GameStop Corp.
Form 10-K
April 02, 2014
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended February 1, 2014
OR

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

For the transition period from to
Commission File No. 1-32637

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

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

Registrant's telephone number, including area code:
(817) 424-2000
Securities registered pursuant to Section 12(b) of the Act:

(Title of Class)	(Name of Exchange on Which Registered)
Class A Common Stock, $.001 par value per share	New York Stock Exchange
Rights to Purchase Series A Junior Participating Preferred Stock, $.001 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No þ

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 þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes þ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this

Form 10-K. ¨

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

Large Accelerated Filer þ	Accelerated Filer ¨	Non-accelerated Filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant was approximately $5,769,000,000, based upon the closing market price of $50.39 per share of Class A Common Stock on the New York Stock Exchange as of August 3, 2013. (For purposes of this calculation all of the registrant's directors and officers are deemed affiliates of the registrant.)

Number of shares of $.001 par value Class A Common Stock outstanding as of March 20, 2014: 115,305,927

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement of the registrant to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, for the 2014 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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PART I

Item 1. Business

General

GameStop Corp. (together with its predecessor companies, "GameStop," "we," "us," "our," or the "Company") is a global, multichannel video game, consumer electronics and wireless services retailer. As the world's largest multichannel video game retailer, we sell new and pre-owned video game hardware, physical and digital video game software, video game accessories, as well as new and pre-owned mobile and consumer electronics products and other merchandise. As of February 1, 2014, GameStop's retail network and family of brands include 6,675 company-operated stores in the United States, Australia, Canada and Europe, primarily under the names GameStop$_{TM}$ ("GameStop"), EB Games$_{TM}$ ("EB Games"), and Micromania. We also operate electronic commerce Web sites under the names www.gamestop.com, www.ebgames.com.au, www.ebgames.co.nz, www.gamestop.ca, www.gamestop.it, www.gamestop.es, www.gamestop.ie, www.gamestop.de, www.gamestop.co.uk and www.micromania.fr. The network also includes: www.kongregate.com$_{TM,}$ a leading browser-based game site; Game Informer$_{TM}$ ("Game Informer") magazine, the world's leading physical and digital video game publication; a digital personal computer ("PC") distribution platform available at www.gamestop.com/pcgames; iOS and Android mobile applications; and an online consumer electronics marketplace available at www.buymytronics.com$_{TM}$. We also operate Simply Mac©, a U.S. based, certified Apple© ("Apple") products reseller; Spring Mobile®, an authorized AT&T® ("AT&T") reseller operating AT&T branded wireless retail stores in the United States; and pre-paid wireless stores under the name Aio Wireless$_{TM}$ ("Aio Wireless," an AT&T brand) as part of our expanding relationship with AT&T.

We are a Delaware corporation which, through a predecessor, began operations in November 1996. Our corporate office and one of our distribution facilities are housed in a 519,000 square foot facility in Grapevine, Texas.

Recent Developments

Strategic Activities

Following on the success of extending our buy-sell-trade model into our mobile business, we are seeking other opportunities to extend our core competencies to other products and retail categories in order to continue to grow our company. Doing so will allow us to help mitigate the cyclical nature of the video game console cycle. Aligned with this strategy we have executed the following initiatives in the 52 weeks ended February 1, 2014 ("fiscal 2013").

Acquisition of Simply Mac. In October 2012, we acquired a minority equity ownership interest in Simply Mac, Inc. ("Simply Mac"), which operated Apple specialty retail stores in Utah and Wyoming. The investment was structured with an option whereby we could acquire the remaining ownership interest in Simply Mac's equity for a pre-negotiated price at a future point in time. Pursuant to this arrangement, in November 2013, we acquired the remaining 50.1% interest in Simply Mac for a total purchase price of $9.5 million.

Acquisition of Spring Mobile. In November 2013, we purchased Spring Communications, Inc. ("Spring Mobile"), a wireless retailer, for a purchase price of $62.6 million and the assumption of $34.5 million in term loans and a line of credit, of which $31.9 million was repaid shortly after the acquisition date.

Opening of Aio Wireless stores. In the fourth quarter of fiscal 2013, we began to open and operate pre-paid wireless stores under the name Aio Wireless.

As a result of the Spring Mobile and Simply Mac acquisitions and the opening of our new Aio Wireless stores, we have added a new reportable segment, Technology Brands, during the fourth quarter of fiscal 2013.

Decision to abandon investment in Spawn Labs. Spawn Labs, Inc. ("Spawn Labs") is a streaming technology company with a patented technology to provide a unique game streaming and virtualization experience. Our decision to abandon this investment is a result of a lack of consumer demand for video game streaming services. As a result of this decision, we recorded an impairment charge of $19.7 million during the fourth quarter of fiscal 2013, of which $10.2 million was related goodwill and is recorded in the goodwill impairments line in our consolidated statements of operations and $9.5 million was related to certain technology assets and other intangible assets and is reflected in the asset impairments and restructuring charges line item in our consolidated statements of operations.

Return of Capital Strategies

In an effort to continue our commitment to drive long-term shareholder value we have accomplished the following initiatives in fiscal 2013 and so far in the 52 weeks ending January 31, 2015 (“fiscal 2014”).

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Increase of cash dividend. In fiscal 2013 we paid dividends of $1.10 per share of Class A Common Stock, totaling approximately $131 million for the year. On March 4, 2014, our Board of Directors authorized an increase in our annual cash dividend from $1.10 to $1.32 per share of Class A Common Stock, which represents an increase of 20%. Additionally, on March 4, 2014, we declared our first quarterly dividend of fiscal 2014 of $0.33 per share of Class A Common Stock, payable on March 25, 2014 to stockholders of record on March 17, 2014.

Share repurchase activity. In fiscal 2013, we repurchased 6.3 million shares of our Class A Common Stock at an average price per share of $41.12 for a total of $258.3 million. On November 19, 2013, our Board of Directors authorized us to use up to $500 million to repurchase shares of our Class A Common Stock, replacing the $209.9 million remaining under our previous authorization. Between February 2, 2014 and March 20, 2014, we repurchased an additional 0.6 million shares of our Class A Common Stock for an average price per share of $37.17.

Our Reportable Segments

As of February 1, 2014, we operate our business in four Video Game Brands segments: United States, Canada, Australia and Europe; and a Technology Brands segment. The Video Game Brands segments include 6,457 stores, 4,249 of which are included in the United States segment. There are 335, 418, and 1,455 stores in the Canadian, Australian and European segments, respectively. Each of the Video Game Brands segments consists primarily of retail operations, with all stores engaged in the sale of new and pre-owned video game systems, software and accessories, which we refer to as video game products. Our Video Game Brands stores sell various types of digital products, including downloadable content, network points cards, prepaid digital, online timecards and digitally downloadable software. They also carry mobile and consumer electronics products, which consist primarily of pre-owned mobile devices, tablets and related accessories. Our buy-sell-trade program creates a unique value proposition to our customers by providing our customers with an opportunity to trade in their pre-owned video game and consumer electronics products for store credits and apply those credits towards other merchandise, which in turn, increases sales. The products in our Video Games Brands segments are substantially the same regardless of geographic location, with the primary differences in merchandise carried being the timing of release of new products in the various geographies, language translations and the timing of roll-outs of newly developed technology enabling the sale of new digital products. Stores in all Video Games Brands segments are similar in size at an average of approximately 1,400 square feet.

Results for the Video Games Brands United States segment include retail operations in the 50 states, the District of Columbia, Guam and Puerto Rico; the electronic commerce Web site www.gamestop.com; Game Informer magazine; www.kongregate.com, a digital PC game distribution platform available at www.gamestop.com/pcgames; and an online consumer electronics marketplace available at www.buymytronics.com. Segment results for Canada include retail and e-commerce operations in stores throughout 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 11 European countries.

Our Technology Brands segment includes all of our Simply Mac, Spring Mobile and Aio Wireless stores. Simply Mac operates 23 stores primarily in the western half of the United States, which sell Apple products, including desktop computers, laptops, tablets and smart phones and related accessories and other consumer electronics products. As an authorized Apple reseller, Simply Mac also offers certified training, warranty and repair services to its customers. Spring Mobile sells post-paid AT&T services and wireless products through its 164 AT&T branded stores, as well as related accessories and other consumer electronics products. Aio Wireless is a new AT&T brand offering pre-paid wireless services, devices and related accessories. We have opened 31 Aio Wireless stores in recent months in a few key markets throughout the United States. AT&T recently acquired Leap Wireless, the operator of Cricket® (“Cricket”) branded pre-paid wireless stores. We expect that our Aio stores will be re-branded under the Cricket name in the coming months.

Additional information, including financial information, regarding our reportable segments can be found in “Part II - Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Annual Report on Form 10-K (the "Form 10-K") and in Note 17 to our consolidated financial statements.

Disclosure Regarding Forward-looking Statements

This Form 10-K and other oral and written statements made by us to the public contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The forward-looking statements involve a number of risks and uncertainties. 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. These factors include, but are not limited to:

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- the introduction of next-generation consoles and other product releases which impact sales of new products and old products, the current or future features of such consoles, manufacturer-imposed or regulatory restrictions, changes or conditions that may adversely affect our pre-owned business;
- our ability to respond quickly to technological changes and evolving consumer preferences;
- our reliance on a limited number of suppliers and vendors for timely delivery of sufficient quantities of their products;
- our dependence on the production of new, innovative and popular product releases and enhanced video game platforms and accessories by developers and manufacturers;
- general economic conditions in the U.S. and internationally, specifically Europe, which impact consumer confidence and consumer spending;
- seasonality of sales;
- the proliferation of alternate sources of distribution of video game hardware, software and content, including through digital downloads;
- the growth of alternate means to play video games, including mobile, social networking sites and browser gaming;
- the intense competition in the video game industry;
- our ability to open and operate new stores and to efficiently close underperforming stores;
- our ability to attract and retain qualified personnel;
- the failure to achieve the anticipated benefits from new ventures and transactions and our ability to effectively integrate and operate acquired companies, including digital gaming, technology-based, mobile, wireless or consumer electronics companies that are outside of our historical operating expertise;
- the impact and costs of litigation and regulatory compliance;
- the amounts, timing and prices of any share repurchases made by us under our share repurchase programs;
- the risks involved with our international operations, including depressed local economic conditions, political risks, currency exchange risks, tax rates and regulatory risks;
- the efficiency of our management information systems and back-office functions;
- data breaches involving customers or employee data and failure of our cyber security infrastructure which could expose us to litigation;
- restrictions under our credit agreement which may impose operating and financial restrictions on us; and
- other factors described in this Form 10-K, including those set forth under the caption “Item 1A. Risk Factors.”

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, expressions. These statements are only predictions 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.

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. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this Form 10-K. In light of these risks and uncertainties, the forward-looking events and circumstances contained in this Form 10-K may not occur, causing actual results to differ materially from those anticipated or implied by our forward-looking statements.

Video Game Industry Background

Based upon estimates compiled by various market research firms, management estimates that the combined market for new physical video game products and PC entertainment software was approximately $22.4 billion in 2013 in the parts of the world in which we operate. According to NPD Group, Inc., a market research firm (the “NPD Group”), the electronic game industry was an approximately $13 billion market in the United States in 2013, consisting of new physical video game products, excluding sales of pre-owned video game products. In addition, content in digital format (full game and add-on content downloads, subscriptions, mobile games and social network games) was approximately $7.2 billion.

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International Development Group ("IDG"), a market research firm, estimates that retail sales of video game hardware and software and PC entertainment software totaled approximately $10.6 billion in Europe in 2013. For 2013, the NPD Group reported that video game retail sales were approximately $1.0 billion in Canada and $1.0 billion in the Australian market.

New Video Game Products. Video game products appeal to a wide array of consumers, from avid gamers spending many hours per week playing console gaming systems to casual game players enjoying social and mobile games on smart phones, tablets and other devices. The average game player is 30 years old, 68% are age 18 or older and 45% of gamers are female. We expect the following trends in sales of video game products:

- Video Game Hardware. Gaming consoles are typically launched in cycles as technological developments provide significant improvements in graphics, audio quality, gameplay, internet connectivity, social features and other entertainment capabilities beyond video gaming. The most recent cycle of consoles (referred to as "next generation") includes the Sony PlayStation 4 and Microsoft Xbox One, which both launched in most of the countries in which we operate in November 2013, and the Nintendo Wii U, which launched in November 2012. Early demand for the PlayStation 4 and Xbox One has been strong as sales exceeded our expectations since introduction.

The previous generation of consoles was launched in 2005 (the Microsoft Xbox 360) and 2006 (the Sony PlayStation 3 and the Nintendo Wii). Sony and Microsoft continue to manufacture the PlayStation 3 and the Xbox 360, respectively, while Nintendo has stopped manufacturing the Wii. The demand for the previous generation hardware has been in decline since 2011 and we expect that demand will continue to decline as consumers move to the next generation consoles.

In addition, portable handheld video game devices have evolved to the Nintendo 3DS and 2DS, which were introduced in 2011 and 2013, respectively, and the Sony PlayStation Vita, which was introduced in February 2012. The market for handheld devices has declined in recent years as the proliferation of smart-phones, tablets and other mobile devices offer video game players alternative ways to play games.

- Video Game Software. Sales of video game software generally increase as gaming platforms mature and gain wider acceptance. Sales of video game software are dependent upon manufacturers and third-party publishers developing and releasing game titles for existing game platforms. In recent years the number of new games introduced each year has generally declined and as a result, the market for video game sales has also declined. With the introduction of the next generation consoles, we expect the number of new games introduced to increase and we expect demand for software for those devices to be strong and demand for software for the previous generation of consoles to continue to decline.

- Video Game Accessories. Sales of video game hardware also drive sales of video game accessories for use with the hardware and software. The most common video game accessories are controllers and gaming headsets. We expect demand for video game accessories for use on the next generation of consoles to increase as the installed base of these consoles increases. We expect the demand for accessories for use with the previous generation of consoles to decline as the sales of those consoles decline.

Pre-owned and Value Video Game Products. The installed base of video game hardware platforms continues to increase each year and continues to fuel the market for pre-owned video game hardware and software. Based on reports published by the NPD Group, we believe that, as of December 2013, the installed base of next generation and the most recent previous generation video game hardware systems in the United States, based on original sales, totaled over 200 million units of handheld and console video game systems and grew by 16 million units in 2013. According to IDG, the installed base of active hardware systems of the same generations as of December 2013 in Europe was approximately 158 million units and grew by 12 million units in 2013. Hardware manufacturers and third-party software publishers have produced a wide variety of software titles for each of these hardware platforms. Based on internal estimates, we believe that the installed base of video game software units in the United States currently exceeds 2.45 billion units. As the substantial installed base of video game hardware and software continues to expand, there is ongoing demand for pre-owned video game products. There is also demand for value-priced video game products, which can often be obtained as publishers or other retailers seek to reduce excess or slow-moving inventory. As we look to grow our market share and overall position in the video game industry, we have begun to expand our pre-owned category to include value video game products that typically include non-new release software purchased at closeout or from liquidation firms and on occasion includes reprints of old titles from publishers to supplement our inventory. Such products are expected to have the net effect of increasing our overall pre-owned and value video game product sales at a slightly reduced margin rate with the goal of increasing overall gross margin dollars and operating profit.

Digital Gaming. The digital game market consists of both immersive and casual games delivered over the internet to consoles, computers, tablets, smart phones and other devices. The recent generations of video game consoles contain the technology to digitally download video game software content and a growing market has developed for the sale of digitally downloadable add-on content for physical games, which the electronic game industry calls "DLC" and, more recently, full game downloads. The next generation consoles increase the availability and ease of downloading game content and we expect the demand for downloadable video games to continue to grow as the installed base of the next generation of consoles grows.

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Casual Games. The casual game market consists primarily of digital games and has grown rapidly over the last few years. Casual games are generally defined as simple, easy-to-use, free or very low-priced games played through the internet in Web browsers, on dedicated gaming Web sites, and increasingly, on mobile phones or other mobile devices. Casual games cost less to develop and distribute than a traditional console video game and are often supported by in-game advertising or user-purchased premium content.

Mobile and Consumer Electronics Industry Backgrounds

Mobile and Consumer Electronics. The mobile and consumer electronics market, as we refer to it, consists primarily of wireless services, new and pre-owned mobile devices, such as smart phones and tablets, consumer electronics such as Apple products and services, non-gaming headsets and related accessories.

- Wireless Services and Products. Our Aio Wireless and Spring Mobile businesses are exclusive resellers of AT&T and sell AT&T’s pre-paid and post-paid services, respectively, and a variety of wireless handsets manufactured for use on AT&T’s network. The market for wireless devices and services is estimated by CTIA- the Wireless Association to be approximately $184 billion with growth projected over the next five years between 3-5% annually. We expect that the market for AT&T services and products and the wireless market in general will continue to grow as more and more wireless devices get connected to the internet through wireless networks.
- Mobile Devices. We define mobile devices as smartphones, tablets and related accessories. We sell new mobile devices in our Technology Brands stores. We buy, sell and trade pre-owned mobile devices and tablets in our Video Game Brands and Technology Brands stores. We take trades of other select pre-owned electronics and smartphones in our Video Game Brands stores and in our Technology Brands stores. The market for pre-owned mobile devices and other electronics is referred to as the recommerce industry, which has been growing in recent years as companies like NextWorth and Gazelle advertise that consumers can trade in their pre-owned electronic devices. We estimate that the size of the recommerce market is $2.3 billion in the United States and will grow at an annual rate of 20-25% over the next five years.
- Consumer Electronics. Our Simply Mac stores are authorized Apple resellers and also offer certified training, warranty and repair services to customers. Based on Apple public statements and filings, we estimate the market for Apple products sold at retail in the U.S. to be approximately $69 billion and is expected to grow 5-10% annually in the next five years.

Business and Growth Strategy

Our goal is to continue to be the world’s largest multichannel retailer of new and pre-owned and value video game products and to strategically expand our Simply Mac, Spring Mobile and Aio Wireless businesses. We plan to strengthen our position as the retail market leader in the video games industry by executing the following strategies:

- Increase Market Share and Expand our Market Leadership Position. We plan to increase market share and awareness of the GameStop brand and drive membership in our loyalty program, expand our sales of new and pre-owned mobile products and expand our market leadership position by focusing on the launch of new hardware platforms as well as physical and digital software titles.
- Increase GameStop Brand Awareness and Loyalty Membership. Substantially all of GameStop’s U.S. and European stores are operated under the GameStop name, with the exception of the Micromania stores in France. We operate loyalty programs in each of the countries in which we operate our Video Game Brands stores. The Micromania stores introduced a loyalty program in the 1990s. Using this program as a model, we introduced our U.S. loyalty program called PowerUp Rewards$_{TM}$ ("PowerUp Rewards") in 2010. We introduced other loyalty programs in our video game stores in remaining countries between 2011 and 2013. Building our brands has enabled us to leverage the increased awareness to capture advertising and marketing efficiencies. Our loyalty programs generally offer our customers the ability to sign up for a free or paid membership which gives our customers access to exclusive video game related rewards. The programs' paid memberships may also include a subscription to Game Informer magazine, additional discounts on pre-owned merchandise in our stores and additional credit on trade-ins of pre-owned products. As of February 1, 2014, we had 27 million members in the PowerUp Rewards program, approximately 7 million of which were paid members. In total, our loyalty programs around the world had approximately 34 million members. Our

branding strategy is further supported by our Web sites which allow our customers to buy games online, reserve or pick up merchandise in our stores, order in-store for home delivery and to learn about the latest video game products and their availability in our stores. Together, our loyalty programs, Web sites, mobile applications, magazine and other properties are a part of our multi-channel retail strategy designed to enhance our relationships with our customers, make it easier for our customers to transact with us and increase brand loyalty. In fiscal 2014, we plan to continue to aggressively promote our loyalty programs and increase brand awareness over a broader demographic area in order to promote our unique buying experience in-store for new and pre-owned hardware and software, trade-ins of pre-owned video game and mobile consumer electronics products and to leverage our Web sites

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at www.gamestop.com, www.ebgames.com.au, www.ebgames.co.nz, www.gamestop.ca, www.gamestop.it, www.gamestop.es, www.gamestop.ie, www.gamestop.de, www.gamestop.co.uk, www.micromania.fr and www.gameinformer.com, the online video gaming Web site www.kongregate.com, our digital PC distribution platform available at www.gamestop.com/pcgames, and our online consumer electronics marketplace available at www.buymytronics.com.

- Increase Sales of Pre-Owned and Value Video Game Products. We believe we are the largest retailer of pre-owned video game products in the world and carry the broadest selection of pre-owned and value video game products for both next and previous generation platforms, giving us a unique advantage in the video game retail industry. The opportunity to trade-in and purchase pre-owned and value video game products offers our customers a unique value proposition generally unavailable at most mass merchants, toy stores and consumer electronics retailers. We obtain most of our pre-owned video game products from trade-ins made in our stores by our customers. We also obtain value-priced, or close-out, video game products at favorable prices from publishers, other retailers or distributors and can sell those products to value-conscious consumers in our stores. Pre-owned and value video game products generate significantly higher gross margins than new video game products. Our strategy consists of increasing consumer awareness of the benefits of trading in and buying pre-owned video game products and value-priced video game products at our stores through increased marketing activities and the use of both broad and targeted marketing to our loyalty program members. The supply of value-priced video game products and trade-ins of video game products, and the demand for resale of these products, is affected by overall demand for video game products and the introduction of new software and hardware by our suppliers. We expect the recent launch of next-generation consoles and software to drive close-out availability and trade-ins of older video game products, thereby expanding our supply of pre-owned and value video game products.
- Expand our Digital Growth Strategy to Protect and Expand our Market Leadership Position. We expect that future growth in the electronic game industry will be driven by the sale of video games delivered in digital form and the expansion of other forms of gaming. We currently sell various types of products that relate to the digital category, including Xbox Live, PlayStation Plus and Nintendo network points cards, as well as prepaid digital and online timecards and DLC. We believe we are the only significant brick-and-mortar retail seller of DLC. We believe that we are frequently the leading seller of DLC for certain game titles by out-selling online networks. We operate an online video game platform called Kongregate.com and we acquired a digital PC distribution platform, Impulse, during the 52 weeks ended January 28, 2012 (“fiscal 2011”). We will continue to make investments in e-commerce, digital delivery systems, mobile applications and in-store and Web site functionality to enable our customers to access digital content and eliminate friction in the digital sales and delivery process. We plan to continue to grow our digital sales base.
- Store Opening/Closing Strategy. We have an analysis-driven approach to store opening and closing decisions. We intend to continue to open a limited number of new Video Game Brands stores in targeted markets where we can take market share from uncontested competitors, as well as in markets in which we already operate where we have realized returns on invested capital that have exceeded our internal targets. We analyze each market relative to target population and other demographic indices, real estate availability, competitive factors and past operating history, if available. On average, our new stores opened in the past three fiscal years have had a return of original investment of less than two years. We will be aggressive in the analysis of our existing store base to determine optimal levels of profitability and close stores where profitability goals are not being met or where we can attempt to transfer sales to other nearby existing stores and increase overall profits. We utilize our PowerUp Rewards loyalty program information to determine areas that are currently underserved and also utilize our database to ensure a high customer transfer rate from closing locations to existing locations. We opened 109 new Video Game Brands stores and closed 254 Video Game Brands stores in fiscal 2013, reducing our Video Game Brands store count by 2.2%, in line with stated targets. We opened 146 new stores and closed 227 stores in the 53 weeks ended February 2, 2013 (“fiscal 2012”), reducing our store count by 1.2%, in line with stated targets and decreasing the number of stores we opened compared to previous years. We opened 285 new stores and closed 272 stores in fiscal 2011, significantly increasing the number of stores we closed compared to previous years. We plan to open approximately 40-50 new Video Game Brands stores and close approximately 170-180 Video Game Brands stores worldwide in fiscal 2014.

Targeting a Broad Audience of Game Players. We have created store and online environments targeting a broad audience, including the video game enthusiast, the casual gamer and the seasonal gift giver. Our stores focus on the video game enthusiast who demands the latest merchandise featuring the “hottest” technology immediately on the day of release and the value-oriented customer who wants a wide selection of value-priced pre-owned video game products. Our buy-sell-trade program offers consumers the opportunity to trade-in pre-owned video game products in exchange for store credits applicable to future purchases, which, in turn, drives more sales. Our online properties, including e-commerce sites and Kongregate.com, continue to evolve to meet the needs of consumers looking to research or buy traditional boxed product video games, download the latest PC games or play browser and casual games on their PCs or mobile devices.

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Kongregate.com is a leading web and mobile gaming platform that attracts more than 18 million monthly unique visitors. Kongregate's mobile publishing division has several titles available in both the Apple and Google app stores. The majority of Kongregate's revenues come from in-game transactions utilizing a proprietary virtual currency called Kreds.

Enhancing our Image as a Destination Location. Our video game stores and e-commerce sites serve as destination locations for game players, mobile electronics consumers and gift givers due to our broad selection of products, compelling loyalty program offers, game-oriented environment, trade-in programs and unique pricing proposition. We offer all major video game platforms, provide a broad assortment of new and pre-owned video game products and popular mobile devices and offer a larger and more current selection of merchandise than other retailers. In our stores, we provide a high level of customer service by hiring game enthusiasts and providing them with ongoing sales training, as well as training in the latest technical and functional elements of our products and services, making them the most knowledgeable associates in the video game retail market. Our stores are equipped with several video game sampling areas, which provide our customers with the opportunity to play games before purchase, as well as equipment to play video game clips.

Consistently Achieving High New Release Market Share. We focus marketing efforts and store associates on driving the sale of new release video game products, both physical and digital. We employ a variety of rapid-response distribution methods in our efforts to be the first-to-market and consistently in-stock for new physical and digital video game products. This highly efficient distribution network is essential, as a significant portion of a new title's sales will be generated in the first few days and weeks following its release. As the world's largest retailer of video game products with a proven capability to distribute new releases to our customers quickly and capture market share immediately following new product launches, we believe we regularly receive larger allocations of popular new video game products. On a daily basis, we actively monitor sales trends, customer reservations and store manager feedback to ensure a high in-stock position for each store. To assist our customers in obtaining immediate access to new releases, we offer our customers the opportunity to pre-order products in our stores or through our Web sites prior to their release.

Investing in our Information Systems and Distribution Capabilities. We employ sophisticated and fully-integrated inventory management, store-level point-of-sale and financial systems and state-of-the-art distribution facilities. These systems enable us to maximize the efficiency of the flow of over 5,000 SKUs, improve store efficiency, optimize store in-stock positions and carry a broad selection of inventory. Our proprietary inventory management systems enable us to maximize sales of new release titles and avoid markdowns as titles mature and utilize electronic point-of-sale equipment that provides corporate and regional headquarters with daily information regarding store-level sales and available inventory levels to automatically generate replenishment shipments to each store at least twice a week. In addition, our highly-customized inventory management systems allow us to actively manage the pricing and product availability of our pre-owned video game products across our video game store base and to reallocate our inventory as necessary. Our systems enable each store to carry a merchandise assortment uniquely tailored to its own sales mix and customer needs. Our ability to react quickly to consumer purchasing trends has resulted in a target mix of inventory, reduced shipping and handling costs for overstocks and reduced our need to discount products.

Expanding our Mobile Business. In 2011, we began to buy, sell and trade pre-owned mobile devices, including gaming tablets, new tablets and related services and accessories for those devices, in our video game stores. We believe taking trades of these devices is a logical extension of our expertise in buying, selling and trading of pre-owned video game products. We use our centralized refurbishment centers in the U.S. and in certain international locations to refurbish these devices and then re-sell them in our stores. As of February 1, 2014, we were selling select pre-owned electronics in all of our U.S. stores and on our Web site at www.gamestop.com, and in a majority of stores in our international markets. We plan to continue to drive awareness of this business in our stores in fiscal 2014. As the proliferation of smartphones and tablets continues and those devices are increasingly used for playing digital games, the market for such devices and the marketing of related games provide us opportunities to grow our revenues and profits.

Expanding our Technology Brands businesses. Following on the success of extending our buy-sell-trade model into our mobile business, we are seeking other opportunities to extend our core competencies to other products and retail categories in order to continue to grow our company. We believe our core competencies include the following:

- Real estate knowledge, including extensive relationships with landlords, portfolio management, negotiating skills and risk mitigation;
- Experience in rapid growth retail environments with a history of opening 300-400 stores annually;
- Knowledge of buy-sell-trade programs, including pricing algorithms, inventory balancing, refurbishment capabilities and secondhand dealer laws;
- Human resource management practices, including hiring, training, systems and processes;
- Multi-unit management in small, specialty retail stores, with expert staff in assisted selling environments and limited staffing models;

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- Customer retention programs, including using our loyalty programs to drive consumer awareness of new retail concepts and promote new products; and
- The ability to deploy capital in ways that increase shareholder value, finding acquisitions that have high return on invested capital and will be accretive to operating earnings.

We have entered into a strategic partnership with AT&T and are selling AT&T products and services in our Spring Mobile and Aio Wireless stores and in some of our Simply Mac and U.S. GameStop stores. We acquired Spring Mobile in November 2013. Spring Mobile has grown from approximately 90 stores at the end of 2012 to over 160 stores today through a program with two primary focuses. The first of these is opening what we refer to as “whitespace” stores, or new stores in retail locations identified by either AT&T or Spring Mobile management and agreed to by both parties. AT&T supports the opening of new whitespace stores by its resellers in an effort to increase the size of its retail distribution channel. The second focus is on acquiring smaller AT&T resellers. Both of these represent opportunities for strong growth in the next two years for Spring Mobile.

AT&T introduced the Aio Wireless brand in 2013 to compete in the pre-paid wireless market. The pre-paid sector of the wireless market is experiencing higher growth than the traditional post-paid market. Pre-paid customers are generally interested in paying for wireless service on a month-to-month basis without a longer-term contract. We began opening Aio Wireless stores in a few markets in November 2013. We also expect to expand our prepaid stores with AT&T under the Cricket brand following AT&T's acquisition of Leap Wireless.

Simply Mac has grown from 8 stores in the fall of 2012, when we acquired 49.9% of the company to 23 stores as of the end of fiscal 2013. We completed the acquisition of Simply Mac in November 2013. Simply Mac’s primary focus for store expansions is in U.S. markets which generally do not have the size and demographics to make them attractive for an Apple owned store. Examples include Midland, Texas and Springfield, Missouri. We intend to continue to open new Simply Mac stores in fiscal 2014 and the coming years.

Merchandise

Substantially all of our revenues are derived from the sale of tangible products; however, we also sell downloadable software and subscription, time and points cards, which do not involve physical product. Our product offerings consist of new and pre-owned video game products, and related products, such as video game accessories, headsets and strategy guides, as well as new and pre-owned mobile devices such as tablets, phones and music players. Our in-store inventory generally consists of a constantly changing selection of over 5,000 SKUs. We have buying groups in each of our segments that negotiate terms, discounts and cooperative advertising allowances for the stores in their respective geographic areas. We use customer requests and feedback, pre-orders, industry magazines and product reviews to determine which new releases are expected to be hits. Pre-orders are tracked at individual stores to distribute titles and capture demand effectively. This merchandise management is essential because a significant portion of a game’s sales are usually generated in the first days and weeks following its release.

New Video Game Hardware. We offer the video game platforms of all major manufacturers, including the Sony PlayStation 4, PlayStation 3, PlayStation Vita, Microsoft Xbox One, Xbox 360 and Kinect and the Nintendo Wii U, Wii and DS line. We also offer extended service agreements on video game hardware and software. In support of our strategy to be the destination location for electronic game players, we aggressively promote the sale of video game platforms. Video game hardware sales are generally driven by the introduction of new platform technology and the reduction in price points as platforms mature. We are in a new console cycle beginning with the Nintendo Wii U launch in November 2012 and the launches of the PlayStation 4 and Xbox One in November 2013. We believe that selling video game hardware increases store traffic and promotes customer loyalty, leading to increased sales of video game software and accessories, which have higher gross margins than video game hardware.

New Video Game Software. We purchase new video game software from the leading manufacturers, including Sony, Nintendo and Microsoft, as well as all other major third-party game publishers, such as Electronic Arts and Activision. We are one of the largest customers of video game titles sold by these publishers. We generally carry over 700 SKUs of new video game software at any given time across a variety of genres, including Sports, Action, Strategy, Adventure/Role Playing and Simulation. In 2010, we began selling digitally downloadable add-on content developed by publishers for existing games.

Pre-owned and Value Video Game Products.   We believe we are the largest retailer of pre-owned video games in the world. We provide our customers with an opportunity to trade in their pre-owned video game products in our stores in exchange for store credits which can be applied towards the purchase of other products, primarily new merchandise. We have the largest selection (approximately 3,100 SKUs) of pre-owned and value video game titles which have an average price of $21 as compared to an average price of $44 for new video game titles and which generate significantly higher gross margins than new video game products. Our trade-in program provides our customers with a unique value proposition which is generally unavailable at mass merchants, toy stores and consumer electronics retailers. From time to time we have purchased value-priced, or closeout, video game products from publishers, distributors or other retailers and we can resell these products for gross margins that are more similar to pre-

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owned video game products than margins on new software. These programs provide us with an inventory of pre-owned and value video game products which we resell to our more value-oriented customers. In addition, our highly-customized inventory management system allows us to actively manage the pricing and product availability of our pre-owned and value video game products across our store base and to reallocate our inventory as necessary. Our trade-in program also allows us to be one of the only suppliers of previous generation platforms and related video games. We also operate refurbishment centers in the U.S., Canada, Australia and Europe, where defective video game products can be tested, repaired, relabeled, repackaged and redistributed back to our stores.

Video Game Accessories. Video game accessories consist primarily of controllers, gaming headsets, memory cards and other add-ons for use with video game hardware and software.

Digital. The proliferation of online game play through Microsoft Xbox Live, the PlayStation Network and PC gaming Web sites has led to consumer demand for subscription, time and points cards ("digital currency") as well as digitally downloadable content ("DLC"), for existing console video games. We sell a wide variety of digital currency and we have developed technology to sell DLC in our stores and on our U.S. Web site. We believe we are the worldwide leading retailer of digital currency sales and the sale of DLC for Xbox Live and the PlayStation Network. We believe that we are frequently the leading seller of DLC for most major game titles.

Mobile and Consumer Electronics. Our mobile and consumer electronics business consists of the sale of new smartphones, tablets, headphones and accessories and buying, selling and trading of select pre-owned smartphones, tablets and MP3 players in our U.S. stores and in a majority of stores in our international markets. Beginning in November 2013, this product category also includes the revenues generated in our Spring Mobile, Aio Wireless and Simply Mac stores from the sales of wireless products and services and Apple and other consumer electronics.

Other Products. We purchase PC entertainment software from over 20 publishers, including Electronic Arts, Microsoft and Activision. We offer PC entertainment software across a variety of genres, including Sports, Action, Strategy, Adventure/Role Playing and Simulation. We also carry strategy guides, magazines and gaming-related toys, such as Skylanders from Activision.

Store Operations

As of February 1, 2014, we operated 6,675 stores, primarily under the names GameStop, EB Games and Micromania. We design our stores to provide an electronic gaming atmosphere with an engaging and visually captivating layout. Our stores are typically equipped with several video game sampling areas, which provide our customers the opportunity to play games before purchase, as well as equipment to play video game clips. We use store configuration, in-store signage and product demonstrations to produce marketing opportunities both for our vendors and for us.

Our Video Game Brands stores average approximately 1,400 square feet and carry a balanced mix of new and pre-owned and value video game products and mobile products. Our Technology Brands stores range between 900 and 2,600 square feet and carry wireless products and accessories and, in Simply Mac stores, Apple and other consumer electronics. Our stores are generally located in high-traffic "power strip centers," local neighborhood strip centers, high-traffic shopping malls and pedestrian areas, primarily in major metropolitan areas. These locations provide easy access and high frequency of visits and, in the case of strip centers and high-traffic pedestrian stores, high visibility. We target strip centers that are conveniently located, have a mass merchant or supermarket anchor tenant and have a high volume of customers.

Site Selection and Locations

Site Selection. Site selections for new stores are made after an extensive review of demographic data, including data from our PowerUp Rewards loyalty program, and other information relating to market potential, competitor access and visibility, compatible nearby tenants, accessible parking, location visibility, lease terms and the location of our other stores. Spring Mobile and Aio Wireless stores are selected after approval from AT&T. Simply Mac stores are selected using input from Apple. Most of our stores are located in highly visible locations within malls and strip centers. In each of our geographic segments, we have a dedicated staff of real estate personnel experienced in selecting store locations.

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Locations. The table below sets forth the number and locations of our stores included in the Video Game Brands segments in the U.S., Canada, Europe and Australia and our Technology Brands segment as of February 1, 2014:

United States Video Game Brands	Number of Stores
Alabama	68
Alaska	7
Arizona	80
Arkansas	34
California	430
Colorado	65
Connecticut	53
Delaware	15
District of Columbia	3
Florida	269
Georgia	130
Guam	2
Hawaii	21
Idaho	16
Illinois	177
Indiana	90
Iowa	32
Kansas	35
Kentucky	74
Louisiana	71
Maine	11
Maryland	98
Massachusetts	90
Michigan	114
Minnesota	53
Mississippi	45
Missouri	75
Montana	10
Nebraska	20
Nevada	40
New Hampshire	26
New Jersey	140
New Mexico	26
New York	247
North Carolina	136
North Dakota	9
Ohio	179
Oklahoma	46
Oregon	37
Pennsylvania	217
Puerto Rico	46
Rhode Island	14
South Carolina	73
South Dakota	9
Tennessee	97

Texas	372

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United States Video Game Brands	Number of Stores
Utah	28
Vermont	5
Virginia	137
Washington	78
West Virginia	31
Wisconsin	60
Wyoming	8
Total Stores - United States Video Game Brands	4,249

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International	Number of Stores
Canada	335
Total Stores - Canada Video Game Brands	335
Australia	379
New Zealand	39
Total Stores - Australia Video Game Brands	418
Austria	27
Denmark	37
Finland	20
France	442
Germany	209
Ireland	51
Italy	431
Norway	47
Spain	108
Sweden	63
Switzerland	20
Total Stores - Europe Video Game Brands	1,455
Total International Stores	2,208
Technology Brands	
Arizona	21
California	49
Colorado	26
Georgia	8
Idaho	6
Illinois	9
Indiana	5
Iowa	4
Louisiana	1
Minnesota	3
Missouri	1
Montana	5
Nebraska	3
Nevada	5
New Mexico	2
New York	1
Ohio	6
Oregon	1
Texas	16
Utah	36
Washington	2
Wyoming	8
Total Stores - Technology Brands	218
Total Stores	6,675

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Game Informer

We publish Game Informer, the world's largest physical and digital video game publication and Web site featuring reviews of new title releases, game tips and news regarding current developments in the electronic game industry. Print and digital versions of the monthly magazine are sold through subscriptions, digitally and through displays in our stores throughout most of the world. Game Informer magazine is the third largest consumer publication in the U.S. and for its December 2013 issue, the magazine had over 7.6 million paid subscribers, including over 3.0 million paid digital magazine subscribers. According to the Alliance for Audited Media, the digital version of the magazine is the largest subscription digital magazine in the world. Game Informer is a part of the PowerUp Rewards Pro loyalty program as a key feature of each paid PowerUp Rewards membership. We also operate the Web site www.gameinformer.com, which is the premier destination for moment-by-moment news, features and reviews related to video gaming. In 2013, the Web site averaged over 2.9 million monthly unique visitors. Game Informer revenues are also generated through the sale of advertising space in Game Informer magazine and on www.gameinformer.com. English version results from Game Informer operations are included in the United States segment where the majority of subscriptions and sales are generated. Other international version results from Game Informer operations are included in the segment in which the sales are generated.

E-Commerce

We operate several electronic commerce Web sites in various countries, including www.gamestop.com, www.ebgames.com.au, www.ebgames.co.nz, www.gamestop.ca, www.gamestop.it, www.gamestop.es, www.gamestop.ie, www.gamestop.de, www.gamestop.co.uk and www.micromania.fr, that allow our customers to buy video game products and other merchandise online and, in some cases, allow customers to reserve merchandise and then pick it up in stores. The sites also offer customers information and content about available games, release dates for upcoming games, and access to store information, such as location and product availability. Additionally, we offer over 2,000 titles of digitally downloadable PC video games available for purchase at www.gamestop.com/pcgames. E-commerce results are included in the geographic segment where the sales originate.

Kongregate

We operate the online video gaming site www.kongregate.com, which is a leading web and mobile gaming platform. Over 20,000 developers have uploaded more than 80,000 games to Kongregate.com that have been played nearly 3 billion times. The majority of Kongregate's revenues come from in-game transactions utilizing a proprietary virtual currency called Kreds. Kongregate's mobile publishing division has several titles available in both the Apple and Google app stores.

BuyMyTronics

In March 2012, we purchased the assets of BuyMyTronics, an online consumer electronics marketplace available at www.buymytronics.com. BuyMyTronics provides consumers and businesses with solutions to earn cash for their pre-owned personal or corporate-issued mobile phones, tablets, MP3 players and other consumer electronic devices. The results of BuyMyTronics are reported with our mobile results.

Advertising

Our stores are primarily located in high traffic, high visibility areas of regional shopping malls, strip centers and pedestrian shopping areas. Given the high foot traffic drawn past the stores themselves, we use in-store marketing efforts such as window displays and "coming soon" signs to attract customers, as well as to promote pre-owned video game products. Inside our stores, we feature selected products through the use of vendor displays, "coming soon" or preview videos, signs, catalogs, point-of-purchase materials and end-cap displays. These advertising efforts are designed to increase the initial sales of new titles upon their release.

On a global basis, we receive cooperative advertising and market development funds from manufacturers, distributors, software publishers and accessory suppliers to promote their respective products. Generally, vendors agree to purchase advertising space in one of our advertising vehicles. Once we run the advertising, the vendor pays to us an agreed amount.

We have loyalty programs in most of the markets in which we operate. Our various loyalty programs total over 34 million members worldwide. These programs are designed to incent our customers to shop more often at our stores and to allow us to market directly to our customers based on their individual tastes and preferences. Our loyalty programs provide members with the opportunity to earn unique video game related rewards not available through any other retailer. Vendors also participate in these programs to increase the sales of their individual products. Our PowerUp Rewards program in the United States gives our customers the ability to sign up for a free or paid membership that offers points earned on purchases in our stores, on our U.S. Web site and on Kongregate.com, which can be redeemed for discounts or merchandise. The program's paid tier also includes a

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subscription to Game Informer magazine, additional discounts on selected merchandise and additional credit on trade-ins in our stores.

In the last several years, as part of our brand-building efforts and targeted growth strategies, we expanded our advertising and promotional activities in certain targeted markets at certain key times of the year. In addition, we expanded our use of television and radio advertising in certain markets to promote brand awareness and store openings. We expect our investment in advertising through our loyalty programs to increase as we continue to expand our membership base and build our brand.

Information Management

Our operating strategy involves providing a broad merchandise selection to our customers as quickly and as cost-effectively as possible. We use our inventory management systems to maximize the efficiency of the flow of products to our stores, enhance store efficiency and optimize store in-stock and overall investment in inventory.

Distribution. We operate distribution facilities in various locations throughout the world, with each location strategically located to support the operations in a particular country or region. In order to enhance our first-to-market distribution network, we also utilize the services of several off-site, third-party operated distribution centers that pick up products from our suppliers, repackage the products for each of our stores and ship those products to our stores by package carriers. Our ability to rapidly process incoming shipments of new release titles at our facilities and third-party facilities and deliver those shipments to all of our stores, either that day or by the next morning, enables us to meet peak demand and replenish stores. Inventory is shipped to each store at least twice a week, or daily, if necessary, in order to keep stores in supply of products. Our distribution facilities also typically support refurbishment of pre-owned products to be redistributed to our stores.

We distribute products to our U.S. stores through a 362,000 square foot distribution center in Grapevine, Texas and a 260,000 square foot distribution center in Louisville, Kentucky. We currently use the center in Louisville, Kentucky to support our first-to-market distribution efforts, while our Grapevine, Texas facility supports efforts to replenish stores. The state-of-the-art facilities in both U.S. locations are designed to effectively control and minimize inventory levels. Technologically-advanced conveyor systems and flow-through racks control costs and improve speed of fulfillment in both facilities. The technology used in the distribution centers allows for high-volume receiving, distributions to stores and returns to vendors.

We distribute merchandise to our Canadian segment from two distribution centers in Brampton, Ontario. We have a distribution center near Brisbane, Australia which supports our Australian operations and a small distribution facility in New Zealand which supports the stores in New Zealand. European segment operations are supported by six regionally-located distribution centers in Milan, Italy; Memmingen, Germany; Arlov, Sweden; Valencia, Spain; Dublin, Ireland; and Paris, France. We continue to invest in state-of-the-art facilities in our distribution centers as the distribution volume, number of stores supported and returns on such investments permit.

Digital Distribution. We have developed proprietary technology to work in conjunction with developers, as well as Microsoft and Sony, to enable us to sell DLC in our stores and on our e-commerce sites. The DLC typically available today consists of add-on content developed by publishers for existing games.

Management Information Systems. Our proprietary inventory management systems and point-of-sale technology show daily sales and in-store stock by title by store. Our systems use this data to automatically generate replenishment shipments to each store from our distribution centers, enabling each store to carry a merchandise assortment uniquely tailored to its own sales mix and rate of sale. Our call lists and reservation system also provide our buying staff with information to determine order size and inventory management for store-by-store inventory allocation. We constantly review and edit our merchandise categories with the objective of ensuring that inventory is up-to-date and meets customer needs.

To support most of our operations, we use a large-scale, Intel-based computing environment with a state-of-the-art storage area network and a wired and wireless corporate network installed at our U.S. and regional international headquarters, and a secure, virtual private network to access and provide services to computing assets located in our stores, distribution centers and satellite offices and to our mobile workforce. This strategy has proven to minimize initial outlay of capital while allowing for flexibility and growth as operations expand. Computing assets and our mobile workforce around the globe access this environment via a secure, virtual private network. Regional communication links exist to each of our distribution centers and offices in international locations with connectivity to our U.S. data center as required by our international, distributed applications.

Our in-store point-of-sale system enables us to efficiently manage in-store transactions. This proprietary point-of-sale system has been enhanced to facilitate trade-in transactions, including automatic look-up of trade-in prices and printing of machine-readable bar codes to facilitate in-store restocking of pre-owned video games. In addition, our central database of all pre-owned and value video game products allows us to actively manage the pricing and product availability of our pre-owned video game products across our store base and reallocate our pre-owned and value video game products as necessary.

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Field Management and Staff

Each of our Video Game Brands stores employs, on average, one manager, one assistant manager and between two and ten sales associates, many of whom are part-time employees. Each store manager is responsible for managing their personnel and the economic performance of their store. We have cultivated a work environment that attracts employees who are actively interested in electronic games. We seek to hire and retain employees who know and enjoy working with our products so that they are better able to assist customers. To encourage them to sell the full range of our products and to maximize our profitability, we provide our employees with targeted incentive programs to drive overall sales and sales of higher margin products. In certain locations, we also provide certain employees with the opportunity to take home and try new video games, which enables them to better discuss those games with our customers. In addition, employees are casually dressed to encourage customer access and increase the "game-oriented" focus of the stores.

Our stores communicate with our corporate offices daily via e-mail. This e-mail allows for better tracking of trends in upcoming titles, competitor strategies and in-stock inventory positions. In addition, this electronic communication allows title selection in each store to be continuously updated and tailored to reflect the tastes and buying patterns of the store's local market. These communications also give field management access to relevant inventory levels and loss prevention information and the opportunity to communicate directly with our executives. We have invested in significant management training programs for our store managers and our district managers to enhance their business management skills. We also sponsor annual store managers' conferences at which we operate intense educational training programs to provide our employees with information about the video game products that will be released by publishers in the holiday season. All video game software publishers are invited to attend the conferences.

Our U.S. Video Game Brands store operations are managed by four market vice presidents of stores and 30 regional store operations directors. The regions are further divided into districts, each with a district manager covering an average of 14 stores. In total, there are approximately 297 districts. Our international operations are managed by a senior executive, with stores in Europe managed by two senior vice presidents, one vice president and with managing directors in each region. Our stores in Australia and Canada are each managed by a vice president. We also employ regional loss prevention managers who assist the stores in implementing security measures to prevent theft of our products.

We operate the Technology Brands stores with a field management and store management structure similar to that of our Video Game Brands stores. Simply Mac stores operate with a vice president of stores overseeing three district managers, who supervise between six and ten store managers. Spring Mobile stores are managed by a senior vice president of stores who manages five regional directors, each of whom manages between two and seven district managers. District managers manage between five and 12 stores. Aio Wireless stores are managed by a vice president who oversees four regional managers, each of whom manages a geographic market containing between three and 15 stores.

Customer Service

Our store personnel provide value-added services to each customer, such as maintaining lists of regular customers and reserving new releases for customers with a down payment to ensure product availability. In addition, our store personnel readily provide product reviews and ratings to ensure customers are making informed purchasing decisions and inform customers of available resources, including Game Informer and our e-commerce sites, to increase a customer's enjoyment of the product upon purchase.

Vendors

We purchase substantially all of our new products worldwide from over 80 manufacturers, software publishers and several distributors. Purchases from the top ten vendors accounted for approximately 87% of our new product purchases in fiscal 2013. As of February 1, 2014, six vendors accounted for greater than 10% of our new product purchases during fiscal 2013. Sony, Microsoft, Nintendo, Take-Two Interactive, Electronic Arts and Activision accounted for 20%, 15%, 12%, 11%, 10%, and 10%, respectively. We have established price protections and return privileges with our primary vendors in order to reduce our risk of inventory obsolescence. In addition, we have few purchase contracts with trade vendors and generally conduct business on an order-by-order basis, a practice that is typical throughout the industry. We believe that maintaining and strengthening our long-term relationships with our vendors is essential to our operations and continued expansion. We believe that we have very good relationships with our vendors.

Competition

The electronic game industry is intensely competitive and subject to rapid changes in consumer preferences and frequent new product introductions. We compete with mass merchants and regional chains; computer product and consumer electronics stores; other video game and PC software specialty stores; toy retail chains; direct sales by software publishers; and online retailers and game rental companies. Video game products are also distributed through other methods such as digital delivery. We also compete with sellers of pre-owned and value video game products. Additionally, we compete with other forms of entertainment activities, including casual and mobile games, movies, television, theater, sporting events and family entertainment centers.

In the U.S., we compete with Wal-Mart Stores, Inc. (“Wal-Mart”); Target Corporation (“Target”); Amazon.com, Inc. (“Amazon.com”); and Best Buy Co., Inc. (“Best Buy”). Competing video game specialists in Europe include Game Retail Limited based in the United Kingdom and its Spanish affiliate, Game Stores Iberia. Throughout Europe we also compete with major consumer electronics retailers such as Media Markt, Saturn and FNAC, major hypermarket chains like Carrefour and Auchan, and online retailer Amazon.com. Competitors in Canada include Wal-Mart, Best Buy and its subsidiary Future Shop. In Australia, competitors include K-Mart, Target and JB HiFi stores.

Our Spring Mobile stores compete with AT&T corporate-owned stores, other AT&T authorized resellers, mass market retailers such as Wal-Mart, Best Buy and Target, among others, as well as other wireless carriers and their distribution channels, including Verizon, Sprint and T-Mobile. Our Simply Mac stores compete with Apple, including on-line and corporate owned Apple stores, mass-market retailers as noted above, and other authorized Apple resellers. Aio Wireless stores compete with the pre-paid and post-paid wireless service offerings of AT&T, Verizon, T-Mobile, Sprint and other prepaid brands including Cricket, Boost, GoPhone and MetroPCS.

Seasonality

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 2013, we generated approximately 41% of our sales during the fourth quarter. Our fiscal 2012 operating loss was impacted by $680.7 million of goodwill and asset impairments. Therefore, the seasonality of our operating earnings (loss) is not comparable between fiscal 2013 and fiscal 2012. Excluding the impact of the goodwill and asset impairment charges, we generated approximately 64% and 65% of our operating earnings during the fourth quarter of fiscal 2013 and fiscal 2012, respectively. Excluding the 53rd week sales from fiscal 2012, we generated approximately 39% of our sales during the fourth quarter.

Trademarks

We have a number of trademarks and servicemarks, including “GameStop,” “Game Informer,” “EB Games,” “Electronics Boutique,” “Spring Mobile,” “Simply Mac,” “Kongregate,” “BuyMyTronics,” “Power to the Players™” and “PowerUp Rewards,” which have been registered by us with the United States Patent and Trademark Office. For many of our trademarks and servicemarks, including “Micromania,” we also have registered or have registrations pending with the trademark authorities throughout the world. We maintain a policy of pursuing registration of our principal marks and opposing any infringement of our marks.

Employees

We have approximately 17,000 full-time salaried and hourly employees and between 27,000 and 52,000 part-time hourly employees worldwide, depending on the time of year. Fluctuation in the number of part-time hourly employees is due to the seasonality of our business. We believe that our relationship with our employees is excellent. Some of our international employees are covered by collective bargaining agreements, while none of our U.S. employees are represented by a labor union or are members of a collective bargaining unit.

Available Information

We make available on our corporate Web site (www.gamestopcorp.com), under “Investor Relations — SEC Filings,” free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports as soon as reasonably practicable after we electronically file or furnish such material to the Securities and Exchange Commission (“SEC”). You may read and copy this information or obtain copies of this information by mail from the Public Reference Room of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. Further information on the operation of the SEC’s Public Reference Room in Washington, D.C. can be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a Web site that contains reports, proxy statements and other information about issuers, like GameStop, who file electronically with the SEC. The address of that site is http://www.sec.gov. In addition to copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, our Code of Standards, Ethics and

Conduct is available on our Web site under “Investor Relations — Corporate Governance” and is available to our stockholders in print, free of charge, upon written request to the Investor Relations Department at GameStop Corp., 625 Westport Parkway, Grapevine, Texas 76051.

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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, 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 common stock and the value of your investment.

Risks Related to Our Business

If economic conditions do not improve, demand for the products we sell may decline.

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. In recent years, poor worldwide economic conditions have led consumers to delay or reduce discretionary spending, including purchases of the products we sell. If conditions do not improve, these delays or reductions may continue, which could negatively impact our business, results of operations and financial condition.

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

The electronic game industry has 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. A new console cycle began when Nintendo launched the Wii U in November 2012 and Sony and Microsoft launched their next generation of consoles, the PlayStation 4 and Xbox One, in November 2013. If the new video game platforms are not successful, our sales of video game products could decline. The introduction of these next-generation consoles could negatively impact the demand for existing products or our pre-owned business, which could have a negative impact on our sales and earnings.

The introduction of next-generation consoles could negatively impact the demand for existing products or our pre-owned business.

The introduction of next-generation consoles, the features of such consoles, including any future restrictions or conditions that may adversely affect our pre-owned business or the ability to play prior generation video games on such consoles, and the impact on demand for existing products could have a negative impact on our sales and earnings.

We depend upon the timely delivery of products.

We depend on major hardware manufacturers, primarily Microsoft, Sony and Nintendo, to deliver new and existing video game platforms and new innovations on a timely basis and in anticipated quantities. In addition, we depend on software publishers to introduce new and updated software titles. 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.

We depend upon third parties to develop products and software.

Our business depends upon the continued development of new and enhanced video game platforms and accessories and video game and PC entertainment software. Our business could suffer and has declined due to the failure of manufacturers to develop new or enhanced video game platforms, a decline in the continued technological development and use of multimedia PCs, or the failure of software publishers to develop popular game and entertainment titles for current or future generation video game systems or PC hardware.

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 products, including mobile phones, tablets, social networking Web sites and other devices. In order to continue to compete effectively in the electronic game industry, we need to respond quickly to technological changes and to understand their impact on our customers' preferences. It may take significant time and resources to respond to these technological changes. If we fail to keep pace with these changes, our business may suffer.

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

While it is currently possible to download video game content to the current generation video game systems, downloading is somewhat constrained by bandwidth capacity. However, broadband speeds are increasing and downloading technology is becoming more prevalent and continues to evolve rapidly. The new consoles from Sony and Microsoft have improved download technology. If 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 sales and earnings could decline.

We may not compete effectively as browser, mobile and social gaming becomes more popular.

Gaming continues to evolve rapidly. The popularity of browser, mobile and social gaming has increased greatly and this popularity is expected to continue to grow. Browser, mobile and social gaming is accessed through hardware other than the consoles and traditional hand-held video game devices we currently sell. If we are unable to respond to this growth in popularity of browser, mobile and social games and transition our business to take advantage of these new forms of gaming, our financial position and results of operations could suffer. We have been and are currently pursuing various strategies to integrate these new forms of gaming into our business model, but we can provide no assurances that these strategies will be successful or profitable.

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

Our financial results depend significantly upon the business terms we can obtain from our suppliers, 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 worldwide are Sony, Microsoft, Nintendo, Take-Two Interactive, Electronic Arts and Activision, which accounted for 20%, 15%, 12%, 11%, 10% and 10%, respectively, of our new product purchases in fiscal 2013. If our suppliers do not provide us with favorable business terms, we may not be able to offer products to our customers at competitive prices.

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. Additionally, AT&T and Apple provide our Technology Brands stores with similar support. As part of this support, we receive cooperative advertising and market development payments from these vendors. These cooperative advertising and market development payments enable us to actively promote and merchandise the products we sell and drive sales at our stores and on our Web sites. We cannot assure you that vendors will continue to provide this support at historical levels. If they fail to do so, our sales and earnings could be negatively impacted.

We have made and may make investments and acquisitions which could negatively impact our business if we fail to successfully complete and integrate them, or if they fail to perform in accordance with our expectations.

To enhance our efforts to grow and compete, we have made and continue to make investments and acquisitions. These activities include investments in and acquisitions of digital, browser, social and mobile gaming and technology-based companies as the delivery methods for video games continue to evolve, and investments in new retail categories like wireless and consumer electronics. Our plans to pursue future transactions are subject to our ability to identify potential candidates and negotiate favorable terms for these transactions. Accordingly, we cannot assure you that future investments or acquisitions will be completed. In addition, to facilitate future transactions, we may take actions that could dilute the equity interests of our stockholders, increase our debt or cause us to assume contingent liabilities, all of which may have a detrimental effect on the price of our common stock. Also, companies that we have acquired, and that we may acquire in the future, could have products that are in development, and there is no assurance that these products will be successfully developed. Finally, if any acquisitions are not successfully integrated with our business, or fail to perform in accordance with our expectations, our ongoing operations could be adversely affected.

Integration of digital, browser, social and mobile gaming and mobile phone and technology-based companies or other retailers may be particularly challenging to us as these companies are outside of our historical operating expertise. Pressure from our competitors may force us to reduce our prices or increase spending, which could decrease our profitability.

The electronic game industry 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

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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; and online retailers and game rental companies. Some of our competitors have longer operating histories and may have greater financial resources than we do or other advantages, including non-taxability of sold merchandise. In addition, 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. We also compete with other sellers of pre-owned video game products and other PC software distribution companies, including Steam. Certain of our mass-merchants competitors are expanding in the market for 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. Our Technology Brands stores compete with a wide variety of other wireless carriers and retailers and consumer electronics retailers. 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.

We depend upon our key personnel and they would be difficult to replace.

Our success depends upon our ability to attract, motivate and retain a highly trained and engaged workforce, including key management for our stores and skilled merchandising, marketing, financial and administrative personnel. The turnover rate in the retail industry is relatively high, and there is an ongoing need to recruit and train new store employees. Factors that affect our ability to maintain sufficient numbers of qualified employees include employee morale, our reputation, unemployment rates, competition from other employers and our ability to offer appropriate compensation packages. Additionally, we depend upon the continued services of our key executive officers: Daniel A. DeMatteo, our Executive Chairman; J. Paul Raines, our Chief Executive Officer; Tony D. Bartel, our President; Robert A. Lloyd, our Executive Vice President and Chief Financial Officer; Michael Mauler, our Executive Vice President-International; and Michael P. Hogan, our Executive Vice President-Strategic Business and Brand Development. Our inability to recruit a sufficient number of qualified individuals or our failure to retain key employees in the future may have a negative impact on our business.

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 or the imposition of import restrictions or trade restrictions in the form of tariffs or quotas, could increase the cost and reduce the supply of products available to us, which could lower our sales and profitability.

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 often 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;
- international incidents;
- natural disasters;
- government instability; and
- competitors entering our current and potential markets.

Our operations in Europe are also subject to risks associated with the current economic conditions and uncertainties in the European Union (“EU”). European and global economic conditions have already been negatively impacted by the ability of certain EU member states to service their sovereign debt obligations. Additionally, there continues to be uncertainty over the possibility that other EU member states may experience similar financial troubles, the ultimate outcome of the EU governments’ financial support programs, the possible breakup or restructuring of the EU and the possible elimination or restructuring of the EU monetary system. These continued uncertainties could further disrupt European and global economic conditions. Unfavorable economic conditions could negatively impact consumer demand for our products. These factors could have an adverse effect on our business, results of operations and financial condition.

We are also subject to risks that our operations outside the United States could be conducted by our employees, contractors, representatives or agents in ways that violate the Foreign Corrupt Practices Act or other similar anti-bribery laws. While we have

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policies and procedures intended to ensure compliance with these laws, our employees, contractors, representatives and agents may take actions that violate our policies. Moreover, it may be more difficult to oversee the conduct of any such persons who are not our employees, potentially exposing us to greater risk from their actions. Any violations of those laws by any of those persons could have a negative impact on our business.

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 effect on our business and results of our operations.

If we are unable to renew or enter into new leases on favorable terms, our revenue growth may decline.

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

Restrictions on our ability to take trade-ins of and sell pre-owned video game products or pre-owned mobile devices could negatively affect our financial condition and results of operations.

Our financial results depend on our ability to take trade-ins of, and sell, pre-owned video game products and pre-owned mobile devices within our stores. Actions by manufacturers or publishers of video game products or mobile devices, wireless carriers or governmental authorities to prohibit or limit our ability to take trade-ins or sell pre-owned video game products or mobile devices, or to limit the ability of consumers to play pre-owned video games or use pre-owned mobile devices, could have a negative impact on our sales and earnings.

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 adversely affect our financial results.

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 2013, we generated approximately 41% of our sales during the fourth quarter. Any adverse trend in sales during the holiday selling season could lower our results of operations for the fourth quarter and the entire fiscal year.

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 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;

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- 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 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.

Failure to effectively manage our new store openings could lower our sales and profitability.

Our growth strategy depends in part upon opening new stores and operating them profitably. We opened 109 Video Game Brands stores and opened or acquired 218 Technology Brands stores in fiscal 2013, which is inclusive of the stores we acquired as a result of the Simply Mac and Spring Mobile acquisitions. We expect to open or acquire approximately 350 - 450 new stores in fiscal 2014, including 40 - 50 Video Game Brands stores and 300 - 400 Technology Brands stores. Our ability to open new stores and operate them profitably depends upon a number of factors, some of which may be beyond our control. These factors include:

- the ability to identify new store locations, negotiate suitable leases and build out the stores in a timely and cost efficient manner;
- the ability to hire and train skilled associates;
- the ability to integrate new stores into our existing operations; and
- the ability to increase sales at new store locations.

Our growth will also depend on our ability to process increased merchandise volume resulting from new store openings through our inventory management systems and distribution facilities in a timely manner. If we fail to manage new store openings in a timely and cost efficient manner, our growth or profits may decrease.

Failure to successfully execute our strategy to close stores and transfer customers and sales to nearby stores could adversely impact our financial results.

Our strategy includes closing stores which are not meeting our performance standards or stores at the end of their lease terms and transferring sales to other nearby GameStop locations. We plan to close approximately 170 - 180 Video Game Brands stores worldwide in fiscal 2014. We believe that we can ultimately increase profitability by successfully transferring customers and sales to other stores by marketing directly to the PowerUp Rewards members who have shopped in the stores 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, our sales and profitability could be adversely affected.

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 all 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, 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.

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. If our inventory or management information systems fail to adequately perform these functions, our business could be adversely affected. In addition, if operations in any of our distribution centers were to shut down

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or be disrupted for a prolonged period of time or if these centers were unable to accommodate the continued store growth in a particular region, our business could suffer.

Data breaches involving customer or employee data stored by us could adversely affect our reputation and revenues.

We store confidential information with respect to our customers and employees. A compromise of our data security systems or those of businesses we interact with could result in information related to our customers or employees being obtained by unauthorized persons. Any such breach of our systems could lead to fraudulent activity resulting in claims and lawsuits against us or other operational problems or interruptions in connection with such breaches. Consequently, despite our efforts, our security measures have been breached in the past and may be breached in the future due to cyber attack, team member error, malfeasance, fraudulent inducement or other acts; and unauthorized parties have in the past obtained, and may in the future obtain, access to our data or our customers' data. While costs associated with past security breaches have not been significant, any breach or unauthorized access in the future could result in significant legal and financial exposure and damage to our reputation that could potentially have an adverse effect on our business. While we also seek to obtain assurances that others we interact with will protect confidential information, there is a risk the confidentiality of data held or accessed by others may be compromised. If a compromise of our data security or function of our computer systems or website were to occur, it could have a material adverse effect on our operating results and financial condition and, possibly, subject us to additional legal, regulatory and operating costs and damage our reputation in the marketplace.

Also, the interpretation and enforcement of data protection laws in the United States, Europe and elsewhere are uncertain and, in certain circumstances, contradictory. These laws may be interpreted and enforced in a manner that is inconsistent with our policies and practices. If we are subject to data security breaches or government-imposed fines, we may have a loss in sales or be forced to pay damages or other amounts, which could adversely affect profitability, or be subject to substantial costs related to compliance.

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. In the future, the costs or results of such legal proceedings, individually or in the aggregate, could have a negative impact on our financial condition, results of operations and cash flows.

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, 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.

Our Board of Directors could change our dividend policy at any time.

We initiated our first cash dividend on our common stock during fiscal 2012. Notwithstanding the foregoing, there is no assurance that we will continue to pay cash dividends on our common stock in the future. Certain provisions in our credit facility triggered by certain borrowing levels restrict our ability to pay dividends in the future. Subject to any financial covenants in current or future financing agreements that directly or indirectly restrict our ability to pay dividends, the payment of dividends is within the discretion of our Board of Directors and will depend upon our future earnings and cash flow from operations, our capital requirements, our financial condition and any other factors that the Board of Directors may consider. Unless we continue to pay

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cash dividends on our common stock in the future, the success of an investment in our common stock will depend entirely upon its future appreciation. Our common stock may not appreciate in value or even maintain the price at which it was purchased.

We may record future goodwill impairment charges or other asset impairment charges which could negatively impact our future results of operations and financial condition.

In recent periods we have recorded significant non-cash charges relating to the impairment of goodwill and other tangible and intangible assets that had a material adverse effect on our consolidated statements of operations and consolidated balance sheets. Because we have grown in part through acquisitions, goodwill and other acquired intangible assets represent a substantial portion of our assets. We also have long-lived assets consisting of property and equipment and other identifiable intangible assets which we review both on an annual basis as well as when events or circumstances indicate that the carrying amount of an asset may not be recoverable. If a determination is made that a significant impairment in value of goodwill, other intangible assets or long-lived assets has occurred, such determination could require us to impair a substantial portion of our assets. Asset impairments could have a material adverse effect on our financial condition and results of operations.

Risks Relating to Indebtedness

Because of our floating rate credit facility, we may be adversely affected by interest rate changes.

Our financial position may be affected by fluctuations in interest rates, as our senior credit facility is subject to floating interest rates.

Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. If we were to borrow against our senior credit facility, a significant increase in interest rates could have an adverse effect on our financial position and results of operations.

The terms of our senior credit facility may impose significant operating and financial restrictions on us.

The terms of our senior credit facility may impose significant operating and financial restrictions on us in certain circumstances. These restrictions, among other things, limit our ability to:

- incur, assume or permit to exist additional indebtedness or guaranty obligations;
- incur liens or agree to negative pledges in other agreements;
- engage in sale and leaseback transactions;
- make loans and investments;
- declare dividends, make payments or redeem or repurchase capital stock;
- engage in mergers, acquisitions and other business combinations;
- prepay, redeem or purchase certain indebtedness;
- amend or otherwise alter the terms of our organizational documents and indebtedness;
- sell assets; and
- engage in transactions with affiliates.

We cannot assure you that these covenants will not adversely affect our ability to finance our future operations or capital needs or to pursue available business opportunities.

We may incur additional indebtedness in the future, which may adversely impact our financial condition and results of operations.

We may incur additional indebtedness in the future, including additional secured indebtedness. Our senior credit facility restricts us from incurring additional indebtedness and is subject to important exceptions and qualifications. Such future indebtedness may have restrictions similar to or more restrictive than those contained in our senior credit facility. The incurrence of additional indebtedness could impact our financial condition and results of operations.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

All of our stores are leased. Store leases typically provide for an initial lease term of three to five years, plus renewal options. This arrangement gives us the flexibility to pursue extension or relocation opportunities that arise from changing market conditions. We believe that, as current leases expire, we will be able to obtain either renewals at present locations, leases for equivalent locations in the same area, or be able to close the stores with expiring leases and transfer enough of the sales to other nearby stores to improve, if not at least maintain, profitability. We expect to open or acquire approximately 350 - 450 new stores in fiscal 2014, including 40 - 50 Video Game Brands stores and 300 - 400 Technology Brands stores. We also plan to close approximately 170 - 180 Video Game Brands stores worldwide in fiscal 2014.

The terms of the store leases for the 6,675 leased stores open as of February 1, 2014 expire as follows:

Lease Terms to Expire During	Number of Stores
(12 Months Ending on or About January 31)	
2015	2,297
2016	1,587
2017	1,137
2018	638
2019 and later	1,016
	6,675

At February 1, 2014, we owned or leased office and distribution facilities, with lease expiration dates ranging from 2014 to 2034 and an average remaining lease life of approximately four years, in the following locations:

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Location	Square Footage	Owned or Leased	Use
United States			
Grapevine, Texas, USA	519,000	Owned	Distribution and administration
Grapevine, Texas, USA	182,000	Owned	Manufacturing and distribution
Louisville, Kentucky, USA	260,000	Leased	Distribution
Minneapolis, Minnesota, USA	15,000	Leased	Administration
Salt Lake City, Utah	12,000	Leased	Administration
San Francisco, California, USA	8,500	Leased	San Francisco, California, USA
Denver, Colorado, USA	7,500	Leased	Distribution and administration
West Chester, Pennsylvania, USA	6,100	Leased	Administration
Greenwood Village, Colorado, USA	2,700	Leased	Administration
Canada			
Brampton, Ontario, Canada	119,000	Owned	Distribution and administration
Brampton, Ontario, Canada	59,000	Leased	Distribution and administration
Australia			
Eagle Farm, Queensland, Australia	185,000	Owned	Distribution and administration
Auckland, New Zealand	13,000	Leased	Distribution and administration
Europe			
Arlov, Sweden	80,000	Owned	Distribution and administration
Milan, Italy	123,000	Owned	Distribution and administration
Memmingen, Germany	67,000	Owned	Distribution and administration
Valencia, Spain	22,000	Leased	Distribution
Valencia, Spain	6,000	Leased	Administration
Dublin, Ireland	38,000	Leased	Distribution and administration
Paris, France	71,000	Leased	Distribution
Paris, France	1,000	Leased	Administration
Sophia Antipolis, France	17,000	Leased	Administration

Additional information regarding our properties can be found in “Item 1. Business - Store Operations” and “Item 1. Business - Site Selection and Locations” elsewhere in this Form 10-K.

Item 3. 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 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 adverse effect on our financial condition, results of operations or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Price Range of Common Stock

Our Class A Common Stock is traded on the New York Stock Exchange (“NYSE”) under the symbol “GME.”

The following table sets forth, for the periods indicated, the high and low sales prices of the Class A Common Stock on the NYSE Composite Tape:

	Fiscal 2013	
	High	Low
Fourth Quarter	$57.74	$34.70
Third Quarter	$56.08	$47.04
Second Quarter	$51.36	$30.94
First Quarter	$37.23	$23.36

	Fiscal 2012	
	High	Low
Fourth Quarter	$28.35	$21.41
Third Quarter	$24.49	$15.32
Second Quarter	$23.08	$15.47
First Quarter	$25.86	$20.94

Approximate Number of Holders of Common Equity

As of March 20, 2014, there were approximately 1,549 record holders of our Class A Common Stock.

Dividends

Prior to February 2012, we had never declared or paid any dividends on our common stock. During fiscal 2012, we paid quarterly dividends of $0.15 per share of Class A Common Stock during the first and second fiscal quarters and $0.25 per share of Class A Common Stock during the third and fourth fiscal quarters. During fiscal 2013, we paid quarterly dividends of $0.275 per share of Class A Common Stock during each of the four fiscal quarters. On March 4, 2014, our Board of Directors authorized an increase in our annual cash dividend from $1.10 to $1.32 per share of Class A Common Stock and on March 4, 2014, we declared our first quarterly dividend for fiscal 2014 of $0.33 per share of Class A Common Stock, payable on March 25, 2014 to stockholders of record on March 17, 2014. Our payment of dividends is and will continue to be restricted by or subject to, among other limitations, applicable provisions of federal and state laws, our earnings and various business considerations, including our financial condition, results of operations, cash flow, the level of our capital expenditures, our future business prospects, our status as a holding company and such other matters that our Board of Directors deems relevant. In addition, the terms of the senior credit facility restrict our ability to pay dividends under certain circumstances. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources” herein for further information regarding restrictions on our dividend payments.

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Issuer Purchases of Equity Securities

Our purchases of our equity securities during the fourth quarter of the fiscal year ended February 1, 2014 were as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(1) (In millions of dollars)
November 3, 2013 through November 30, 2013	321,500	$51.62	321,500	$ 490.0
December 1, 2013 through January 4, 2014	479,000	$47.90	479,000	$ 467.1
January 5, 2014 through February 1, 2014	237,300	$42.05	237,300	$ 457.1
Total	1,037,800	$47.71	1,037,800	

(1) In November 2012, the Board of Directors authorized $500 million to be used for share repurchases. In November 2013, the Board of Directors authorized $500 million to be used for share repurchases, replacing the November 2012 authorization. The November 2013 $500 million authorization has no expiration date.

GameStop Stock Comparative Performance Graph

The following graph compares the cumulative total stockholder return on our Class A Common Stock for the period commencing January 30, 2009 through January 31, 2014 (the last trading date of fiscal 2013) with the cumulative total return on the Standard & Poor's 500 Stock Index (the "S&P 500") and the Dow Jones Retailers, Other Specialty Industry Group Index (the "Dow Jones Specialty Retailers Index") over the same period. Total return values were calculated based on cumulative total return assuming (i) the investment of $100 in our Class A Common Stock, the S&P 500 and the Dow Jones Specialty Retailers Index on January 30, 2009 and (ii) reinvestment of dividends.

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The following stock performance graph and related information shall not be deemed “soliciting material” or “filed” with the SEC, nor should such information be incorporated by reference into any future filings under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate it by reference in such filing.

	1/30/2009	1/29/2010	1/28/2011	1/27/2012	2/1/2013	1/31/2014
GME	100	79.78	84.67	98.14	103.40	151.47
S&P 500 Index	100	130.03	154.54	159.39	183.22	215.84
Dow Jones Specialty Retailers Index	100	144.54	192.05	209.89	223.01	285.02

Securities Authorized for Issuance under Equity Compensation Plans

For information regarding securities authorized for issuance under equity compensation plans, refer to “Part III —Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.”

Item 6. Selected Financial Data

The following table sets forth our selected consolidated financial and operating data for the periods ended and as of the dates indicated. Our fiscal year is composed of 52 or 53 weeks ending on the Saturday closest to January 31. The fiscal year ended February 2, 2013 consisted of 53 weeks. The fiscal years ended February 1, 2014, January 28, 2012, January 29, 2011 and January 30, 2010 consisted of 52 weeks. The “Statement of Operations Data” for the fiscal years ended February 1, 2014, February 2, 2013 and January 28, 2012 and the “Balance Sheet Data” as of February 1, 2014 and February 2, 2013 are derived from, and are qualified by reference to, our audited consolidated financial statements which are included elsewhere in this Form 10-K. The “Statement of Operations Data” for fiscal years ended January 29, 2011 and January 30, 2010 and the “Balance Sheet Data” as of January 28, 2012, January 29, 2011 and January 30, 2010 are derived from our audited consolidated financial statements which are not included elsewhere in this Form 10-K.

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The selected financial data set forth below should be read in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and notes thereto included in this Form 10-K.

	52 Weeks Ended February 1, 2014	53 Weeks Ended February 2, 2013	52 Weeks Ended January 28, 2012	52 Weeks Ended January 29, 2011	52 Weeks Ended January 30, 2010
	(In millions, except per share data and statistical data)				
Statement of Operations Data:					
Net sales	$9,039.5	$8,886.7	$9,550.5	$9,473.7	$9,078.0
Cost of sales	6,378.4	6,235.2	6,871.0	6,936.1	6,643.3
Gross profit	2,661.1	2,651.5	2,679.5	2,537.6	2,434.7
Selling, general and administrative expenses	1,892.4	1,835.9	1,842.1	1,698.8	1,633.3
Depreciation and amortization	166.5	176.5	186.3	174.7	162.6
Goodwill impairments(1)	10.2	627.0	—	—	—
Asset impairments and restructuring charges(2)	18.5	53.7	81.2	1.5	1.8
Operating earnings (loss)	573.5	(41.6)	569.9	662.6	637.0
Interest expense (income), net	4.7	3.3	19.8	35.2	43.2
Debt extinguishment expense	—	—	1.0	6.0	5.3
Earnings (loss) before income tax expense	568.8	(44.9)	549.1	621.4	588.5
Income tax expense	214.6	224.9	210.6	214.6	212.8
Net income (loss)	354.2	(269.8)	338.5	406.8	375.7
Net loss attributable to noncontrolling interests	—	0.1	1.4	1.2	1.6
Net income (loss) attributable to GameStop Corp.	$354.2	$(269.7)	$339.9	$408.0	$377.3
Basic net income (loss) per common share	$3.02	$(2.13)	$2.43	$2.69	$2.29
Diluted net income (loss) per common share	$2.99	$(2.13)	$2.41		