

GameStop Corp.
Form 10-Q
September 05, 2006

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

Form 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JULY 29, 2006**
- 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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Number of shares of \$.001 par value Class A Common Stock outstanding as of August 29, 2006: 45,273,155

Number of shares of \$.001 par value Class B Common Stock outstanding as of August 29, 2006: 29,901,662

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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. *Financial Statements*****GAMESTOP CORP.****CONDENSED CONSOLIDATED BALANCE SHEETS**

	July 29, 2006	July 30, 2005	January 28, 2006
	(Unaudited)	(Unaudited)	
	(In thousands, except per share data)		
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 218,726	\$ 98,954	\$ 401,593
Receivables, net	28,596	9,418	38,738
Merchandise inventories	574,067	257,396	603,178
Prepaid expenses and other current assets	37,374	24,302	16,339
Prepaid taxes	79,395	12,534	19,135
Deferred taxes	46,349	5,435	42,282
Total current assets	984,507	408,039	1,121,265
Property and equipment:			
Land	10,073	2,000	10,257
Buildings and leasehold improvements	280,723	120,145	262,908
Fixtures and equipment	375,736	210,942	343,897
	666,532	333,087	617,062
Less accumulated depreciation and amortization	235,299	144,353	184,937
Net property and equipment	431,233	188,734	432,125
Goodwill, net	1,392,926	320,888	1,392,352
Assets held for sale			19,297
Deferred financing fees	17,242		18,561
Other noncurrent assets	29,328	3,011	31,519
Total other assets	1,439,496	323,899	1,461,729
Total assets	\$ 2,855,236	\$ 920,672	\$ 3,015,119

LIABILITIES AND STOCKHOLDERS EQUITY:

Current liabilities:

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Accounts payable	\$ 366,221	\$ 166,070	\$ 543,288
Accrued liabilities	281,969	103,706	331,859
Note payable, current portion	12,173	12,173	12,527
Total current liabilities	660,363	281,949	887,674
Deferred taxes	12,196	19,898	12,938
Senior notes payable, long-term portion, net	635,431		641,788
Senior floating rate notes payable, long-term portion	300,000		300,000
Note payable, long-term portion	12,685	24,347	21,675
Deferred rent and other long-term liabilities	38,868	15,503	36,331
Total long-term liabilities	999,180	59,748	1,012,732
Total liabilities	1,659,543	341,697	1,900,406
Stockholders' equity:			
Preferred stock — authorized 5,000 shares; no shares issued or outstanding			
Class A common stock — \$.001 par value; authorized 300,000 shares; 45,245, 25,163 and 42,895 shares issued, respectively	45	25	43
Class B common stock — \$.001 par value; authorized 100,000 shares; 29,902 shares issued and outstanding	30	30	30
Additional paid-in-capital	983,562	519,113	921,349
Accumulated other comprehensive income (loss)	4,773	(43)	886
Retained earnings	207,283	109,850	192,405
Treasury stock, at cost 0, 3,263 and 0 shares, respectively		(50,000)	
Total stockholders' equity	1,195,693	578,975	1,114,713
Total liabilities and stockholders' equity	\$ 2,855,236	\$ 920,672	\$ 3,015,119

See accompanying notes to condensed consolidated financial statements.

Table of Contents**GAMESTOP CORP.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	13 Weeks Ended		26 Weeks Ended	
	July 29, 2006	July 30, 2005	July 29, 2006	July 30, 2005
	(In thousands, except per share data) (Unaudited)			
Sales	\$ 963,347	\$ 415,930	\$ 2,003,374	\$ 890,657
Cost of sales	664,083	287,775	1,402,076	636,465
Gross profit	299,264	128,155	601,298	254,192
Selling, general and administrative expenses	239,251	104,311	470,721	203,297
Depreciation and amortization	26,328	10,654	52,260	20,848
Stock-based compensation	5,360		10,550	
Merger-related expenses	2,572		3,898	
Operating earnings	25,753	13,190	63,869	30,047
Interest income	(1,505)	(505)	(3,729)	(1,082)
Interest expense	21,714	649	43,267	1,309
Debt extinguishment expense	191		191	
Earnings before income tax expense	5,353	13,046	24,140	29,820
Income tax expense	2,176	5,143	9,262	11,591
Net earnings	\$ 3,177	\$ 7,903	\$ 14,878	\$ 18,229
Net earnings per Class A and Class B common share-basic	\$ 0.04	\$ 0.15	\$ 0.20	\$ 0.36
Weighted average shares of common stock-basic	75,074	51,646	74,233	51,323
Net earnings per Class A and Class B common share-diluted	\$ 0.04	\$ 0.14	\$ 0.19	\$ 0.33
Weighted average shares of common stock-diluted	78,829	56,508	78,650	55,499

See accompanying notes to condensed consolidated financial statements.

Table of Contents**GAMESTOP CORP.****CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY**

	Common Stock				Accumulated			
Shares	Class A	Shares	Class B	Additional Paid-in Capital (In thousands) (Unaudited)	Other Comprehensive Income	Retained Earnings	Total	
Balance at January 28, 2006	42,895	\$ 43	29,902	\$ 30	\$ 921,349	\$ 886	\$ 192,405	\$ 1,114,713
Comprehensive income:								
Net earnings for the 26 weeks ended July 29, 2006							14,878	
Foreign currency translation						3,887		
Total comprehensive income								18,765
Stock-based compensation					10,550			10,550
Exercise of employee stock options (including tax benefit of \$32,938)	2,350	2			51,663			51,665
Balance at July 29, 2006	45,245	\$ 45	29,902	\$ 30	\$ 983,562	\$ 4,773	\$ 207,283	\$ 1,195,693

See accompanying notes to condensed consolidated financial statements.

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	26 Weeks Ended	
	July 29, 2006	July 30, 2005
	(In thousands)	
	(Unaudited)	
Cash flows from operating activities:		
Net earnings	\$ 14,878	\$ 18,229
Adjustments to reconcile net earnings to net cash flows provided by (used in) operating activities:		
Depreciation and amortization (including amounts in cost of sales)	52,372	20,990
Amortization of loan costs	1,607	95
Amortization of original issue discount on senior notes	474	
Stock-based compensation expense	10,550	
Deferred taxes		