputs are unobservable inputs for the asset or liability reflecting our assumptions about pricing by market participants.

Assets and Liabilities that are Measured at Fair Value on a Recurring Basis

Assets and liabilities that are measured at fair value on a recurring basis include our foreign currency contracts, Company-owned life insurance policies with a cash surrender value, and certain nonqualified deferred compensation liabilities.

We value our foreign currency contracts, life insurance policies with cash surrender values and certain nonqualified deferred compensation liabilities based on Level 2 inputs using quotations provided by major market news services, such as *Bloomberg*, and industry-standard models that consider various assumptions, including quoted forward prices, time value, volatility factors, and contractual prices for the underlying instruments, as well as other relevant economic measures, all of which are observable in active markets. When appropriate, valuations are adjusted to reflect credit considerations, generally based on available market evidence.

Our assets and liabilities measured at fair value on a recurring basis as of July 31, 2021, August 1, 2020 and January 30, 2021, utilize Level 2 inputs and include the following (in millions):

	July 31, 2021	August 1, 2020	January 30, 2021
Assets			
Foreign currency contracts[1]	$ 2.2	$ 2.9	$ 2.5
Company-owned life insurance[2]	2.8	3.0	2.7
Total assets	$ 5.0	$ 5.9	$ 5.2
Liabilities			
Foreign currency contracts[3]	$ 2.4	$ 8.4	$ 2.4
Nonqualified deferred compensation[3]	0.6	1.0	0.6
Total liabilities	$ 3.0	$ 9.4	$ 3.0

(1) Recognized in prepaid expenses and other current assets in our unaudited condensed consolidated balance sheets.
(2) Recognized in other non-current assets in our unaudited condensed consolidated balance sheets.
(3) Recognized in accrued liabilities and other current liabilities in our unaudited condensed consolidated balance sheets.

We use forward exchange contracts to manage currency risk primarily related to intercompany loans and third party accounts payable denominated in non-functional currencies. These foreign currency contracts are not designated as hedges and, therefore, changes in the fair values of these derivatives are recognized in earnings, thereby offsetting the current earnings effect of the re-measurement of related balances denominated in foreign currencies. The total gross notional value of derivatives related to our foreign currency contracts was $199.0 million, $246.6 million and $206.9 million as of July 31, 2021, August 1, 2020 and January 30, 2021, respectively.

Activity related to the trading of derivative instruments and the offsetting impact of related balances denominated in foreign currencies recognized in selling, general and administrative expense is as follows (in millions):

	Three Months Ended		Six Months Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
(Losses) gains on the changes in fair value of derivative instruments	$ (0.9)	$ (7.6)	$ 1.6	$ (5.2)
Gains (losses) on the re-measurement of intercompany loans and third-party accounts payable denominated in foreign currencies	1.3	7.3	(0.5)	5.2
Net gains (losses)	$ 0.4	$ (0.3)	$ 1.1	$ —

We do not use derivative financial instruments for trading or speculative purposes. We are exposed to counterparty credit risk on all of our derivative financial instruments and cash equivalent investments. We manage counterparty risk according to the guidelines and controls established under our comprehensive risk management and investment policies. We continuously monitor our counterparty credit risk and utilize a number of different counterparties to minimize our exposure to potential defaults. We are not required to post collateral under derivative or investment agreements.

Assets that are Measured at Fair Value on a Non-recurring Basis

Assets that are measured at fair value on a non-recurring basis relate primarily to property and equipment, operating lease right-of-use ("ROU") assets and other intangible assets, which are remeasured when the estimated fair value is below its carrying value. For these assets, we do not periodically adjust carrying value to fair value; rather, when we determine that impairment has occurred, the carrying value of the asset is reduced to its fair value.

During the six months ended July 31, 2021, we recognized impairment charges totaling $0.6 million associated with store-level ROU assets, to reflect their fair values. During the three and six months ended August 1, 2020, we recognized impairment charges of $0.4 million and $1.6 million, respectively, associated with store-level ROU and property and equipment assets to reflect their fair values. During the three and six months ended August 1, 2020, we also recognized impairment charges of $0.5 million and $3.2 million, respectively, related to our corporate aircraft to reflect its fair value of $8.6 million prior to the sale of the aircraft on June 5, 2020.

Other Fair Value Disclosures

The carrying values of our cash equivalents, net receivables, accounts payable and short-term borrowings approximate their fair values due to their short-term maturities.

As of July 31, 2021, our French term loans due in 2026 had a net carrying value of $47.5 million and a fair value of $45.9 million. The fair values of our French term loans were estimated based on a model that discounted future principal and interest payments at interest rates available to us at the end of the period for similar debt of the same maturity, which is a Level 2 input as defined by the fair value hierarchy.

5. Leases

We conduct the substantial majority of our business with leased real estate properties, including retail stores, fulfillment and distribution facilities and office space. We also lease certain equipment and vehicles. These are generally leased under noncancellable agreements and include various renewal options for additional periods. These agreements generally provide for minimum, and in some cases, percentage rentals, and require us to pay insurance, taxes and other maintenance costs. Percentage rentals are based on sales performance in excess of specified minimums at various stores and are accounted for in the period in which the amount of percentage rentals can be accurately estimated. All of our lease agreements are classified as operating leases.

Rent expense under operating leases was as follows (in millions):

	Three Months Ended		Six Months Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Operating lease cost	$ 73.8	$ 78.9	$ 148.7	$ 160.3
Variable lease cost [(1)]	16.2	19.2	33.7	40.1
Total rent expense	$ 90.0	$ 98.1	$ 182.4	$ 200.4

(1) Variable lease cost primarily includes percentage rentals and variable executory costs.

In July of 2020, we sold, in separate unrelated transactions, to unaffiliated third parties: i) our corporate headquarters and ancillary office space in Grapevine, Texas for $28.5 million, net of costs to sell and ii) a nearby refurbishment center for $15.2 million, net of costs to sell. The net proceeds from the sale of these assets has been used for general corporate purposes. As a result of these transactions, a gain on sale of assets of $11.3 million was recognized, which is included in our unaudited condensed consolidated statement of operations in gain on sale of assets for the three and six months ended August 1, 2020.

In connection with each of these sales, we leased-back from the applicable purchasers our corporate headquarters for an initial term of ten years, and the ancillary office space and refurbishment center for two years. The leaseback agreement for the corporate headquarters contains three renewal periods of five years each; we recognized only the initial term of the lease in determining the right-of-use asset and lease liability for the corporate headquarters. The other facilities do not contain a renewal option. The annual rent for the corporate headquarters commenced at $1.7 million, plus taxes, utilities, management fees and other operating and maintenance expenses and increases by 2.25% per year. The annual rent for the other facilities is $1.3 million with no rent escalation, plus taxes, utilities, management fees and other operating and maintenance expenses. These leaseback agreements are accounted for as operating leases.

With respect to the leaseback of our corporate headquarters, we agreed to provide a letter of credit to the purchasor-lessor within 18 months from the closing date to secure our lease obligation. Given that the purchase price of the corporate headquarters was reduced by $2.8 million to account for the deferred issuance of this letter of credit, as of August 1, 2020 we recognized a contract asset for the same amount within “prepaid expenses and other current assets” representing the variable consideration on the purchase price. Upon delivering the letter of credit, we will be entitled to a rent credit of an equivalent amount. This variable consideration is included in the total gain on sale of assets recognized during the second quarter of 2020.

6. Debt

The carrying value of our debt is comprised as follows (in millions):

	July 31, 2021	August 1, 2020	January 30, 2021
Revolving credit facility due 2022	$ —	$ 35.0	$ 25.0
French term loans due 2026[(1)]	47.5	23.5	48.6
2021 Senior Notes principal amount	—	198.2	73.2
2023 Senior Notes principal amount	—	216.4	216.4
Less: Senior Notes unamortized debt financing costs	—	(0.9)	(0.5)
Total debt, net	$ 47.5	$ 472.2	$ 362.7
Less: short-term debt and current portion of long-term debt[(2)]	—	(256.3)	(146.7)
Long-term debt, net	$ 47.5	$ 215.9	$ 216.0

(1) These term loans are French government subsidized low interest loans were originally due in July 2021 and October 2021 but were extended in the second quarter of 2021 for five years to 2026.

(2) Prior periods include advances under the revolving credit facility due November 2022, the French term loans originally due July 2021 and October 2021 and the 2021 Senior Notes, net of the associated unamortized debt financing costs.

2021 Debt Payments

On March 15, 2021, we repaid at maturity $73.2 million outstanding principal amount of our 2021 Senior Notes.

On April 30, 2021, we completed the voluntary early redemption of $216.4 million outstanding principal amount of our 2023 Senior Notes. This voluntary early redemption covered the entire amount of then outstanding 2023 Senior Notes, which represented all of our long-term debt. In connection with the voluntary early redemption of our 2023 Senior Notes, we paid approximately $219.1 million in aggregate consideration, including accrued and unpaid interest. In connection with the voluntary early redemption of our 2023 Senior Notes, we paid a $17.8 million make-whole premium which is included in interest expense in our consolidated statements of operations. Additionally, we accelerated amortization of $0.4 million deferred financing costs associated with our 2023 Senior Notes.

French Term Loans

During 2020, our French subsidiary, Micromania SAS, entered into six separate unsecured term loans for a total of €40.0 million ($47.5 million as of July 31, 2021). In the second quarter of 2021, at the request of Micromania SAS, these term loans were extended for five years. In connection with the extension, the interest rate increased from 0.0% to 0.7% for three of the term loans totaling €20.0 million, and 1% for the remaining three term loans totaling €20.0 million. The French government has guaranteed 90% of the term loans pursuant to a state guaranteed loan program instituted in connection with the COVID-19 pandemic.

Each of Micromania SAS's term loans, as described above, restrict the ability of Micromania SAS to make distributions and loans to its affiliates, and include various events that would result in the automatic acceleration of the loans thereunder, including failure to pay any principal or interest when due, acceleration of other indebtedness, a change of control and certain bankruptcy, insolvency or receivership events.

Revolving Credit Facility

We maintain an asset-based revolving credit facility (the “Revolver”) with a borrowing base capacity up to $420 million and a maturity date of November 2022. The Revolver also includes a $200 million expansion feature and $100 million letter of credit sublimit, and allows for an incremental $50 million first-in, last-out facility. The applicable margins for prime rate loans range from 0.25% to 0.50% and, for the London Interbank Offered ("LIBO") rate loans, range from 1.25% to 1.50%. The Revolver is secured by substantially all of the assets of the Company and its domestic subsidiaries. As of July 31, 2021, the applicable margin was 0.25% for prime rate loans and 1.25% for LIBO rate loans.

The agreement governing our Revolver places certain restrictions on us and our subsidiaries, including, among others, limitations on asset sales, additional liens, investments, incurrence of additional debt and share repurchases. Additionally, the agreement contains customary events of default, including, among others, payment defaults, breaches of covenants and certain events of bankruptcy, insolvency and reorganization. The Revolver is subject to a fixed charge coverage ratio covenant if availability under the Revolver is below a certain amount (the "Availability Reduction").

As of July 31, 2021, we had no borrowings outstanding under the Revolver. During the first quarter of 2021, we repaid $25.0 million in borrowings under the Revolver. As of July 31, 2021, total availability under the Revolver after giving effect to the Availability Reduction was $100.9 million, with no outstanding borrowings and outstanding standby letters of credit of $58.2 million. We are currently in compliance with all covenants in the Revolver.

Letter of Credit Facilities

Separately from the Revolver, we maintain uncommitted letter of credit facilities with certain lenders that provide for the issuance of letters of credit and bank guarantees, at times supported by cash collateral. As of July 31, 2021, we had $17.8 million of outstanding letters of credit and bank guarantees under facilities outside of the Revolver.

7. Commitments and Contingencies

Commitments

During the six months ended July 31, 2021, there were no material changes to our commitments as disclosed in our 2020 Annual Report on Form 10-K except as discussed in Note 6, "Debt."

Contingencies

Legal Proceedings

In the ordinary course of business, we are, from time to time, subject to various legal proceedings, including matters involving wage and hour employee class actions, stockholder actions and consumer class actions. We 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 our stockholders. We do not believe that any such existing legal proceedings or settlements, individually or in the aggregate, will have a material effect on our financial condition, results of operations or liquidity.

8. Earnings Per Share

Basic net income (loss) per common share is computed by dividing the net income (loss) available to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted net income (loss) per common share is computed by dividing the net income (loss) available to common stockholders by the weighted-average number of common shares outstanding and potentially dilutive securities outstanding during the period. Potentially dilutive securities include stock options, unvested restricted stock and unvested restricted stock units outstanding during the period, using the treasury stock method. Potentially dilutive securities are excluded from the computations of diluted earnings per share if their effect would be antidilutive. A net loss from continuing operations causes all potentially dilutive securities to be antidilutive. We have certain undistributed stock awards that participate in dividends on a non-forfeitable basis, however, their impact on earnings per share under the two-class method is negligible.

A reconciliation of shares used in calculating basic and diluted net loss per common share is as follows (in millions):

	Three Months Ended		Six Months Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Weighted-average common shares outstanding	72.6	65.0	69.3	64.7
Dilutive effect of stock options, restricted stock and restricted stock units	—	—	—	—
Weighted-average diluted common shares outstanding	72.6	65.0	69.3	64.7
Anti-dilutive stock options, restricted stock and restricted stock units	0.9	3.7	0.9	3.7

Shares of restricted stock granted by us are considered to be legally issued and outstanding as of the date of grant, notwithstanding that the shares remain subject to risk of forfeiture if the vesting conditions for such shares are not met, and are included in the number of shares of Class A common stock outstanding disclosed on the cover page of this Quarterly Report on Form 10-Q as of September 1, 2021. Restricted stock units represent the right to receive an equivalent number of shares upon satisfaction of the vesting conditions therein. Weighted average common shares outstanding excludes time-based and performance-based unvested restricted stock and unvested restricted stock units as restricted shares and restricted stock units are treated as issued and outstanding for financial statement presentation purposes only after such awards have vested and, therefore, have ceased to be subject to a risk of forfeiture. As of July 31, 2021, August 1, 2020 and January 30, 2021 there were 0.9 million, 3.7 million and 4.6 million, respectively, of unvested restricted stock and restricted stock units. As of July 31, 2021, August 1, 2020 and January 30, 2021 there were 76.5 million, 68.9 million and 69.9 million, respectively, shares of Class A common stock, including unvested restricted shares, legally issued and outstanding.

9. Segment Information

We operate our business in four geographic segments: United States, Canada, Australia and Europe.

We identified segments based on a combination of geographic areas and management responsibility. Segment results for the United States include retail operations in 50 states and Guam; our e-commerce operations; and *Game Informer®* magazine. The United States segment also includes general and administrative expenses related to our corporate headquarters in Grapevine, Texas. Segment results for Canada include retail and e-commerce operations in 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 six countries for 2021 and ten countries for 2020. We measure segment profit using operating earnings, which is defined as income from continuing operations before intercompany royalty fees, net interest expense and income taxes. Transactions between reportable segments consist primarily of royalties, management fees, intersegment loans and related interest. There were no material intersegment sales during the three and six months ended July 31, 2021 and August 1, 2020.

Segment information for the three and six months ended July 31, 2021 and August 1, 2020 is as follows (in millions):

	United States	Canada	Australia	Europe	Consolidated
three months ended July 31, 2021					
Net sales	$ 795.1	$ 62.8	$ 131.1	$ 194.4	$ 1,183.4
Operating (loss) earnings	(50.2)	(0.8)	3.6	(10.6)	(58.0)
three months ended August 1, 2020					
Net sales	$ 584.2	$ 41.9	$ 149.1	$ 166.8	$ 942.0
Operating (loss) earnings	(71.7)	(0.7)	11.6	(24.8)	(85.6)

six months ended July 31, 2021	United States	Canada	Australia	Europe	Consolidated
Net sales	$ 1,761.4	$ 124.7	$ 246.0	$ 328.1	$ 2,460.2
Operating (loss) earnings	(53.8)	(3.7)	3.2	(44.5)	(98.8)
six months ended August 1, 2020					
Net sales	$ 1,344.8	$ 81.6	$ 262.8	$ 273.8	$ 1,963.0
Operating (loss) earnings	(122.8)	(10.1)	11.1	(71.8)	(193.6)

10. Income Taxes

The Coronavirus Aid, Relief, and Economic Securities Act (the "CARES Act"), which was enacted on March 27, 2020 in the United States, included measures to assist companies, including temporary changes to income and non-income-based tax laws. With respect to the CARES Act, we have benefited from the deferral of certain payroll taxes, the allowed carryback of a 2020 net operating loss, the modification of limitation on business interest and the technical correction with respect to qualified improvement property. As a result of the net operating loss allowed to be carried back pursuant to the CARES Act, U.S. federal income tax receivable increased to $157.8 million as of July 31, 2021 compared to $0 million as of August 1, 2020. U.S. federal income tax receivable is included in prepaid expenses and other current assets in our consolidated balance sheet.

Our interim tax provision is determined using an estimated annual effective tax rate and adjusted for discrete taxable events and/or adjustments that may occur during the quarter and the first half of 2021.

We recognized an income tax expense of $3.1 million, or (5.3)%, for the three months ended July 31, 2021 compared to an income tax expense of $17.9 million, or (19.2)%, for the three months ended August 1, 2020. Our effective income tax rate of (5.3)% is primarily due to not recognizing tax benefits on current period losses as well as forecasted income taxes due in specific foreign and state jurisdictions within which we operate. Our effective tax rate of (19.2)% for the three months ended August 1, 2020 was primarily due to having recorded significant valuation allowance increases, partially offset by certain tax benefits related to the CARES Act, during that period.

We recognized an income tax expense of $4.4 million, or (3.5)%, for the six months ended July 31, 2021 compared to an income tax expense of $68.3 million, or (32.9)%, for the six months ended August 1, 2020. Our effective income tax rate of (3.5)% is primarily due to not recognizing tax benefits on current period losses as well as forecasted income taxes due in specific foreign and state jurisdictions within which we operate. Our effective tax rate of (32.9)% for the six months ended August 1, 2020 was primarily due to having recorded significant valuation allowance increases, partially offset by certain tax benefits related to the CARES Act, during that period.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Please read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and related notes included under Part I, Item 1 of this Quarterly Report on Form 10-Q.

The following discussion contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). 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. Forward-looking statements include our current assumptions, expectations or forecasts of future events.

Forward-looking 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. The forward-looking statements involve a number of risks and uncertainties. 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. 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.

All forward-looking statements included or incorporated by reference in this Quarterly Report on Form 10-Q are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and we undertake no obligation to update or revise any of these forward-looking statements for any reason, whether as a result of new information, future events or otherwise after the date of this Quarterly Report on Form 10-Q, except as required by law.

OVERVIEW

GameStop Corp. (“GameStop,” “we,” “us,” “our,” or the “Company”) offers games, entertainment products and technology through its e-commerce properties and stores.

We operate our business in four geographic segments: United States, Canada, Australia and Europe. Our fiscal year is composed of the 52 or 53 weeks ending on the Saturday closest to the last day of January. The fiscal year ending January 29, 2022 and the fiscal year ended January 30, 2021 each consist of 52 weeks. All three- and six-month periods presented herein contain 13 weeks and 26 weeks, respectively. All references to years, quarters and months relate to fiscal periods rather than calendar periods, The discussion and analysis of our results of operations refers to continuing operations unless otherwise noted. Our business, like that of many retailers, is seasonal, with the major portion of the net sales realized during the fourth quarter, which includes the holiday selling season.

Impact from COVID-19

The COVID-19 pandemic continues to impact our business, operating results, cash flows and financial conditions. Factors impacted by the COVID-19 pandemic include, but are not limited to, the following, many of which are not within our control:

- the geographies impacted by the virus;
- changes in the economy, consumer confidence and consumer spending habits, including spending for the merchandise that we sell;
- disruption to our supply chain including the manufacturing, supply, distribution, transportation and delivery of our products; and
- delays in the release of key video game titles.

See Note 2, "COVID-19 Impacts" for further details.

BUSINESS PRIORITIES

GameStop has two long-term goals: delighting customers and delivering value for stockholders. We are evolving from a video game retailer to a technology company that connects customers with games, entertainment and a wide assortment of products. We are focused on offering vast product selection, competitive pricing and fast shipping – supported by high-touch customer service and a frictionless ecommerce and in-store experience.

We are taking steps that include:

- Increasing the size of our addressable market by growing our product catalog across consumer electronics, collectibles, toys and other categories that represent natural extensions of our business;
- Expanding fulfillment operations to improve speed of delivery and service to our customers;

- Building a superior customer experience, including by establishing a U.S.-based customer care operation, and;
- Strengthening technology capabilities, including by investing in new systems, modernized ecommerce assets and an expanded, experienced talent base.

The Company will continue to invest in growth initiatives, while continuing to prioritize maintaining a strong balance sheet.

Connected to our transformation efforts, we have incurred and may continue to incur severance, store closure costs and expenses for consultants and advisors. See "Consolidated Results from Operations—Selling, General and Administrative Expenses" for further information.

CONSOLIDATED RESULTS OF OPERATIONS

The following table sets forth certain statement of operations items (in millions) and as a percentage of net sales, for the periods indicated:

	Three Months Ended				Six Months Ended			
	July 31, 2021		August 1, 2020		July 31, 2021		August 1, 2020	
	Amount	Percent of Net Sales	Amount	Percent of Net Sales	Amount	Percent of Net Sales	Amount	Percent of Net Sales
Net sales	$ 1,183.4	100.0 %	$ 942.0	100.0 %	$ 2,460.2	100.0 %	$ 1,963.0	100.0 %
Cost of sales	862.5	72.9	689.8	73.2	1,809.2	73.5	1,428.4	72.8
Gross profit	320.9	27.1	252.2	26.8	651.0	26.5	534.6	27.2
Selling, general and administrative expenses	378.9	32.0	348.2	37.0	749.2	30.5	734.7	37.5
Asset impairments	—	—	0.9	0.1	0.6	—	4.8	0.2
Gain on disposal of assets	—	—	(11.3)	(1.2)	—	—	(11.3)	(0.6)
Operating loss	(58.0)	(4.9)	(85.6)	(9.1)	(98.8)	(4.0)	(193.6)	(9.9)
Interest expense, net	0.5	—	7.5	0.8	25.2	1.0	14.2	0.7
Loss from continuing operations before income taxes	(58.5)	(4.9)	(93.1)	(9.9)	(124.0)	(5.0)	(207.8)	(10.6)
Income tax expense	3.1	0.3	17.9	1.9	4.4	0.2	68.3	3.5
Net loss from continuing operations	(61.6)	(5.2)	(111.0)	(11.8)	(128.4)	(5.2)	(276.1)	(14.1)
Loss from discontinued operations, net of tax	—	—	(0.3)	—	—	—	(0.9)	—
Net loss	$ (61.6)	(5.2)%	$ (111.3)	(11.8)%	$ (128.4)	(5.2)%	$ (277.0)	(14.1)%

The Three and Six Months Ended July 31, 2021 Compared to the Three and Six Months Ended August 1, 2020

Net Sales

The following table sets forth net sales by significant product category for the period indicated (dollars in millions):

	Three Months Ended				Six Months Ended			
	July 31, 2021		August 1, 2020		July 31, 2021		August 1, 2020	
	Net Sales	Percent of Net Sales	Net Sales	Percent of Net Sales	Net Sales	Percent of Net Sales	Net Sales	Percent of Net Sales
Hardware and accessories	$ 609.6	51.5 %	$ 441.6	46.9 %	$ 1,313.1	53.4 %	$ 954.7	48.6 %
Software	396.6	33.5	386.5	41.0	794.5	32.3	803.5	41.0
Collectibles	177.2	15.0	113.9	12.1	352.6	14.3	204.8	10.4
Total	$ 1,183.4	100.0 %	$ 942.0	100.0 %	$ 2,460.2	100.0 %	$ 1,963.0	100.0 %

Net sales by reportable segment in U.S. dollars were as follows (in millions):

	Three Months Ended			
	July 31, 2021		August 1, 2020	
	Net Sales	Percent of Net Sales	Net Sales	Percent of Net Sales
United States	$ 795.1	67.2 %	$ 584.2	62.0 %
Canada	62.8	5.3	41.9	4.4
Australia	131.1	11.1	149.1	15.8
Europe	194.4	16.4	166.8	17.8
Total	$ 1,183.4	100.0 %	$ 942.0	100.0 %

	Six Months Ended							
	July 31, 2021				August 1, 2020			
	Net Sales		Percent of Net Sales		Net Sales		Percent of Net Sales	
United States	$	1,761.4	71.6	%	$	1,344.8	68.5	%
Canada		124.7	5.1			81.6	4.2	
Australia		246.0	10.0			262.8	13.4	
Europe		328.1	13.3			273.8	13.9	
Total	$	2,460.2	100.0	%	$	1,963.0	100.0	%

For the second quarter of 2021, net sales increased $241.4 million or 25.6% compared to the same prior year period and increased $497.2 million or 25.3% for the first half of 2021. During the second quarter of 2021, net sales in our United States, Canada, and Europe segments increased by 36.1%, 49.9%, and 16.5%, respectively, while net sales in our Australia segment decreased by 12.1% when compared to the same period last year. During the first half of 2021, net sales in our United States, Canada, and Europe segments increased by 31.0%, 52.8%, 19.8%, respectively, while net sales in our Australia segment decreased by 6.4% when compared to the first half of last year.

The increase in net sales for the quarter and year-to-date period was primarily attributable to demand from the launch of the new video game consoles from Sony and Microsoft and continued sell-through of the Nintendo gaming product lines coupled with the increase in store traffic compared to the same period last year. The abrupt temporary store closures we experienced beginning in March of 2020 due to the COVID-19 pandemic, affected our prior period store operations in the United States, Canada and Europe while Australia remained open during the first half of 2020.

Gross Profit

Gross profit on a dollar basis increased $68.7 million, or 27.2% during the second quarter of 2021 when compared to the same period last year. Gross profit as a percentage of net sales slightly improved to 27.1%, or 30 basis points, compared to 26.8% in the prior year quarter. Gross profit for the second quarter of 2021 reflects the shift in product mix towards higher margin categories as stores reopened to foot traffic.

Through the first half of 2021, gross profit increased 21.8%, or $116.4 million on a dollar basis, compared to the same prior year period. Gross profit as a percentage of net sales declined to 26.5%, or 70 basis points, compared to 27.2% in the first half of the prior year. Gross profit for the first half reflects a shift in product mix into higher dollar lower margin categories such as new console hardware given the launch of the generation 9 consoles and increased freight and credit card fees associated with the shift to e-commerce sales.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") increased $30.7 million or 8.8% for the second quarter of 2021, compared to the same prior year period. Through the first half of 2021, SG&A expenses increased $14.5 million or 2.0% compared to the same prior year period. SG&A expenses increased as a result of the impact the COVID-19 pandemic had on our store expenses in prior year as we experienced temporary store closures beginning in March of 2020. Contributing to the increase in SG&A expenses are costs associated with our transformation into a technology company, which consist of severance and divestiture expenses, consulting fees with third parties supporting the execution of our strategy, and administrative expenses incurred while completing significant debt and equity transactions. We expect to continue to incur costs associated with our transformation into a technology company.

SG&A expenses as a percentage of sales improved to 32% during the second quarter of 2021 compared to 37% during the second quarter of 2020. SG&A expenses as a percentage of sales also improved to 30.5% during the first half of 2021 compared to 37.5% during the first half of 2020. We continue to benefit from lower store payroll and occupancy costs as a percent of sales driven by our extensive cost reduction initiatives in 2020. These net reductions include 480 permanent store closures since August 1, 2020 as part of the de-densification of our store base.

Asset Impairments

During the second quarter of 2021, we did not recognize any asset impairments.

Through the first half of 2021, we recognized $0.6 million in asset impairment charges related to our right-of-use lease assets.

During the second quarter and first half of 2020, we recognized asset impairment charges totaling $0.9 million and $4.8 million, respectively. The charges consist of $0.5 million and $3.2 million, for the current quarter and year-to-date periods, respectively, in impairment charges related to our formerly-owned corporate aircraft, which we sold in the second fiscal quarter of 2020 and $0.4 million and $1.6 million, for the current quarter and year-to-date periods, respectively, in impairment charges associated with store-level assets.

Interest Expense, Net

During the second quarter of 2021, interest expense, net was $0.5 million, which decreased by $7.0 million compared to the same period in 2020 primarily due to the voluntary early redemption of the outstanding balance of our 2023 Senior Notes in the first quarter of 2021.

Through the first half of 2021, interest expense, net was $25.2 million, which increased by $11.0 million when compared to the first half of 2020. The increase in interest expense was primarily a result of the $17.8 million make-whole premium paid upon the voluntary early redemption of the outstanding balance of our 2023 Senior Notes.

Income Tax Expense

We recognized income tax expense of $3.1 million for the second quarter of 2021 compared to an income tax expense of $17.9 million for the same period in 2020. Our effective income tax rate increased to (5.3)% for the second quarter of 2021 compared to (19.2)% for the second quarter of 2020. Through the first half of 2021, we recognized income tax expense of $4.4 million compared to an income tax expense of $68.3 million for the same period in 2020. Our effective income tax rate increased to (3.5)% compared to (32.9)% for the first half of 2020. The change in the effective income tax rate compared to the prior year quarter was primarily driven by the full valuation allowance that we recognized in 2020 on our deferred tax assets.

See Note 10, "Income Taxes," for further information.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal sources of liquidity are cash from operations, cash on hand and our revolving credit facilities. As of July 31, 2021, we had total unrestricted cash on hand of $1.7 billion and an additional $100.9 million of available borrowing capacity under our revolving credit facilities. On March 15, 2021, we repaid our outstanding borrowings of $25.0 million under the Revolver.

During the first half of 2021, we sold 8,500,000 shares of our common stock in the aggregate under the Q1 ATM and the Q2 ATM. We generated $1.68 billion in aggregate gross proceeds from sales under the Q1 ATM and the Q2 ATM and paid fees to the sales agent of $10.1 million. Additionally, we incurred $0.4 million in other administrative fees in the aggregate in connection with the Q1 ATM and Q2 ATM during the first half of 2021 which are included in selling, general and administration expenses on the consolidated statements of operations. We have used, and intend to continue to use, the $1.67 billion in aggregate net proceeds generated from sales under the Q1 ATM and Q2 ATM for working capital and general corporate purposes, including repayment of indebtedness, funding our transformation and growth initiatives and product category expansion efforts, capital expenditures and the satisfaction of our tax withholding obligations upon the vesting of shares of restricted stock held by our executive officers and other employees.

Additionally, during the first quarter of 2021, we repaid the remaining $73.2 million aggregate principal amount of our then outstanding 2021 Senior Notes and the remaining $216.4 million aggregate principal amount of our then outstanding 2023 Senior Notes. In the second quarter of 2021, at the request of Micromania SAS, the six separate unsecured term loans held by our French subsidiary, Micromania SAS, for a total of €40.0 million ($47.5 million as of July 31, 2021) were extended for five years. See Note 6, "Debt," for further details on the debt transactions.

On an ongoing basis, we evaluate and consider certain strategic operating alternatives, including divestitures, restructuring or dissolution of unprofitable business segments, as well as equity and debt financing alternatives that we believe may enhance stockholder value. The nature, amount and timing of any strategic operational change, or financing transactions that we might pursue will depend on a variety of factors, including, as of the applicable time, our available cash and liquidity and operating performance; our commitments and obligations; our capital requirements; limitations imposed under our credit arrangements; and overall market conditions.

As a result of the impact of the COVID-19 pandemic around the world, many of our vendors have been impacted by volatility in the supply chain financing market. Our vendors have requested and may continue to request credit support collateral for our inventory purchase obligations and the levels of such collateral will depend on a variety of factors including our inventory purchase levels, available payment terms for inventories, availability of borrowing capacity under our credit facilities, favorable credit terms and costs of providing collateral. See Note 1, "General Information — Restricted Cash" for further details.

Cash Flows

During the first half of 2021, cash flows from operating activities were an outflow of $30.3 million, compared with an inflow of $143.5 million during the same period last year. The increase in cash used in operations of $173.8 million is primarily due to our efforts in the prior year to optimize our balance sheet that resulted in carrying more efficient levels of inventory and improving the cash conversion cycle.

Cash flows from investing activities were an outflow of $28.3 million during the first half of 2021 compared to an inflow of $36.0 million during the same period last year. The decrease in cash from investing activities is primarily attributable to proceeds received in the prior year period in connection with the sale and leaseback of our corporate headquarters, ancillary office space and a nearby refurbishment center in Grapevine, Texas and the sale of our corporate aircraft in addition to higher capital expenditures in the current year period as we continue to make technology investments.

Cash flows from financing activities were an inflow of $1,203.7 million during the first half of 2021 compared to an inflow of $52.0 million during the same period in the prior year.

During the first quarter of 2021, we received $551.7 million in aggregate net proceeds from the sale of shares of our common stock in the Q1 ATM, net of approximately $5.0 million in fees paid to the sales agent. During the first quarter of 2021, we repaid at maturity $73.2 million of our then outstanding 2021 Senior Notes, repaid $25.0 million of our then outstanding loan borrowings under the Revolver and completed the voluntary early redemption of our then outstanding 2023 Senior Notes for an aggregate of $234.2 million inclusive of a $17.8 million make-whole premium. In addition, we paid $49.9 million for withholding obligations upon the vesting of shares of restricted stock granted under the 2019 Incentive Plan during the first quarter of 2021.

During the second quarter of 2021, we received $1.121 billion in aggregate net proceeds from the sale of shares of our common stock in the Q2 ATM net of approximately $5.1 million in fees paid to the sales agent. We had an outflow of $86.7 million for tax withholding obligations upon the vesting of shares of restricted stock granted under our 2019 Incentive Plan during the second quarter of 2021.

The cash inflow during the first half of 2020 was primarily due to a net $35.0 million draw down on our Revolver and $23.6 million in proceeds from term loans entered into by our French subsidiary, Micromania SAS.

Sources of Liquidity; Uses of Capital

We utilize cash generated from operations and have funds available to us under the Revolver to cover seasonal fluctuations in cash flows and to support our various initiatives. Our cash and cash equivalents are carried at cost and consist primarily of U.S. Government Prime money market funds and cash deposits with commercial banks.

We maintain the Revolver with a maximum borrowing base capacity of $420 million and a maturity date of November 2022. The Revolver includes a $200 million expansion feature and $100 million letter of credit sublimit, and allows for an incremental $50 million first-in, last-out facility. As of the end of the second quarter of 2021, based on our borrowing base and amounts reserved for outstanding letters of credit, total availability under the Revolver after giving effect to the Availability Reduction was $100.9 million. As of July 31, 2021, no loan amounts were outstanding under the Revolver and $58.2 million of standby letters of credit were issued and undrawn under the Revolver.

Separately from the Revolver, we maintain uncommitted facilities with certain lenders that provide for the issuance of letters of credit and bank guarantees, at times supported by cash collateral. As of July 31, 2021, we had $17.8 million of outstanding letters of credit and other bank guarantees under facilities outside of the Revolver.

See Note 6, "Debt," for additional information.

CRITICAL ACCOUNTING POLICIES

Our unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and do not include all disclosures required under GAAP for complete financial statements. Preparation of these statements requires us to make judgments and estimates. Some accounting policies have a significant impact on amounts reported in these financial statements. For a summary of significant accounting policies and the means by which we develop estimates thereon, see “Part II—Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2020 Annual Report on Form 10-K. There have been no material changes to our critical accounting policies from those included in our 2020 Annual Report on Form 10-K.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

See Note 1 to our unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q for a description of recent accounting pronouncements, including the expected dates of adoption and estimated effects, if any, on our consolidated financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

We had no material off-balance sheet arrangements as of July 31, 2021 other than those disclosed in Note 6, "Debt" of our unaudited consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our risk factors as set forth in Item 1A. Risk Factors in our 2020 Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to provide reasonable assurance that the information required to be disclosed in the reports that we file or submit under the Exchange Act has been appropriately recorded, processed, summarized and reported on a timely basis and are effective in ensuring that such information is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Our principal executive officer and principal financial officer, with assistance from other members of management, have reviewed the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report and, based on that evaluation, determined that our disclosure controls and procedures were effective as of July 31, 2021 at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There has not been any change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our second quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The matters under the caption "Legal Proceedings" in Note 7 of the Notes to Consolidated Financial Statements included in this Quarterly Report on Form 10-Q are incorporated by reference.

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 and other filings we make with the SEC, before you make an investment decision with respect to our company. The risks described below are not the only ones facing us. 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 Class A Common Stock and the value of your investment.

Risks Related to Our Ability to Grow Our Business

Macroeconomic pressures in the markets in which we operate, including, but not limited to, the effects of the COVID-19 pandemic may adversely affect consumer spending and our financial results.

To varying degrees, our products are sensitive to changes in macroeconomic conditions that impact consumer spending. As a result, consumers may be affected in many different ways, including for example:

- their determination of whether or not to make a purchase;
- their choice of brand, model or price-point; and
- how frequently they upgrade or replace their gaming products.

Real GDP growth, consumer confidence, the COVID-19 pandemic discussed in the following risk factor, inflation, employment levels, oil prices, interest rates, tax rates, housing market conditions, foreign currency exchange rate fluctuations, costs for items such as fuel and food and other macroeconomic trends can adversely affect consumer demand for the products and services that we offer. Geopolitical issues around the world and how our markets are positioned can also impact the macroeconomic conditions and could have a material adverse impact on our financial results.

The impact of the COVID-19 pandemic has had, and is expected to continue to have, an adverse effect on our business and our financial results.

The COVID-19 pandemic has negatively impacted the global economy, disrupted consumer spending and global supply chains and created significant volatility and disruption of financial markets. The COVID-19 pandemic has had and is expected to continue to have an adverse effect on our business and financial performance. The extent of the impact of the COVID-19 pandemic, including our ability to execute our business strategies as planned, will depend on future developments, including the duration and severity of the pandemic, which are highly uncertain and cannot be predicted.

In response to mandates and/or recommendations from federal, state and local authorities, across all of the countries in which we operate, as well as decisions we have made to protect the health and safety of our associates and consumers with respect to the COVID-19 pandemic, we have temporarily closed or reduced operations and are continuing to do so in many of our stores. Since the beginning of the pandemic, we temporarily closed stores at various times across our U.S., Europe, Canada and Australia regions.

As a result of these closures and reductions, we may reduce hours of a significant number of our associates. We may face store closure requirements and other operation restrictions with respect to some or all of our physical locations for prolonged periods of time due to, among other factors, evolving and stringent public health directives, quarantine policies, social distancing measures, or other governmental restrictions, which could have a further material impact on our sales and profits.

Concerns have rapidly grown regarding the COVID-19 pandemic. Consumer fears about exposure to the coronavirus may continue, which will adversely affect traffic to our stores. Consumer spending generally may also be negatively impacted by general macroeconomic conditions and consumer confidence, including the impacts of any recession, resulting from the COVID-19 pandemic or other economic events. This may negatively impact sales at our stores and on our websites. Any reduction in customer visits to our stores, and/or spending at our stores or on our websites, will likely result in a loss of sales and profits and other material adverse effects.

The COVID-19 pandemic could impact our supply chain for products we sell, particularly as a result of mandatory shutdowns in locations where our products are manufactured or held for distribution. We could also see significant disruptions of the operations of our logistics service providers, delays in shipments and negative impacts to pricing of certain of our products. Certain “big box” retailers with which we compete in the gaming market remained open during the shelter-in-place phase of the pandemic, and we believe this allowed such competitors to gain market share.

In addition, we have incurred, and expect to continue to incur costs in our response to the COVID-19 pandemic that we expect to be significant in total, including, but not limited to, costs incurred to implement operational changes adopted in response to the COVID-19 pandemic and certain payments to or other costs related to associates who were not working as a result of the pandemic. If we do not respond appropriately to the pandemic, or if customers do not perceive our response to be adequate for a particular region or our company as a whole, we could suffer damage to our reputation and our brand, which could adversely affect our business in the future.

We have taken certain actions and may take additional actions with respect to many of our existing leases during the COVID-19 pandemic, including negotiating with landlords for rent abatement or deferral, terminating certain leases, or discontinuing rent payments, which may subject us to legal, reputational and financial risks. We can provide no assurances that any rent deferrals or abatements will be provided to us.

The COVID-19 pandemic could also adversely affect our liquidity and ability to access the capital markets. Uncertainty regarding the duration of the COVID-19 pandemic may adversely impact our ability to raise additional capital, or require additional capital, or require additional reductions in capital expenditures that are otherwise needed to implement our strategies. While our business is seasonal and we typically anticipate cash usage in the first half of our fiscal year, such usage could continue for a longer duration if the severity of the pandemic does not abate. Our current credit ratings, and any potential future downgrade in our credit ratings, could result in reduced access to the credit and capital markets, more restrictive covenants in documents governing future financial instruments and higher interest costs, and potentially increased lease costs. Furthermore, as a result of the impact of the COVID-19 pandemic on our financial performance, we expect in future periods that our ability to borrow under our revolving credit facility will continue to be reduced to the extent that an additional borrowing or letter of credit would trigger the financial covenant if we would not be in compliance with such covenant at such time.

The extent of the impact of the COVID-19 pandemic on our business and financial results will also depend on future developments, including the duration and spread of the pandemic, the implementation or recurrence of shelter in place or similar orders in the future, its impact on the financial markets in which we operate and spread to other regions, new information that may emerge concerning the severity of the coronavirus and the related impact on consumer confidence and spending, all of which are highly uncertain. Therefore, we cannot reasonably estimate the full extent of the COVID-19 pandemic’s impact on our business and financial results.

Economic, social and political conditions or civil unrest in the U.S. and in certain international markets could adversely affect demand for the products we sell and the ability of our stores to remain open.

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. Consumer spending may be affected by many economic and other factors outside our control. Some of these factors include consumer disposable income levels, consumer confidence in current and future economic conditions, levels of employment, consumer credit availability, consumer debt levels, inflation, political conditions, the occurrence of civil unrest, and the effect of weather, natural disasters, public health crises, including the COVID-19 pandemic and the related reduced consumer demand, decreased sales and widespread temporary closures. Adverse economic changes in any of the regions in which we sell our products could reduce consumer confidence. The extent to which the COVID-19 pandemic impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others. Socio-political factors, such as civil unrest or other economic or political uncertainties that contribute to consumer unease or harm to our store base, may also result in decreased discretionary spending. These and other social, political and economic factors could adversely affect demand for our products or cause certain of our stores to close, which would negatively impact our business, results of operations and financial condition.

The video game industry has historically been cyclical and is affected by the introduction of next-generation consoles, which could negatively impact the demand for existing products or our pre-owned business.

The video game industry has historically 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. In addition, the features of new consoles or changes to the existing generations of consoles, including any future restrictions or conditions or the ability to play prior generation video games on such consoles, may adversely affect our pre-owned business. A new console cycle began with the launch of the Sony PlayStation 5 in November 2020, the Microsoft Xbox Series X in November 2020, and the Nintendo Switch in March 2017.

The COVID-19 pandemic could potentially cause material disruptions or delays in our supply chains that develop, manufacture and distribute new consoles and other products we sell. Such disruptions could result in lower levels of sales of next generation consoles as well as the accompanying video games and other products we sell, which could have a material adverse impact on our financial results.

We depend upon the timely delivery of new and innovative products from our vendors.

We depend on manufacturers and publishers to deliver video game hardware, software, and consumer electronics in quantities sufficient to meet customer demand. In addition, we depend on these manufacturers and publishers to introduce new and innovative products and software titles to drive industry sales. We have experienced sales declines in the past 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. Any reduction in allocation of new hardware platforms or titles by vendors in preference to competitors, such as big box retailers, could have a material adverse impact on our financial results.

Disruptions and delays in our supply chains as a result of severe weather, natural disasters, information technology upgrades, operating issues, public health crises, pandemics, including the COVID-19 pandemic, or other unanticipated events could continue to adversely impact manufacturers' and publishers' ability to meet our customer demand. Additionally, the prioritization of shipments of certain products as a result of the pandemic could cause delays in the shipment or delivery of our products. Such disruptions could result in reduced sales.

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

The current consoles from Sony, Nintendo, and Microsoft have facilitated download technology. In addition, Microsoft and Sony sell disc-less consoles that are currently available to consumers. Downloading of video game content to the current generation video game systems continues to grow and take an increasing percentage of new video game sales. As a result of quarantine policies and social distancing measures enacted in response to the COVID-19 pandemic, consumers may increasingly download video game content, and any such changes to consumer behavior may continue after such policies and measures are rescinded. If consumers' preference for downloading video game content continues to increase or these consoles and other 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 business and results of operations may be negatively impacted.

If we fail to keep pace with changing industry technology and consumer preferences, 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, rapidly changing consumer preferences and product obsolescence. Video games are now played on a wide variety of mediums, including video game consoles, personal computers, mobile phones, tablets, social networking websites and other devices. Browser, mobile and social gaming is accessed through hardware other than the consoles and traditional hand-held video game devices we currently sell.

In order to continue to compete effectively in the video game industry, we must respond effectively to market and technological changes and understand their impact on our customers' preferences. It may take significant time and resources to respond to these technological changes and changes in consumer preferences. Our business and results of operations may be negatively impacted if we fail to keep pace with these changes.

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, public health crises, including the ongoing COVID-19 pandemic, or the imposition of import or trade restrictions in the form of tariffs or quotas could increase the cost and reduce the supply of products available to us, which may negatively impact our business and results of operations. Furthermore, the COVID-19 pandemic has resulted in work stoppages at certain suppliers that are part of our supply chain. We have experienced shortages in supply as a result of the interruptions, but if the work stoppages or raw material supply were to be prolonged or expanded in scope, there could be resulting supply shortages which could impact our ability to import certain products on schedule and, accordingly, could have an adverse effect on our business, financial condition and results of operations.

Our ability to obtain favorable terms from our suppliers and service providers may impact our financial results.

Our financial results depend significantly upon the business terms we can obtain from our suppliers and service providers, 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 are Nintendo, Sony, Microsoft, U&I Entertainment and Ubisoft Entertainment, which accounted for 31%, 22%, 9%, 3% and 3%, respectively, of our new product purchases in fiscal 2020. If our suppliers and service providers do not provide us with favorable business terms or allocate reduced volumes of their products to us, we may not be able to offer products to our customers in sufficient volumes or at competitive prices. Vendors may request credit support which could require us to either use cash on hand or collateralize letters of credit with restricted cash or other credit support mechanisms, which would reduce our liquidity available for other purposes.

We depend on third-party delivery services to deliver products to our retail locations, processing centers and customers on a timely and consistent basis, and deterioration in our relationship with these third-party providers or increases in the fees that they charge could reduce our margins, harm our reputation and adversely affect our business and financial condition.

We rely on third parties for the transportation of products and we cannot be sure that these relationships will continue on terms favorable to us, or at all. Delivery and shipping costs have increased from time to time and may continue to increase, and we may not be able to pass these costs directly to our customers. Any increased delivery and shipping costs could harm our business, prospects, financial condition and results of operations by increasing our costs of doing business and reducing our margins, which would negatively affect our operating results. As we continue to reduce the number of our retail locations and increase our e-commerce capabilities, we expect our reliance on third party delivery services will increase.

In addition, if our relationships with these third parties, especially the carriers we rely upon for the majority of our shipping needs, are terminated or impaired, if we are unable to negotiate acceptable terms with these third parties or if these third parties are unable to deliver products for us, whether due to a labor shortage, slow down or stoppage, deteriorating financial or business conditions, responses to the COVID-19 pandemic, terrorist attacks or for any other reason, we would be required to use alternative carriers for the shipment of products to our customers. Changing carriers could have a negative effect on our business and operating results due to the negative impact on customer experience, including reduced visibility of order status and package tracking and delays in order processing and product delivery, and we may be unable to engage alternative carriers on a timely basis, upon terms favorable to us, or at all. See Item 1A. Risk Factors – Risk Related to Our Retail Operations – “Disruptions to our logistics capability or supply chain may have an adverse impact on our operations.”

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 can sometimes 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 and sovereign debt crises;
- international incidents, including public health crises such as the COVID-19 pandemic;
- natural disasters;
- government instability; and
- competitors entering our current and potential markets.

Our operations in Europe are also subject to risks associated with the withdrawal of the United Kingdom from the European Union (“EU”). On January 31, 2020, the United Kingdom of Great Britain and Northern Ireland officially exited the EU (“Brexit”) and entered into a transition period to negotiate the final terms of Brexit. The transition period ended on December 31, 2020. The continued uncertainty regarding the impact of the withdrawal and any resulting increases in tariffs, importation restrictions, out of stocks, volatility in currency exchange rates, including the valuation of the euro and the British pound in particular, changes in the laws and regulations applied in the United Kingdom or impacts on economic and market conditions in the United Kingdom, the EU and its member states and elsewhere may have an adverse impact on consumer demand for our products, unfavorably impact our results of operations and financial condition.

Our international operations are also subject to compliance with the U.S. Foreign Corrupt Practices Act and other anti-bribery laws applicable to our operations. While we have policies and procedures intended to ensure compliance with these laws, our associates, contractors, representatives and agents may take actions that violate our policies. Any violations of these laws by any of these persons could have a negative impact on our business.

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 2020 and 2019, we generated approximately 42% and 34%, respectively, of our sales during the fourth quarter. Any adverse trend in sales during the holiday selling season (for example, because of the continuing and unknown duration and impact of the COVID-19 pandemic and/or related supply chain and other economic effects) could lower our results of operations for the fourth quarter and the entire fiscal year and adversely impact our liquidity.

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, 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 negatively impact our results of operations.

The manner in which we fund tax withholding obligations that will arise upon vesting of outstanding restricted stock awards may require us to use a substantial amount of cash, which would reduce our liquidity, or may result in sales of shares of our Class A Common Stock into the market, which could cause the market price of our Class A Common Stock to decline.

The vesting of shares of restricted stock awarded to our executive officers and other employees may accelerate in connection with certain events (such as the cessation of the grantee’s employment due to death or disability, termination by us without cause or resignation by the grantee with good reason), whether under the terms of employment agreements, our severance plans or policies, or otherwise. Such accelerated vesting could occur in connection with the separation of individuals holding these unvested shares, the vesting of which could be accelerated in accordance with the terms of their employment agreements and the separation conditions.

Tax withholding obligations arise upon the vesting of shares of restricted stock and these obligations must be satisfied at the time they arise through cash payments to the applicable taxing authorities. The amount of the tax withholding obligations due upon the vesting of shares of restricted stock is dependent on the price of our shares of Class A Common Stock on the New York Stock Exchange on the applicable vesting date. The higher the price of the shares of our Class A Common Stock on the vesting date, the higher the tax withholding amount that will be due. Our Class A Common Stock price has recently experienced extreme price fluctuations.

If we were to elect to satisfy tax withholding obligations by withholding and canceling a portion of the shares subject to vesting (sometimes referred to as “share withholding”) and remitting cash to the taxing authorities at the applicable statutory rates on behalf of the holder(s) of applicable awards then, depending on the price of our Class A Common Stock on the vesting date, the amount of these cash payments could be substantial and could have a negative impact on our liquidity and ability to use funds for operational purposes.

We may seek to implement “sell-to-cover” arrangements with one or more holders of shares of restricted stock to minimize our expenditure of cash to satisfy tax withholding obligations. Under such arrangements, a broker would assist the holder to sell, in the open market, all or a portion of the shares subject to vesting and would remit a portion of the sales proceeds to us. We would in turn remit such amounts to the taxing authorities. Such “sell-to-cover” arrangements would enable us to satisfy tax withholding obligations and remain in a net neutral cash position but would result in the sales of shares of our Class A Common Stock into the market and such sales could cause the market price of our Class A Common Stock to decline.

Risks Related to Our Retail Operations

An important element of our business strategy is to de-densify our global store base. Failure to successfully transfer customers and sales from closed stores to nearby stores or our e-commerce channels could adversely impact our financial results.

As a part of our business strategy, we are de-densifying our global store base, which includes closing stores that are not meeting performance standards or stores at the end of their lease terms with the intent of transferring sales to other nearby locations or online. We believe that we can ultimately increase profitability by successfully transferring customers and sales to other stores or online by marketing directly to the PowerUp Rewards members who have shopped in the stores as well as other customers who have recently visited the location 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 or online, our results of operations could be negatively impacted.

If we are unable to renew or enter into new leases on favorable terms, our revenue may be adversely affected.

All of our retail stores are located in leased premises. If the cost of leasing existing stores increases, we cannot assure 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 alternative sites in a timely manner. Our revenues and earnings may decline if we fail to maintain existing store locations, enter into new leases, or locate alternative sites.

Beginning in March 2020 and continuing throughout fiscal 2020, we began negotiating with landlords under leases of stores impacted by the COVID-19 pandemic to defer or abate the applicable rent during the store closure period, to modify the terms (including rent) of our leases going forward after the stores reopen, or in certain instances to terminate the leases and permanently close some of the stores. However, there can be no assurance that we will be able to negotiate rent deferrals or rent abatements, or terminate the leases, on commercially reasonable terms or at all. If we are unable to renegotiate the leases and continue to suspend rent payments, we could be forced to either pay rent for periods in which our stores were closed or default under the leases, in which case landlords could attempt to terminate our leases and accelerate our future rents due thereunder. Our negotiations with landlords may have a negative impact on our ability to renew leases on favorable terms in the future.

If we are unable to successfully maintain strong retail and e-commerce experiences for our customers, our sales and results of operations could adversely be impacted.

Our business has become increasingly dependent on multiple sales channels as we strive to deliver a seamless shopping experience to our customers through both online and in-store shopping experiences. Operating an e-commerce platform is a complex undertaking and exposes us to risks and difficulties frequently experienced by internet-based businesses, including risks related to our ability to attract and retain customers on a cost-effective basis and our ability to operate, support, expand, and develop our internet operations, website, mobile applications and software and other related operational systems. Continuing to improve our e-commerce platform involves substantial investment of capital and resources, increasing supply chain and distribution capabilities, attracting, developing and retaining qualified personnel with relevant subject matter expertise and effectively managing and improving the customer experience. In-store and e-commerce retail are competitive and evolving environments. Insufficient, untimely or inadequately prioritized or ineffectively implemented investments could significantly impact our profitability and growth and affect our ability to attract new customers, as well as maintain our existing ones.

Enhancing the customer experience through new and evolved programs, such as buy-online-pickup-in-store, new or expanded delivery options, the ability to shop through a mobile application or other similar programs, depends in part on the effectiveness of our inventory management processes and systems, the effectiveness of our merchandising strategy and mix, our supply chain and distribution capabilities, and the timing and effectiveness of our marketing activities, particularly our promotions. Costs associated with implementing store and/or e-commerce initiatives may be higher than expected, and the initiatives may not result in increased sales, including same store sales, customer traffic, customer loyalty or other anticipated results. Website downtime and other technology disruptions in our e-commerce platform, including due to cyber-related issues or natural disasters, and supply and distribution delays and other related issues may affect the successful operation of our e-commerce platform. If we are not able to successfully operate or improve our e-commerce platform and core business, we may not be able to provide a relevant shopping experience or improve customer traffic, sales or margins, and our reputation, operations, financial condition, results of operations and cash flows could be materially adversely affected.

Our strategic plans and transformation initiatives may initially result in a negative impact on our financial results and such plans and initiatives may not achieve the desired results within the anticipated time frame or at all.

Our ability to successfully implement and execute our strategic plans and transformation initiatives is dependent on many factors, some of which are out of our control. Our strategic plans and transformation initiatives may require significant capital investment and management attention at the expense of other business initiatives and may take longer than anticipated to achieve the desired return. Additionally, any new initiative is subject to certain risks, including customer acceptance, competition and the ability to attract and retain qualified personnel to support the initiative.

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

The retail environment 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; the online environments operated by Sony (PlayStation Network), Microsoft (XBox Live), Nintendo (Nintendo Switch Online), as well as other online retailers and game rental companies. We expect competition in e-commerce generally to continue to increase. Some of our competitors have longer operating histories and may have greater financial resources than we do or other advantages. In addition, certain of these competitors may have more experience and infrastructure to support increased delivery orders, and may have improved their ability to deliver products as a result of, including in the case of mall merchants and regional chains, having been permitted to remain open during the COVID-19 pandemic. Additionally, competitors who were able to remain open during the COVID-19 pandemic may create increased competition for allocations from our suppliers. Furthermore, 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. The potential increase in consumers' downloading of video game content in favor of purchasing games in stores as a result of COVID-19 related quarantine policies and social distancing measures could further accelerate consumer purchases of online video game content from other retailers. We also compete with other sellers of pre-owned video game products and other PC software distribution companies, including Steam. Certain of our mass-merchant competitors are expanding in the market for new and pre-owned video games through aggressive pricing which may negatively affect our margins, sales and earnings for these products. 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.

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. Our systems are subject to damage or interruption from power outages, telecommunications failures, cyber-attacks, security breaches and catastrophic events. If our inventory or management information systems fail to adequately perform their functions, our business could be adversely affected. In addition, if operations in any of our distribution centers were to shut down or be disrupted or if these centers were unable to accommodate stores in a particular region, our business and results of operations may be negatively impacted.

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 many of the 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, restrictions on business operations (including as a result of the COVID-19 pandemic), 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.

Disruptions to our logistics capability or supply chain may have an adverse impact on our operations.

We depend on package carriers for the delivery of products to our customers and our stores. Any significant interruption or disruption in carrier service to our distribution centers or stores due to severe weather, natural disasters, information technology upgrades, operating issues, disruptions to our transportation network, public heath crises, pandemics, including the COVID-19 pandemic, or other unanticipated events, could impair our ability to obtain or deliver inventory in a timely manner, cause cancellations or delays in shipments to customers or otherwise disrupt our normal business operations.

Our logistics services are operated through our distribution centers. An interruption of operations at any of our distribution centers could have a material adverse effect on the operations of branches served by the affected distribution. Such disaster related risks and effects are not predictable with certainty and, although they typically can be mitigated, they cannot be eliminated. We seek to mitigate our exposures to disaster events in a number of ways. For example, where feasible, we design the configuration of our facilities to reduce the consequences of disasters. We also maintain insurance for our facilities against casualties, and we evaluate our risks and develop contingency plans for dealing with them. Although we have reviewed and analyzed a broad range of risks applicable to our business, the ones that actually affect us may not be those that we have concluded are most likely to occur. Furthermore, although our reviews have led to more systematic contingency planning, our plans are in varying stages of development and execution, such that they may not be adequate at the time of occurrence for the magnitude of any particular disaster event that we may encounter. See Item 1A. Risk Factors -- Risks Related to Our Ability to Grow Our Business – “We depend on third-party delivery services to deliver products to our retail locations, processing centers and customers on a timely and consistent basis, and deterioration in our relationship with these third-party providers or increases in the fees that they charge could reduce our margins, harm our reputation and adversely affect our business and financial condition.”

Our sales of collectibles depend on popularity of and trends in pop culture, and our ability to react to them.

Our sales of collectibles are heavily dependent upon the continued demand by our customers for collectibles, apparel, toys, gadgets, electronics and other retail products for pop culture and technology enthusiasts. The popularity of such products is often driven by movies, television shows, music, fashion and other pop culture influences. The market for, and appeal of, particular types of music, movies, television shows, artists, actors, styles, trends and brands are constantly changing. The interruption in the production of new music, movies and television shows, and the reduced access to our storefronts by consumers caused by the COVID-19 pandemic, has had and is likely to continue to have a negative impact on sales of collectibles. In addition, our failure to anticipate, identify and react appropriately to changing trends and preferences of customers could lead to, among other things, excess inventories and higher markdowns. There can be no assurance that the collectibles and related products that we sell will appeal to our customers.

We depend on licensed products for a substantial portion of our sales of collectibles and our inability to maintain such licenses and obtain new licensed products would adversely affect our sales of collectibles.

We license from others the rights to sell certain of our collectibles and many of these products contain a third party’s trademarks, designs and other intellectual property. If we are unable to maintain current licenses or obtain new licensed products with comparable consumer demand, our sales of collectibles would decline. Furthermore, we may not be able to prevent a licensor from choosing not to renew a license with us and/or from licensing a product to one of our competitors.

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 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 which enable us to actively promote and merchandise the products we sell and drive sales at our stores and on our websites. We cannot assure you that vendors will continue to provide this support at historical levels. If they fail to do so, our business and results of operations may be negatively impacted.

Restrictions on our ability to purchase and sell pre-owned video game products could negatively affect our financial condition and results of operations.

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

Risks Related to Laws and Regulations

Changes to tariff and import/export regulations may negatively impact our future financial condition and results of operations.

The United States and other countries have from time to time proposed and enacted protectionist trade policies that could increase the cost or reduce the availability of certain merchandise. In particular, the previous U.S. administration has made certain changes to import/export tariffs and international trade agreements. The changes announced and made to date do not impact the merchandise that we offer. Any measures that could impact the cost or availability of the merchandise we offer could have an adverse impact on our business because a significant portion of the products we offer are purchased from foreign vendors and manufactured in foreign countries.

Unfavorable changes in our global tax rate could have a negative impact on our business, results of operations and cash flows.

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 business 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 impact on our business and results of our operations.

Legislative actions and changes in accounting rules may cause our general and administrative and compliance costs 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 U.S. or foreign 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 and compliance costs to increase. Significant workforce-related legislative changes could increase our expenses and adversely affect our operations. Examples of possible workforce-related legislative changes include changes to an employer’s obligation to recognize collective bargaining units, the process by which collective bargaining agreements are negotiated or imposed, minimum wage requirements, and health care mandates. In addition, changes in the regulatory environment affecting Medicare reimbursements, workplace safety (including in response to the COVID-19 pandemic), product safety, supply chain transparency, and increased compliance costs related to enforcement of federal and state wage and hour statutes and common law related to overtime, among others, could cause our expenses to increase without an ability to pass through any increased expenses through higher prices. Environmental legislation or other regulatory changes could impose unexpected costs or impact us more directly than other companies due to our operations as a global retailer. Specifically, environmental legislation or international agreements affecting energy, carbon emissions, and water or product materials are continually being explored by governing bodies. Increasing energy and fuel costs, supply chain disruptions and other potential risks to our business, as well as any significant rule making or passage of any such legislation, could materially increase the cost to transport our goods and materially adversely affect our results of operations. Additionally, regulatory and enforcement activity focused on the retail industry has increased in recent years, increasing the risk of fines and additional operational costs associated with compliance.

As a seller of certain consumer products, we are subject to various federal, state, local and international laws, regulations, and statutes relating to product safety and consumer protection.

While we take steps to comply with these laws, there can be no assurance that we will be in compliance, and failure to comply with these laws could result in litigation, regulatory action and penalties which could have a negative impact on our business, financial condition and results of operations. In addition, our suppliers might not adhere to product safety requirements and the Company and those suppliers may therefore be subject to involuntary or voluntary product recalls or product liability lawsuits. Direct costs, lost sales and reputational damage associated with product recalls, government enforcement actions or product liability lawsuits, individually or in the aggregate, could have a negative impact on future revenues and results of operations.

Government regulation of the Internet, e-commerce and other aspects of our business is evolving, and we may experience unfavorable changes in or failure to comply with existing or future regulations and laws.

We are subject to a number of regulations and laws that apply generally to businesses, as well as regulations and laws specifically governing the Internet and e-commerce and the marketing, sale and delivery of goods and services over the Internet.

Existing and future regulations and laws may impede the growth and availability of the Internet and online services and may limit our ability to operate our business. These laws and regulations, which continue to evolve, cover taxation, tariffs, privacy and data protection, data security, pricing, content, copyrights, distribution, mobile and other communications, advertising practices, electronic contracts, sales procedures, automatic subscription renewals, credit card processing procedures, consumer protections, the provision of online payment services, unencumbered Internet access to our services, the design and operation of websites, and the characteristics and quality of product offerings that are offered online. We cannot guarantee that we have been or will be fully compliant in every jurisdiction, as it is not entirely clear how existing laws and regulations governing issues such as property ownership, sales and other taxes, consumer protection, libel and personal privacy apply or will be enforced with respect to the Internet and e-commerce, as many of these laws were adopted prior to the advent of the Internet and e-commerce and do not contemplate or address the unique issues they raise. Moreover, as e-commerce continues to evolve, increasing regulation and enforcement efforts by federal and state agencies and the prospects for private litigation claims related to our data collection, privacy policies or other e-commerce practices become more likely. In addition, the adoption of any laws or regulations, or the imposition of other legal requirements, that adversely affect our ability to market, sell, and deliver our products could decrease our ability to offer, or customer demand for, our offerings, resulting in lower net revenue, and existing or future laws or regulations could impair our ability to expand our product offerings, which could also result in lower net revenue and make us more vulnerable to increased competition. Future regulations, or changes in laws and regulations or their existing interpretations or applications, could also require us to change our business practices, raise compliance costs or other costs of doing business and materially adversely affect our business, financial condition and operating results.

Risks Related to Our Common Stock

The market price of our Class A Common Stock has been extremely volatile and may continue to be volatile due to numerous circumstances beyond our control.

The market price of our common stock has fluctuated, and may continue to fluctuate, widely, due to many factors, some of which may be beyond our control. These factors include, without limitation:

- “short squeezes”;
- comments by securities analysts or other third parties, including blogs, articles, message boards and social and other media;
- large stockholders exiting their position in our Class A Common Stock or an increase or decrease in the short interest in our Class A Common Stock;
- actual or anticipated fluctuations in our financial and operating results;
- risks and uncertainties associated with the ongoing COVID-19 pandemic;
- the timing and allocations of new product releases including new console launches;
- the timing of new store openings or closings;
- shifts in the timing or content of certain promotions or service offerings;
- 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, businesses or stores;
- changes in foreign currency exchange rates;
- negative public perception of us, our competitors, or industry; and
- overall general market fluctuations.

Stock markets in general and our stock price in particular have recently experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies and our company. These broad market fluctuations may adversely affect the trading price of our Class A Common Stock. In particular, a large proportion of our Class A Common Stock has been and may continue to be traded by short sellers which has put and may continue to put pressure on the supply and demand for our Class A Common Stock, further influencing volatility in its market price. Additionally, these and other external factors have caused and may continue to cause the market price and demand for our Class A Common Stock to fluctuate substantially, which may limit or prevent our stockholders from readily selling their shares of our common stock and may otherwise negatively affect the liquidity of our Class A Common Stock.

A “short squeeze” due to a sudden increase in demand for shares of our Class A Common Stock that largely exceeds supply has led to, and may continue to lead to, extreme price volatility in shares of our Class A Common Stock.

Investors may purchase shares of our Class A Common Stock to hedge existing exposure or to speculate on the price of our Class A Common Stock. Speculation on the price of our Class A Common Stock may involve long and short exposures. To the extent aggregate short exposure exceeds the number of shares of our Class A Common Stock available for purchase on the open market, investors with short exposure may have to pay a premium to repurchase shares of our Class A Common Stock for delivery to lenders of our Class A Common Stock. Those repurchases may in turn, dramatically increase the price of shares of our Class A Common Stock until additional shares of our Class A Common Stock are available for trading or borrowing. This is often referred to as a “short squeeze.”

A large proportion of our Class A Common Stock has been and may continue to be traded by short sellers which may increase the likelihood that our Class A Common Stock will be the target of a short squeeze. A short squeeze has led and could continue to lead to volatile price movements in shares of our Class A Common Stock that are unrelated or disproportionate to our operating performance or prospects and, once investors purchase the shares of our Class A Common Stock necessary to cover their short positions, the price of our Class A Common Stock may rapidly decline. Stockholders that purchase shares of our Class A Common Stock during a short squeeze may lose a significant portion of their investment.

Information available in public media that is published by third parties, including blogs, articles, message boards and social and other media may include statements not attributable to the Company and may not be reliable or accurate.

We have received, and may continue to receive, a high degree of media coverage that is published or otherwise disseminated by third parties, including blogs, articles, message boards and social and other media. This includes coverage that is not attributable to statements made by our officers or associates. Information provided by third parties may not be reliable or accurate and could materially impact the trading price of our Class A Common Stock which could cause stockholders to lose their investments.

A large number of shares of our Class A Common Stock available for future sale could adversely affect the market price of our Class A Common Stock and may be dilutive to current stockholders.

The sales of a substantial number of shares of our Class A Common Stock, or the perception that such sales could occur, could adversely affect the price for our Class A Common Stock. Our Board of Directors may authorize the issuance of additional authorized but unissued Class A Common Stock or other authorized but unissued securities at any time, including pursuant to equity incentive plans. In addition, we have filed a registration statement with the SEC, allowing us to offer, from time to time and at any time, equity securities (including common or preferred stock), subject to market conditions and other factors. Accordingly, we may, from time to time and at any time, seek to offer and sell our equity securities, including sales of our Class A common stock pursuant to our ATM program, based upon market conditions and other factors.

Future sales of a substantial amount of our Class A Common Stock in the public markets by our insiders, or the perception that these sales may occur, may cause the market price of our Class A Common Stock to decline.

Our employees, directors and officers, and their affiliates, hold substantial amounts of shares of our Class A Common Stock. Sales of a substantial number of such shares by these stockholders, or the perception that such sales will occur, may cause the market price of our Class A Common Stock to decline. Other than restrictions on trading that arise under securities laws [(or pursuant to our securities trading policy that is intended to facilitate compliance with securities laws)], including the prohibition on trading in securities by or on behalf of a person who is aware of nonpublic material information, we have no restrictions on the right of our employees, directors and officers, and their affiliates, to sell their unrestricted shares of Class A Common Stock.

Risks Related to Financial Performance or General Economic Conditions

Our results of operations may fluctuate from quarter to quarter.

Our results of operations may fluctuate from quarter to quarter depending upon several factors, some of which are beyond our control. These factors include, but are not limited to:

- the timing and allocations of new product releases including new console launches;
- the timing of new store openings or permanent or temporary closings, including those related to the COVID-19 pandemic;
- the amounts devoted to strategic investments, including in multi-channel capabilities and other business initiatives, and failure to achieve anticipated profitability increases and benefits from such initiatives within the expected time-frames or at all;
- timing and extent of the achievement of anticipated profit increases from investments, if at all
- shifts in the timing or content of certain promotions or service offerings;
- 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, businesses or stores; and

- 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.

The agreement governing our revolving credit facility restrict our current and future operations, particularly our ability to respond to changes or to take certain actions or take advantage of certain business opportunities.

The agreement governing our revolving credit facility contain a number of restrictive covenants that impose significant operating and financial restrictions on us and our subsidiaries and may limit our ability to engage in acts that may be in our long-term best interest, including restrictions on our ability to:

- incur, assume or permit to exist additional indebtedness or guaranty certain obligations;
- declare dividends, make payments or redeem or repurchase capital stock or make distributions in respect of capital stock;
- prepay, redeem or purchase certain indebtedness;
- issue certain preferred stock or similar equity securities;
- make loans and certain investments;
- sell assets;
- incur liens;
- engage in transactions with affiliates;
- enter into agreements restricting our subsidiaries' ability to pay dividends; and
- engage in mergers, acquisitions and other business combinations.

In addition, the restrictive covenants applicable to our revolving credit facility require us to maintain a fixed charge coverage ratio covenant of 1.0:1.0 in the event that excess availability under the revolving credit facility is at any time less than the greater of (1) $12.5 million and (2) 10% of the lesser of the total commitment and the borrowing base. The impact of the COVID-19 pandemic on our financial performance may impair our ability to comply with the fixed charge coverage ratio covenant in the future, which would also impact our access to the availability under the revolving credit facility.

A breach of the covenants or restrictions under the agreement governing our revolving credit facility could result in an event of default under the applicable indebtedness. Such an event of default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In addition, an event of default under the revolving credit facility would permit the lenders under our revolving credit facility to terminate all commitments to extend further credit under that facility. Furthermore, if we were unable to repay the amounts due and payable under our revolving credit facility, those lenders could proceed against the collateral granted to them to secure that indebtedness. In the event our lenders or noteholders accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness. As a result of these restrictions, we may be:

- limited in how we conduct our business;
- unable to raise additional debt or equity financing necessary in order to operate during general economic or business downturns; or
- unable to compete effectively or to take advantage of new business opportunities.

These restrictions may affect our ability to grow in accordance with our strategy. In addition, our financial results, our substantial indebtedness and our credit ratings could adversely affect the availability and terms of our financing.

To service our indebtedness, we will require a significant amount of cash. We may not be able to generate sufficient cash flow to meet our debt service obligations or refinance our debt on favorable terms.

Our ability to generate sufficient cash flow from operations to make scheduled payments on our indebtedness, including without limitation any payments required to be made under our revolving credit facility and to fund our operations, will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If we do not generate sufficient cash flow from operations to satisfy our debt obligations, including interest payments and the payment of principal at maturity, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. We cannot provide assurance that any refinancing would be possible, that any assets could be sold, or, if sold, of the timing of the sales and the amount of proceeds realized from those sales, that additional financing could be obtained on acceptable terms, if at all, or if that additional financing would be permitted under the terms of our various debt instruments, then in effect.

Our inability to generate sufficient cash flow to satisfy our debt obligations or to refinance our obligations on commercially reasonable terms or on a timely basis, would have an negative impact on our business, results of operations and financial condition.

Despite current indebtedness levels, we and our subsidiaries may still be able to incur additional debt. This could further increase the risks associated with our leverage.

Although our revolving credit facility agreement contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. Additionally, these restrictions will not prevent us from incurring obligations that do not constitute indebtedness. Such future indebtedness or obligations may have restrictions similar to, or more restrictive than, those included in our revolving credit facility agreement. The incurrence of additional indebtedness could impact our financial condition and results of operations.

General Risk Factors

Turnover in our senior management or our inability to attract and retain qualified personnel could have a material adverse impact on our business and results of operations.

Our success depends, in part, on the continuing services and contributions of our leadership team to execute on our strategic plan and to identify and pursue new opportunities. Through a committee of directors, our Board is currently evaluating our executive leadership team skill sets related to meeting changing business requirements and has engaged a third party firm to assist in its evaluation and exploration. This evaluation and exploration could result in a change in one or more of our senior executives. Turnover in key leadership positions within the Company could adversely affect our ability to manage the Company efficiently and effectively, could be disruptive and distracting to management and may lead to additional departures of current personnel, any of which could have a material adverse effect on our business and results of operations.

Our success also depends, in part, upon our ability to attract, motivate and retain a highly trained and engaged workforce, management for our stores and skilled merchandising, marketing, financial and administrative personnel. In addition, the turnover rate in the retail industry is relatively high, and there is an ongoing need to recruit and train new store associates. Factors that affect our ability to maintain sufficient numbers of qualified associates include associate morale, our reputation, unemployment rates, competition from other employers and our ability to offer appropriate compensation packages.

Any turnover in senior management in the future or inability to attract and retain qualified personnel could have a material adverse effect on our business and results of operations.

Recent turnover with our Board may disrupt our operations, our strategic focus or our ability to drive stockholder value.

There have been significant changes to our Board since June 2020 as previously reported in our periodic reports filed with the SEC. Turnover among our Board may disrupt our operations, our strategic focus or our ability to drive stockholder value. If we fail to attract and retain new skilled personnel for our Board, our business and growth prospects could disrupt our operations and have a material adverse effect on our operations and business.

If we do not maintain the security of our customer, associate or company information, we could damage our reputation, incur substantial additional costs and become subject to litigation.

An important part of our business involves the receipt, processing and storage of personal information of our customers and associates, including, in the case of customers, payment information. We have systems and processes in place that are designed to protect against security and data breaches and unauthorized access to confidential information. Nevertheless, cyber-security risks such as malicious software and attempts to gain unauthorized access to data are rapidly evolving and becoming increasingly sophisticated. Techniques or software used to gain unauthorized access, and/or disable, degrade or harm our systems may be difficult to detect for prolonged periods of time, and we may be unable to anticipate these techniques or put in place protective or preventive measures. These attempts to gain unauthorized access could lead to disruptions in our systems, unauthorized release of confidential or otherwise protected information or corruption of data. If individuals are successful in infiltrating, breaking into, disrupting, damaging or otherwise stealing from our computer systems or the computer system of our third-party providers, we may have to make a significant investment to fix or replace them, and may suffer interruptions in our operations in the interim, including interruptions in our ability to accept payment from customers and our ability to issue and redeem loyalty points under our Power Up Rewards program. Such an event may also expose us to costly litigation, government investigations, government enforcement actions, fines and/or lawsuits and may significantly harm our reputation with our members and customers. We are continuously working to upgrade our information technology systems and provide associate awareness training around phishing, malware, and other cyber risks to protect our member, customer, associate, and company data against cyber risks and security breaches. Despite these efforts, we have experienced cybersecurity attacks in the past and there is no guarantee that the procedures that we have implemented to protect against unauthorized access to secured data are adequate to safeguard against future data security breaches. While past cybersecurity attacks have not resulted in material losses, a data security breach or any failure by us to comply with applicable privacy and information security laws and regulations could materially impact our business and our results of operations. Moreover, a data security breach or change in applicable privacy or security laws or regulations could require us to devote significant management resources to address the problems created by the breach or such change in laws or regulations and to expend significant additional resources to upgrade further the security measures that we employ to guard against such breaches or to comply with such change in laws or regulations, which could disrupt our business, operations and financial condition.

Damage to our reputation could adversely affect our business and our ability to attract and retain customers and employees.

Our continued success depends upon customers’ perception of our Company. Any negative publicity relating to our vendors, products, practices or our Company could damage our reputation and adversely impact our ability to attract and retain customers and employees. Failure to detect, prevent, or mitigate issues that might give rise to reputational risk or failure to adequately address negative publicity or perceptions could adversely impact our reputation, business, results of operations, and financial condition.

If our internal control over financial reporting is ineffective, our business may be adversely affected and we may lose market confidence in our reported financial information which could adversely impact our business and stock price.

Effective internal control over financial reporting can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements and may not prevent or detect misstatements because of inherent limitations. These limitations include, among others, the possibility of human error, inadequacy or circumvention of controls and fraud. Additionally, remote work arrangements and other operational changes instituted in response to the COVID-19 pandemic may impair our ability to maintain effective internal control over financial reporting.

If we are unable to maintain effective internal control over financial reporting, our ability to report financial information timely and accurately could be adversely affected. As a result, we could lose investor confidence and become subject to litigation or investigations, which could adversely affect our business, operations, financial condition and our stock price.

Litigation and the outcomes of such litigation could negatively impact our future financial condition and results of operations.

In the ordinary course of our business, we are, from time to time, subject to various litigation and legal proceedings, including matters involving wage and hour associate class actions, stockholder and consumer class actions, tax audits and unclaimed property audits by states. The outcome of litigation and other legal proceedings and the magnitude of potential losses therefrom, particularly class action lawsuits and regulatory actions, is difficult to assess or quantify.

Certain of these legal proceedings, if decided adversely to us or settled by us, may require changes to our business operations that negatively impact our operating results or involve significant liability awards that impact our financial condition. The cost to defend litigation may be significant. As a result, legal proceedings may adversely affect our business, financial condition, results of operations or liquidity.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

On May 26, 2021, we received a request from the Staff of the SEC for the voluntary production of documents and information concerning an SEC investigation into the trading activity in our securities and the securities of other companies. The SEC has since called for additional documents, as a follow up to the initial request. We are in the process of producing the documents and have been and intend to continue cooperating fully with the SEC Staff regarding this matter. This inquiry is not expected to adversely impact us.

ITEM 6. EXHIBITS

it Number	Description	Previously Filed as an Exhibit to and Incorporated by Reference From	Date Filed
*	er Agreement, dated June 9, 2021, between GameStop Corp. and Matthew Furlong.	Current Report on Form 8-K	June 9, 2021
*	er Agreement, dated June 9, 2021, between GameStop Corp. and Mike Recupero.	Current Report on Form 8-K	June 9, 2021
	tification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.	
	tification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.	
	tification of Chief Executive Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.	
	tification of Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.	
	RL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document.	Submitted electronically herewith.	
	CH XBRL Taxonomy Extension Schema	Submitted electronically herewith.	
	AL XBRL Taxonomy Extension Calculation Linkbase	Submitted electronically herewith.	
	EF XBRL Taxonomy Extension Definition Linkbase	Submitted electronically herewith.	
	AB XBRL Taxonomy Extension Label Linkbase	Submitted electronically herewith.	
	ver Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).	Submitted electronically herewith.	

*This exhibit is a management or compensatory contract.

SIGNATURES

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

GAMESTOP CORP.

By: /s/ Michael Recupero
Name: Michael Recupero
Title: Chief Financial Officer

Date: September 8, 2021

Exhibit 31.1

**CERTIFICATION PURSUANT TO
17 CFR 240.13a-14(a)/15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Matthew Furlong, certify that:

1 I have reviewed this report on Form 10-Q of GameStop Corp.;

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4 The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5 The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

By: /s/ MATTHEW FURLONG
Matthew Furlong
Chief Executive Officer
GameStop Corp.

Date: September 8, 2021

Exhibit 31.2

CERTIFICATION PURSUANT TO
17 CFR 240.13a-14(a) /15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael Recupero, certify that:

1 I have reviewed this report on Form 10-Q of GameStop Corp.;

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4 The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5 The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ MICHAEL RECUPERO
Name: Michael Recupero
Title: Chief Financial Officer
GameStop Corp.

Date: September 8, 2021

Exhibit 32.1

**CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934
AND 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of GameStop Corp. (the “Company”) on Form 10-Q for the period ended July 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Matthew Furlong, Chief Executive Officer of the Company, certify, to the best of my knowledge, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MATTHEW FURLONG
Matthew Furlong
Chief Executive Officer
GameStop Corp.

September 8, 2021

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934
AND 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of GameStop Corp. (the “Company”) on Form 10-Q for the period ended July 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael Recupero, Chief Financial Officer of the Company, certify, to the best of my knowledge, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MICHAEL RECUPERO
Name: Michael Recupero
Title: Chief Financial Officer
GameStop Corp.

September 8, 2021

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.