



# GME and its effects on the Market.

Sukhbir Singh, Ryan Edwards, Benjamin  
Geloff, Jie Merrick and Tiehoua Marcel Tano



# GameStop

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- We picked GME simply because we came to a conclusion that out of the meme stocks such as AMC, NOK and BB that GME had the most increase, information and data to work with.
  - Gamestop is a fortune 500 company and is headquartered in Grapevine, Texas.
  - Gamestop has 5,000 stores across 10 different countries.



# GameStop's History

- Gamestop started in 1984 and was described as “Babbage's, a small educational software retailer”.
- Then in 1999 it was sold to Barnes & Noble and then later merged with Funco, Inc.
- In 2000, Funco, Inc had legally changed its companies name to Gamestop and started to revolutionize the gaming industry.
- Then in 2002 GameStop completed the ‘GME’ IPO on the New York Stock Exchange which allowed individuals to purchase and sell shares of Gamestop and first started around \$6.5 dollars a share.

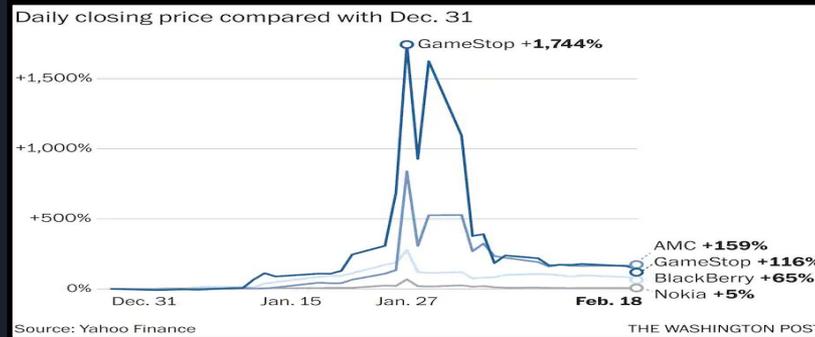


# GameStop's History (Con't)

- Then in 2005 Gamestop had acquired Electronics Boutique Games (EB Games), this was so that Gamestop could expand its footprint overseas and try to build an international gaming retailer.
- 2010 Gamestop had introduced a PowerUp Rewards customer loyalty program.
- Also, in 2010 *Game Informer* magazine introduced a digital edition of the magazine.
- However, since 2013 forwards to the present of 2021, GameStop has had slower growth and a steady decline and this is mainly due to GameStop not being able to innovate and keep up with market trends and failing to adapt which caused many people to doubt and short gamestop.

# What is short squeeze?

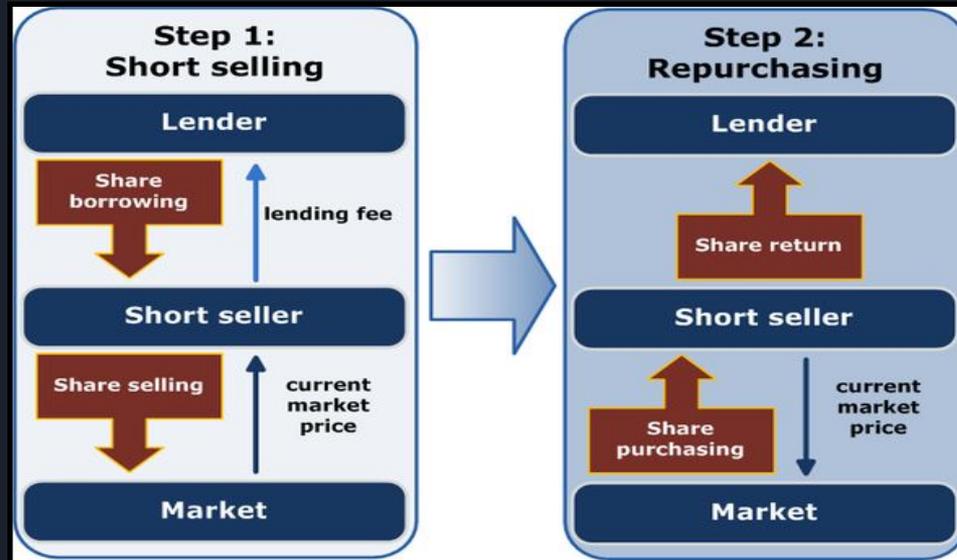
- Sudden excess in demand for a stock and shortage of supply due to an unexpected rise in the stock price forcing short sellers to close their positions.



- Causes
  - More short selling due to a declining trend in a stock price
  - Some unexpected good news about the stock

# What is short squeeze?

- Short selling





# What is short squeeze?

- Different steps to a short squeeze
  - Decline in a stock price
  - Short-selling
  - Sudden change in price trend (going upward instead of downward)
  - Short sellers covering their positions
- Anticipate a short squeeze
  - Short interests: percentage of shares held by short sellers
  - Days to cover
  - Short Interest ratio =  $SI / ADTV$

SI; Short Interest

ADTV = Average Daily TRading Volume

# Why short GameStop?

- GameStop has been declining in sales for years even before the pandemic.



- The company was a brick and mortar store that was failing to change with the times.
- The pandemic impacted GameStop in a very negative way.
- As the company continued to decrease it grabbed the attention of hedge funds.



## Why Short GameStop (Continued)

- GameStop's stock price was declining.
- Hedge funds wanted to borrow large amounts of stock to short it.
- Once there was a high demand and little supply they sell and cover their positions.



# Why Short GameStop (Continued)

- Once Ryan Cohen, former owner of a massively successful online company, came into play things changed.
- Cohen began making changes, hedge funds got scared and tried to squeeze GME more.
- The online forum r/wallstreetbets began fighting against the squeeze by buying and holding as much of the stock as possible.
- This puts hedge funds in a dangerous position, b/c if they cannot short GME they will lose millions of dollars.



# Social Media's Influence on GME

- Multiple Reddit forums sparked the flame of GME. Wall Street Bets was the most well known Reddit forum to bring attention to GME.
- Many other forms of social media also gave way to the skyrocketing of GME. To name a few: Instagram, Twitter, Tik Tok.
- Elon Musk was one of the main influencers of Twitter, with a follower count near 50 million, who encouraged the GME stock's rapid incline.

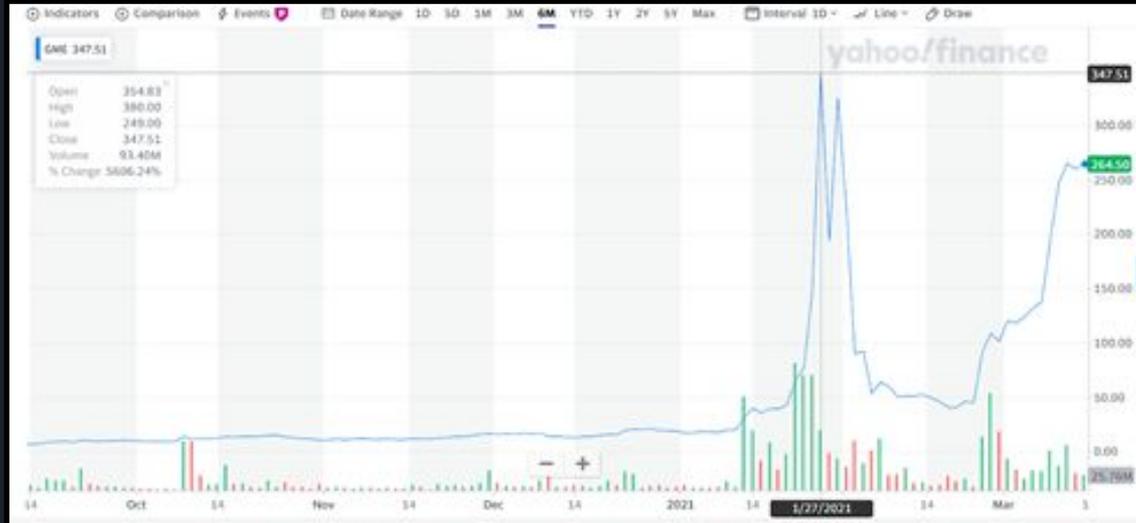


# Lack of Financial Regulation

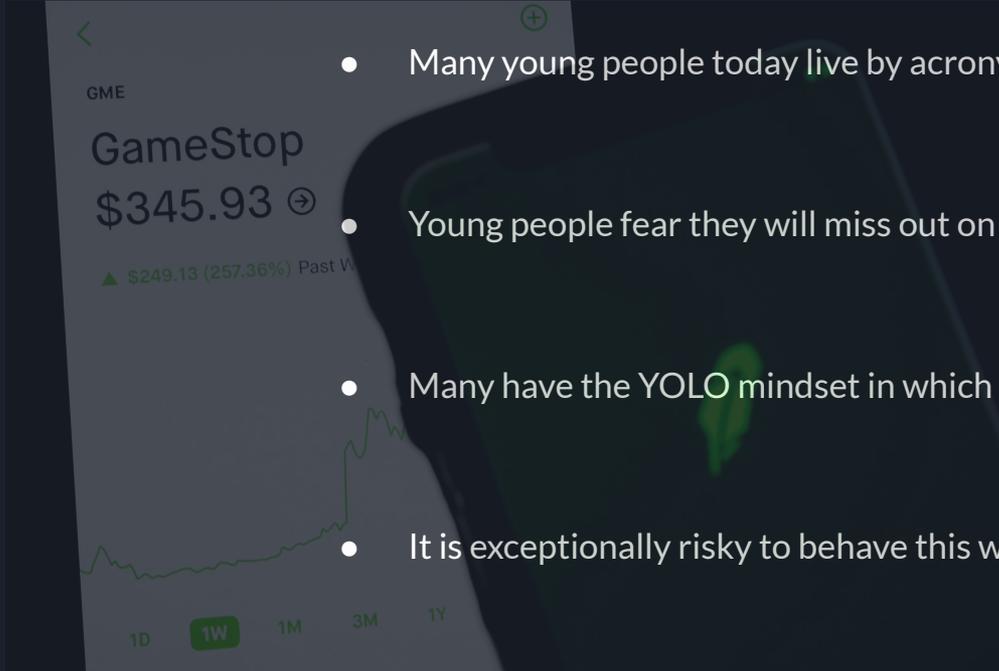
- There is a lack of financial regulation against stock interest rates rising over 100%
- It has been suggested that a new agency comes in to enforce stricter market regulation to ensure that the market is open and financially safe.
- There are no laws that prohibit the continuous short selling of shares which caused the GME fiasco to occur.

# Risks of Trading Meme Stock

- Highly volatile
- Extremely unpredictable
- Stock price increase does not always translate with real life success



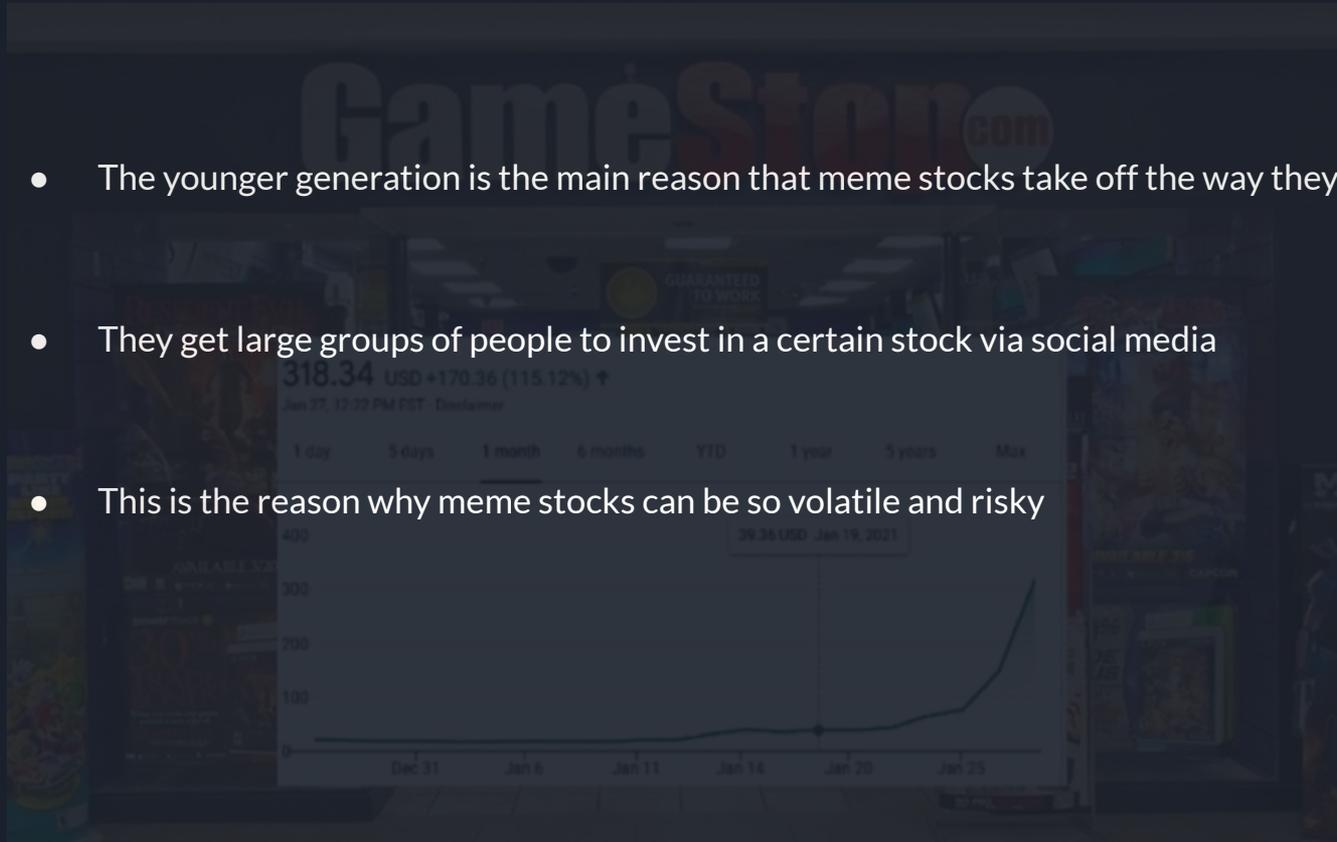
# Younger Generation Trading Behavior



- Many young people today live by acronyms known as FOMO and YOLO
- Young people fear they will miss out on trading certain stocks
- Many have the YOLO mindset in which they are willing to take extra risks
- It is exceptionally risky to behave this way when dealing with meme stock such as GME

# Younger Generation Effects on Meme Stock

- The younger generation is the main reason that meme stocks take off the way they do
- They get large groups of people to invest in a certain stock via social media
- This is the reason why meme stocks can be so volatile and risky





# Fundamental Analysis

- Fundamental analysis is a method of measuring an investment's value by researching related economic and financial factors. Fundamental analysis can show that anything can affect an investment's value, from macroeconomic factors such as the state of the economy, industry conditions, microeconomic factors like the company's management.
- The goal of fundamental analysis is to arrive at a number that an investor can compare with the current price of an investment in order to see whether the investment is undervalued or overvalued.



## FUNDAMENTAL ANALYSIS

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TRADING FUEL

# GameStops Fundamental Analysis - Balance Sheet

- Since 2017 GME's balance sheet has progressively become worse and worse.
- Overall GME has decreased in: cash, current assets, total assets, land, buildings and more.
  - Cash since 2017 has decreased by 27.63% with it being at 618.
  - Current assets since 2017 has decreased by 48.61% with it being at 1,551.
  - Total assets since 2017 has decreased by 49.35% with it being at 2,473.
  - Land since 2017 has decreased by 75% with it being at 5.
  - Buildings since 2017 has decreases by 23.77% with it being at 497.



# GameStop's Fundamental Analysis - Income Statement

- Since 2017, GME's income statement has progressively become worse and worse.
- Overall GME has decreased in: Revenue, Gross Income, Pretax income, Net Income and more.
  - Since 2017 Revenue has decreased by 40.45% with it being at 5,090.
  - Gross income since 2017 has decreased by 46.68% with it being at 1,260.
  - Pretax income since 2017 has decreased by 170.31% with it being a negative 270.
  - Net Income since 2017 has decreased by 714.28% with it being a negative 215.
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# Is Fundamental Analysis dead or useless?

- As one can tell, GameStop has been on the decline since 2017 from the fundamental analysis proving that GameStops current stock price does not accurately represent the financial strength of the company.
- Overall, we believe that Fundamental Analysis is not dead because it proves if a current stock, position or investment is healthy and stable.
- However, Fundamental analysis for the younger generation may be dead and useless simply because of the younger generations attitude towards investments such as YOLO and FOMO.
- These attitudes and lack of fundamental analysis combined lead to increases in risk and losses when it pertains to investing.