GAMESTOP

THE LAST GREAT SQUEEZE
AND
HOW UNRELENTING GREED MAY SEND US ALL TO THE MOON

...AN ELIA* PRESENTATION...

*Explain Like I'm Ape

Gafgarian
Iamnotafinancialadvisor.com

THE ETHICAL RATIONALE BEHIND CAREFULLY CONSTRUCTED DUE DILIGENCE

AND THE LEGAL STUFF

Blind hype and groupthink are both very real risks, especially when this much money is on the line. No one should be making financial decisions, subconsciously or not, exclusively on the data of another person and data without proper risk analysis are just dangerous numbers, regardless of how accurate it is.

While we, as researchers and part of the larger community, are not accountable for the actions of the reader, we are responsible for providing ethically sound data. This means data that doesn't incite riots, extend falsehoods, is deliberately obtuse, or immaterial and easily misappropriated without the greater context.

The following due diligence is built from understood and speculative risk analysis and prediction modeling based on past practices, patterns, and market understanding. However, it is only MY interpretation of what has/is happening. It, like all external due diligence should not be your only data point. It is up to you to leverage as many data points as possible in order to build your OWN personal financial and risk analysis. No one can, or should, be telling YOU what to do with YOUR finances. Even a licensed financial advisor can only ever ”advise” you on what they believe is best, in the end YOU and YOU ALONE are solely responsible for your financial decisions.

TL;DR: ”Due Diligence” which provide numbers without the broader context and realities of the market (eg. FINRA intervention, SEC circuit breakers, etc.) is tasty hopium but should not be misconstrued as effective DD on its own, regardless of accuracy… and IAmNotAFinancialAdvisor ☺

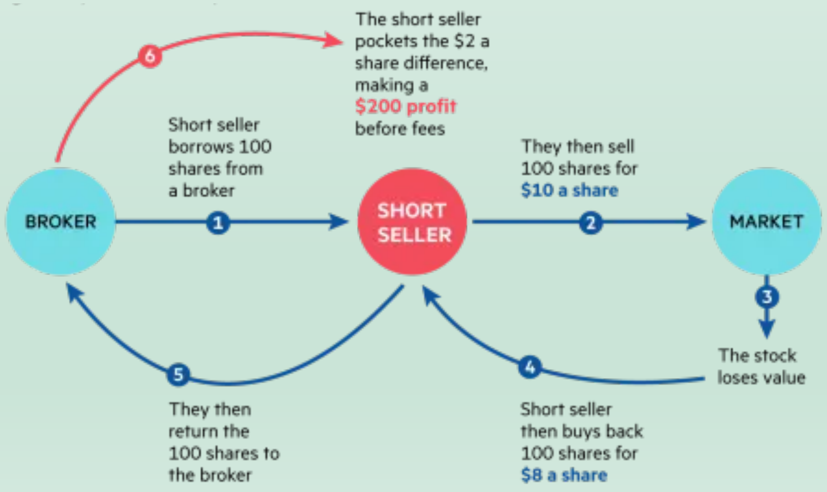
WHY ARE WE HERE?*

I AM ASSUMING THAT EVERYONE READING THIS IS AWARE OF THE BASIC CONCEPTS AROUND SHORT-SELLING AT THIS POINT. IN CASE YOU NEED TO BRUSH UP ON THIS, THE LAST SLIDE OF THIS PRESENTATION CONTAINS VARIOUS LINKS TO EDUCATIONAL MATERIALS AS WELL AS SOURCE LINKS FOR THE DATA USED.

While short selling is *VERY* common in the market and can net decent profits for investors who effectively juggle the risk, the "bankruptcy jackpot" is a rare occurrence which promises a much larger pay off if successful.

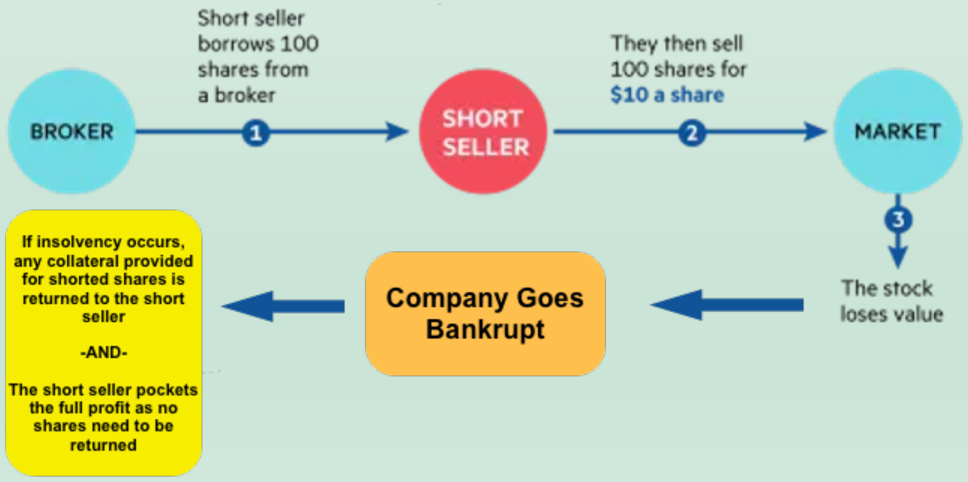
Standard Short Selling Model

Example below nets ~$200 profit



The "Bankruptcy Jackpot"

Example below nets ~$1000 profit



*It's one of life's great mysteries…

OKAY…
BUT WHY GAMESTOP?

This is an SEC filing from March 2016 noting a debt Gamestop took on in order to raise $475m in capital [20]

Item 1.01. Entry into a Material Definitive Agreement.

On March 9, 2016, GameStop Corp. (the "Company") closed its previously announced offering of $475 million in aggregate principal amount of its 6.75% unsecured senior notes due 2021 (the "Notes"). The sale of the Notes resulted in net proceeds to the Company of approximately $466.4 million, after deducting the initial purchasers' discounts and commissions and other estimated offering expenses. The Company intends to use these net proceeds from the offering for general corporate purposes, which will likely include acquisitions and, potentially, dividends and stock buybacks.

The Notes were issued pursuant to an indenture dated as of March 9, 2016 (the "Indenture"), by and among the Company, certain subsidiary guarantors named therein (the "Guarantors") and U.S. Bank National Association, as trustee (the "Trustee"). The Notes will bear interest at the rate of 6.75% and will pay interest semi-annually in cash in arrears on each March 15 and September 15 of each year, beginning on September 15, 2016. The Notes will mature on March 15, 2021. At any time prior to March 15, 2018, the Company may redeem some or all of the Notes for cash at a redemption price equal to 100% of their principal amount plus an applicable make-whole premium set forth in the Indenture and accrued and unpaid interest to, but not including, the redemption date. Prior to March 15, 2018, the Company may redeem up to 35% of the Notes at a redemption price of 106.750% of the principal amount, plus accrued and unpaid interest to, but not including, the redemption date, with the proceeds of certain equity offerings so long as the redemption occurs within 120 days of completing such equity offering and at least 65% of the aggregate principal amount of the Notes remains outstanding after such redemption. On and after March 15, 2018, the Company may redeem some or all of the Notes at redemption prices (expressed as percentages of principal amount) equal to 105.063% for the twelve-month period beginning on March 15, 2018, 103.375% for the twelve-month period beginning March 15, 2019 and 100.000% beginning on March 15, 2020, plus accrued and unpaid interest to, but not including, the redemption date. Upon the occurrence of a Change of Control (as defined in the Indenture), unless the Company has exercised its optional redemption right in respect of the Notes, the holders of the Notes will have the right to require the Company to repurchase all or a portion of the Notes at a price equal to 101% of the aggregate principal amount of the Notes, plus any accrued and unpaid interest to, but not including, the date of purchase. The Notes will be guaranteed on a senior unsecured basis by all existing and future domestic restricted subsidiaries that are borrowers under, or guarantee, the Company's asset-based facility and its 5.50% senior unsecured notes due 2019. The Notes and related guarantees will be the Company's general unsecured senior obligations and will be subordinated to all of its and the guarantors' existing and future secured debt to the extent of the assets securing that secured debt. In addition, the Notes will be structurally subordinated to all of the liabilities of the Company's subsidiaries that are not guaranteeing the Notes, to the extent of the assets of those subsidiaries.

The Indenture restricts the Company's ability and the ability of certain of its subsidiaries to: (i) incur additional indebtedness; (ii) pay dividends or make other distributions in respect of, or repurchase or redeem, its capital stock; (iii) prepay, redeem or repurchase debt that is junior in right of payment to the Notes; (iv) make loans and certain investments; (v) sell assets; (vi) incur liens; (vii) enter into transactions with affiliates; and (viii) consolidate, merge or sell all or substantially all of its assets. These covenants are subject to a number of important exceptions and qualifications. During any time when the Notes are rated investment grade by Moody's Investors Service, Inc. and Standard & Poor's Ratings Services and no Default (as defined in the Indenture) has occurred and is continuing, many of such covenants will be suspended and the Company and its subsidiaries will cease to be subject to such covenants during such period.

The Indenture contains customary events of default, including payment defaults, breaches of covenants, failure to pay certain judgments and certain events of bankruptcy, insolvency and reorganization. If an event of default occurs and is continuing, the principal amount of the Notes, plus accrued and unpaid interest, if any, may be declared immediately due and payable. These amounts automatically become due and payable if an event of default relating to certain events of bankruptcy, insolvency or reorganization occurs.

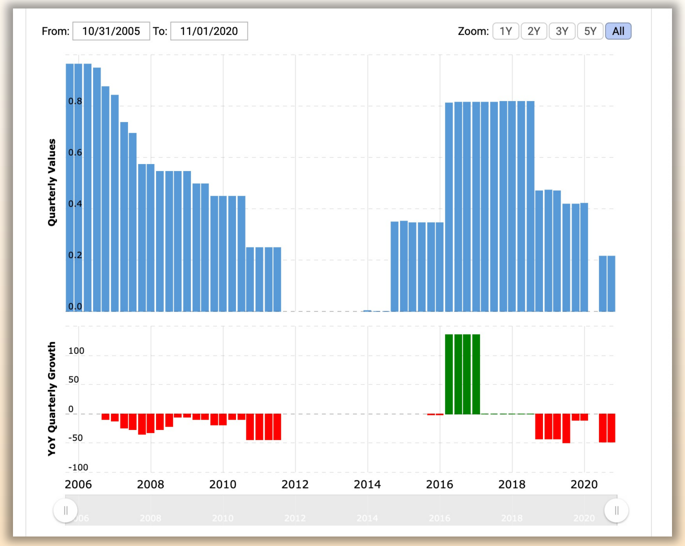
Copies of the Indenture and of the form of Notes are filed as Exhibit 4.1 and Exhibit 4.2, respectively, to this Form 8-K and are incorporated herein by reference. The description of the Indenture and the Notes in this Form 8-K is a summary and is qualified in its entirety by the terms of the Indenture and the Notes.

Items of note from this filing:

- $475m "loan" to be repaid at 6.75% interest
- To be paid in bi-annual payments
- The final payment due March 15, 2021

Sure… but companies offer bonds daily, big deal, right?

NOT GAMESTOP



Long-Term Debt [5]

In the last 15 years, Gamestop has issued very few corporate bonds

- These have been in both foreign and US markets
- With the most notable from the US markets being the 2016-1[A] and its July 2020[E] maturity extension.
- Two of the foreign issues, the 2011[C] & 2012[D] maturity dates in the adjacent chart, were part of the Reg S-4 offering for EB Games in the merger/acquisition of senior note debt. [26]
- A third, for $350m[B] at 5.5% interest was paid in full by its October 2019 maturity

GameStop Corp.

Credit Sector:- Retail

Country:- United States

List of Bonds

Entity Name	Currency	Maturity	ISIN
GameStop Corp. [A]	USD	15-Mar-2021	USU36328AB58
GameStop Corp. [B]	USD	1-Oct-2019	USU36328AA75
GameStop Corp. [C]	USD	1-Oct-2012	US36293YAD76
GameStop Corp. [D]	USD	1-Oct-2011	USU0391VAA36
GameStop Corp. [E]	USD	15-Mar-2023	USU36328AC32

Even with this relatively small amount of corporate issuance, in the last 15 years, Gamestop has progressively used lengthy periods of debt to cover losses and increase equity

Got it… so ELIA! Why does that matter?

- Based on the Long-Term Debt report, Gamestop has been a "debt-funded" company for nearly 15 years
- Note the $350m international bond, issued in 2014, appears to have been underpaid through 2015 & 2016. And possibly not paid at all until 2019.
- This would mean IT was paid in full on time but at the expense of NOT paying on the 2016-1 issue which is why an extension was required in July 2020 to remain solvent by its 3/15/21 maturity date
- TL;DR – For 15 years, GME's company value has been largely based on the debt it has been holding and as it has continued to "kick the can down the road" by using new debt to pay off old debt, they show weakness to potential investors…. Unless you happen to be a short seller…

GameStop Annual Long Term Debt (Millions of US $)

2020	$420
2019	$472
2018	$818
2017	$815
2016	$345
2015	$351
2014	$2
2013	$
2012	$
2011	$249
2010	$447
2009	$546
2008	$574
2007	$843
2006	$963
2005	$24

TIME FOR A GAME…

WHAT WOULD YOU DO?

Let’s assume,

- There is a company which has always had a brick-and-mortar footprint but is currently in a quickly growing technology world dominated by digital sales, home delivery, and first-party distribution
- Their financial model has always been running against debt to generate liquidity
- In 1.5 years, they take on $825k in debt, plus interest (9/2014 $350m & 3/2016 $475m bonds) [19]
- Their year over year earnings have been flat or following inflation trends but they are reporting the SAME debt on yearly earnings reports (i.e.. They aren’t paying their loans) [5]
- You ALREADY have a short position in this company and have ALREADY found profit from its instability

This chart can be found reprinted larger in the presentation appendix

My, look at the correlation in the down trending price as the short volume trends up… 🤔

RATINGS MATTER

As yearly earnings release, they continue to show the $475m debt. Rating agencies begin to knock down the ratings on the bond and officially move GME to a "Negative" rating, declaring they are at real risk of default.

As a result multiple financial analysts start analyzing and predicting the imminent failure of GME by the 3/15/21 bond maturity date.

This prediction is further emphasized by COVID and the struggling retail market in general.

Rating Action: Moody's downgrades GameStop's CFR to Caa1, changes outlook to negative

A

22 Apr 2020

New York, April 22, 2020 -- Moody's Investors Service, ("Moody's") downgraded the ratings of GameStop Corp. ("GameStop") including its Corporate Family Rating to Caa1 from B2, Probability of Default Rating to Caa1-PD from B2-PD, and 6.75% senior unsecured note rating to Caa2 from B3. At the same time, the company's Speculative Grade Liquidity rating was downgraded to SGL-3 from SGL-2. The outlook was also changed to negative from stable.

"The downgrade reflects Moody's expectation that given our forecast of lower earnings in 2020 compared to 2019, GameStop's EBIT/interest expense will be below 1.0x, which despite the expected benefit of the launch of new consoles could make it difficult for GameStop to refinance its unsecured notes that mature in March 2021 on economic terms," stated Pete Trombetta, AVP-Analyst at Moody's.

Downgrades:

..Issuer: GameStop Corp.

.... Probability of Default Rating, Downgraded to Caa1-PD from B2-PD

.... Speculative Grade Liquidity Rating, Downgraded to SGL-3 from SGL-2

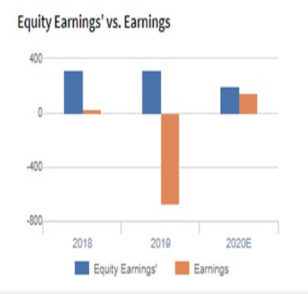
.... Corporate Family Rating, Downgraded to Caa1 from B2

....Senior Unsecured Regular Bond/Debenture, Downgraded to Caa2 (LGD4) from

Outlook Actions:

..Issuer: GameStop Corp.

....Outlook, Changed To Negative From Stable

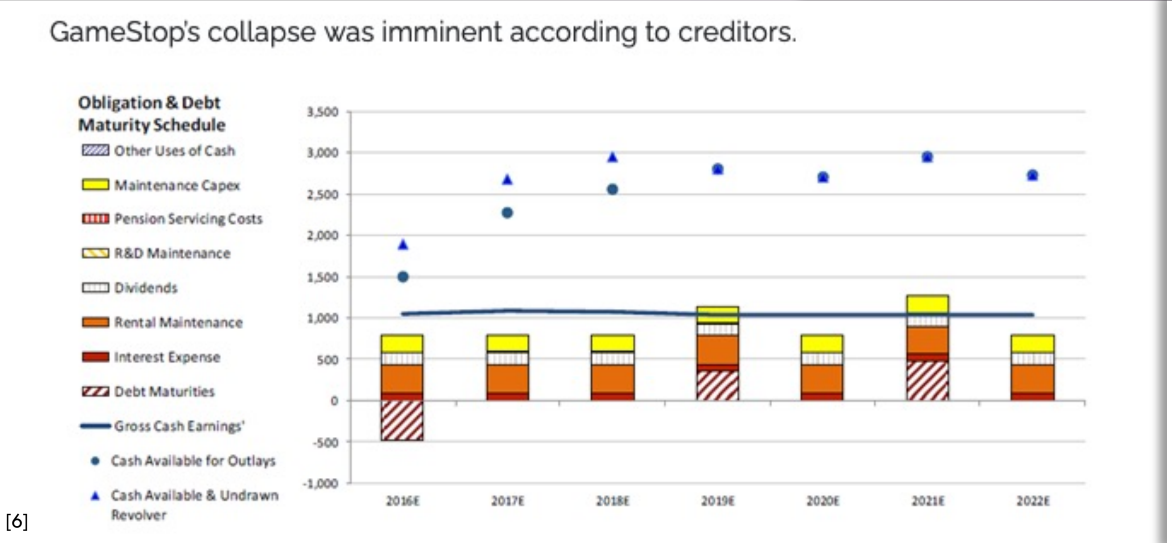


S&P Global Ratings downgrades Local Currency LT credit rating of GameStop to "BB-"; outlook negative

April 15, 2019

S&P Global Ratings downgraded from "BB" to "BB-" the Local Currency LT credit rating of GameStop on April 12, 2019. The outlook is negative.

Company — GameStop



[6]

Rating Action: Moody's downgrades GameStop's CFR to B2

30 Jan 2020

B

New York, January 30, 2020 -- Moody's Investors Service ("Moody's") today downgraded GameStop Corp.'s ("GameStop") Corporate Family Rating to B2 from Ba2, Probability of Default Rating to B2-PD from Ba2-PD, and 6.75% senior unsecured notes to B3 from Ba2. The company's Speculative Grade Liquidity rating was downgraded to SGL-2 from SGL-1. The outlook is stable.

The downgrade of the company's CFR to B2 reflects the weaker than anticipated sales and operating performance, driven largely by declines in new hardware and software sales. The company will continue to face performance pressure through most of calendar year 2020 as customers continue to delay purchases ahead of the anticipated late 2020 new console launches. "Sustained competitive threats from downloadable, streaming, and subscription gaming services, as well as the company's ongoing transformation to improve profitability and evolve its vendor and partner relationships, elevate the company's business and operational risk during a period of industry weakness", stated Moody's Vice President, Adam McLaren. The downgrade of the company's Speculative Grade Liquidity to SGL-2 reflects reduced earnings and the approaching March 2021 maturity of its 6.75% senior unsecured notes.

Downgrades:

..Issuer: GameStop Corp.

.... Probability of Default Rating, Downgraded to B2-PD from Ba2-PD

.... Speculative Grade Liquidity Rating, Downgraded to SGL-2 from SGL-1

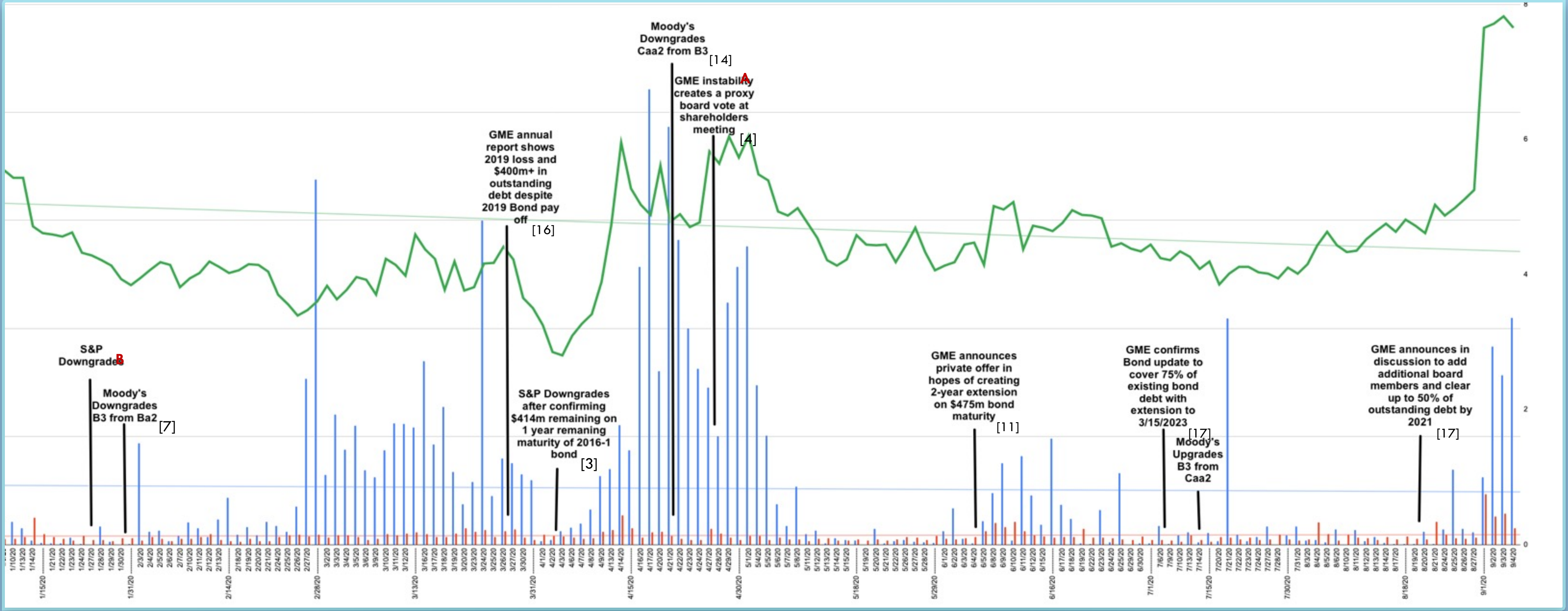
.... Corporate Family Rating, Downgraded to B2 from Ba2

....Senior Unsecured Regular Bond/Debenture, Downgraded to B3 (LGD4) from Ba2 (LGD4)

Outlook Actions:

..Issuer: GameStop Corp.

....Outlook, Changed To Stable From Negative



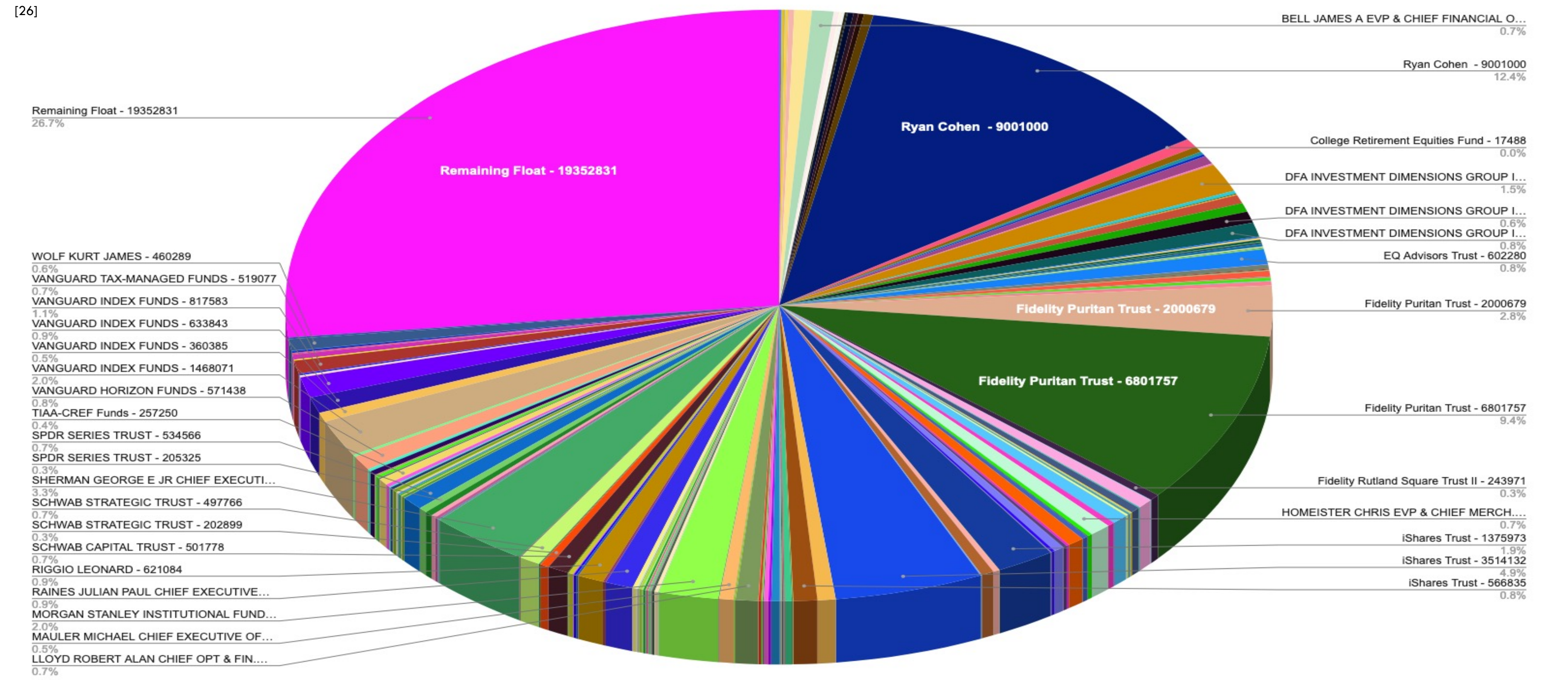
This chart can be found reprinted larger in the presentation appendix

TIMELINE (Q4 2019 – Q3 2020)

- The above chart provides a visualization of fail-to-deliver (blue), volume (red), and price changes over time (green), more on their relevance is provided on slide 11
- This chart's primary purpose is to provide a cited timeline of data points which impact the long-term viability and credit rating of Gamestop as a company while also noting the correlation of these public announcements with spikes in fail-to-deliver shares
- Multiple credit rating downgrades are followed immediately by volume and Fail-to-Deliver spikes with increased short selling
- The share price has now dropped to an all-time low of ~$3.50 per share
- Available shares in float are relatively low. As shorts increase so does buying pressure
- Immediately following the private offer announcement, the Fail-to-Deliver and volume spike. We also see price moving up with increased buying pressure as share availability decreases

So, what's a float and does it matter?

Remaining float calculated with a 5% error[1]

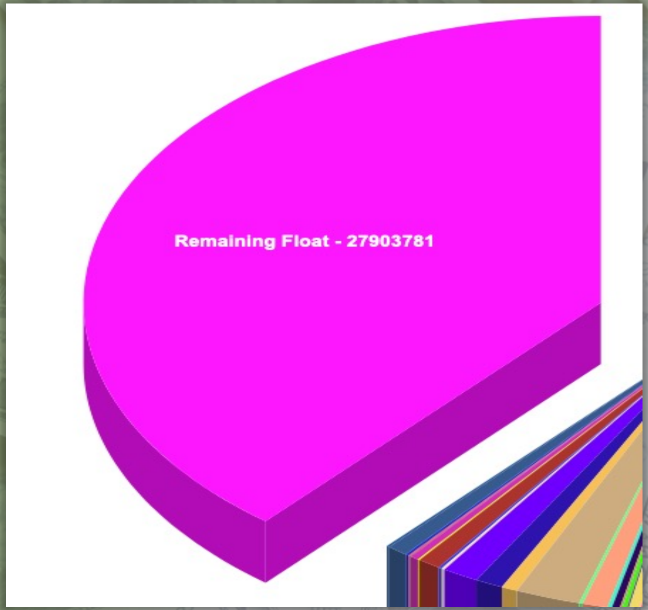


A stock's Float is the number of shares available for trading to investors. It is calculated by subtracting any restricted[2] shares from the total of outstanding shares available. Gamestop has issued 69.75M Outstanding Shares and reports 45.16M shares in their Float.[3]

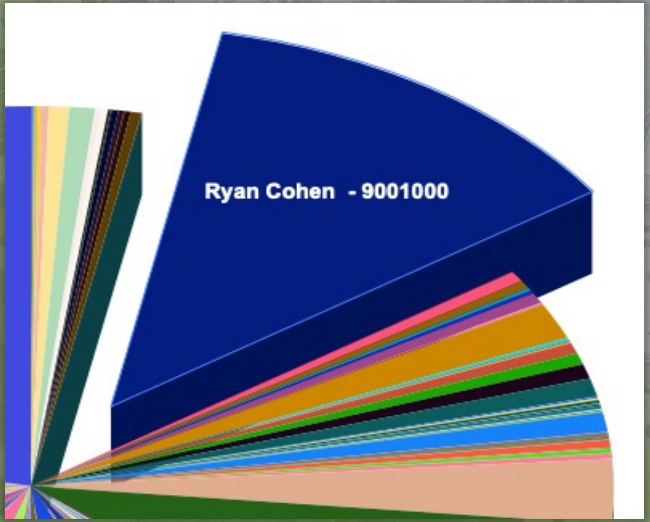
Mutual Fund and board member holdings are typically included in this Float HOWEVER these "closely held" shares are very unlikely or, in some cases, unable to be loaned out for short selling. The "remaining float" identified in the chart above provides an approximation of the number of shares "available to short sellers" as of 12/31/20.

1. 5% error to accommodate unknowns regarding "restricted" shares for long-term insiders who may not have passed vested periods for holdings
2. Restricted shares are largely those held by company insiders which are prevented from being transacted through normal market means until properly vested or otherwise according to company by-laws.
3. This is as of the 12/31/20, end of year, required SEC reporting period

...so, that means....



Remaining float calculated with a 5% error



Removing Mutual Funds, which are unable to sell short and Insiders, who are unwilling to sell short, the approximate remaining float (w/ a 5% error) is, prior to August 2020:

~27.9m shares

This means that the highest number of available shares to be shorted at any given time SHOULD be ~27.9m...

We know from reported short volume that GME has been over shorted for years but ~27.9m shares is a good amount of room for short sellers to move in order to continue making a profit and driving the share value down.

Then... the unthinkable happens...

Ryan Cohen (former CEO of CHEWY) buys 9m shares of GME.

Joining the board as a 12.9% owner, his venture firm, RC Ventures, has committed to providing GME capital for outstanding debt.

Cohen's purchase cuts ~32% of the Float in a single day while immediately increasing the value of GME by bringing, with him, access to capital and positive press. As GME share prices begin to climb, the available float is now:

~19.3m shares

NOW IT GETS COMPLICATED

I know what you are thinking, NOW?!

It is important to note that, prior to this point, the data provided was deeply rooted in verifiable facts, numbers, and sources. From here, there is a much more speculative approach taken. While I am confident in the assumptions supporting the data below, no speculative thought is without error.

Remember the logistics of a successful short game is to continuously short and hope the price continues to drop. In this way you are "always" selling the borrowed shares at a higher price than what you are buying the returned shares at, thus always making a profit.

There are two things which make this extraordinarily difficult. These are the key pieces of this theory, they are: **Available Float** and **Share Price**.

The details to the right may be helpful as well →

Glossary:

[22]

Disclosed Short – When a share can be borrowed. Due to market "stability requirements" some Disclosed shorts are understood to be Naked shorts.

Naked Short – When a share is "borrowed" without being available to borrow. Note that naked shorting is an expected occurrence in the market due to various factors, including settlement periods. Intentional naked shorting, however, is illegal.

Fails to Deliver (FTD) – Due to the "stability requirements" of Disclosed shorts, an investor/trader has T+2[1] market days to return the borrowed shares. According to REG SHO Rule 204, this is T+6 if shown as a result of "market making activities". If the borrowed share is not returned in this time, it becomes a fail-to-deliver.

Importantly, the "stock borrow program" and move to full electronic stock trading, implemented in 1981, made the possibility of "counterfeit shares" a reality as all electronic transactions treat the "borrowed" share as a trusted, and completed, transaction. This includes assuming the return of the borrowed share has already happened, immediately upon transaction. Following an initial T+5 window of return, the FTD can persist for additional 8 (13 total) consecutive settlement days before the broker's short-selling is restricted.

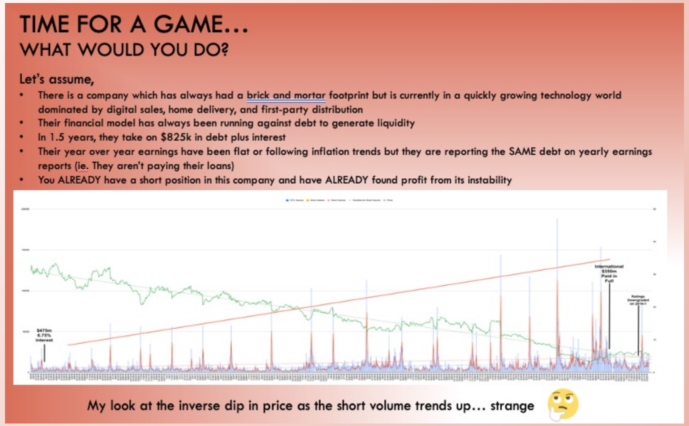
According to REG SHO Rule 203(b)(1), it is the responsibility of the broker to monitor and ensure that they always maintain the ability to "locate" the shorted share by this due date. They are responsible for policing the participant and any future short selling on that equity.

[23]

1. The settlement cycle is known as "T+2" — shorthand for "trade date plus three days." When you buy securities, the brokerage firm must receive your payment no later than three business days after the trade is executed. Any reference of "T+n" refers to the number of market days following the trade/transaction date.

CONTINUING THE GAME…

Last we left our game on slide 6, we were deciding what we would do if handed a proverbial cash cow by shorting GME for 4+ years.



Now, let's add in the latest data from the last few slides, and see if it changes our mind.

The Recap

- Between 11/2019 and 5/2020, GME had a progressively more negative credit ratings as it continued to look like more of a certainty that they would default on their $475m bond in the next 12 months
- The available float was ~27.9 million shares, 40% of ALL outstanding shares. Low enough to be "owned" almost entirely by Shorters but high enough to be "safe" from external buying pressure.
- Because of the continued shorting over 5+ years, the share price is ~$4. While low, no external investors are touching it because of the negative credit risk, the 5 year steady downward trend, and the looming demise of the company.
- Most importantly, because of the three critical points above, there is a definitive end of life at 3/15/2021 due to their bond maturity date.

Remember back to slide 3, when we learned about the Bankruptcy Jackpot? As a short seller, you make profits on the difference between what you sold the borrowed share for vs what price you were forced to buy it back at. **BUT**, in a Bankruptcy Jackpot, the company goes under and the total amount that you have shorted and NOT yet returned, is **ALL…...**

THE FTD SQUEEZE

Why this squeeze is NOT the VW squeeze, a Gamma squeeze, or any other squeeze that has been squoze.

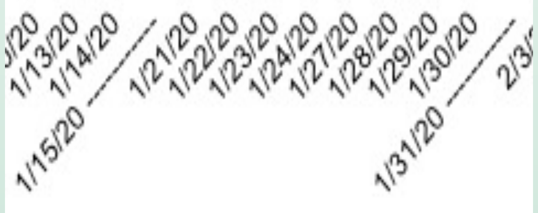
Did you, like the Shorters, choose to bank on the imminent failure of GME and realize that the MORE open shorts you had for GME, naked or not, would mean more money for you when the retailer finally fell? If so, then I suppose your next question is what about those pesky "fail-to-delivers"? Have I got a plan for you! 😎 🤑

Check this out

The timeline below shows the FTD report dates from the U.S. Securities and Exchange Commission (SEC). This report tells EVERYONE just how many FTDs WERE floating for a specific stock. You can only "carry" a short-sold share for 2 days (T+2), before it is required to be reported to the SEC and added to this list.

Let's assume you borrow and sell a short on 1/15/20, you should deliver it by 1/23/20, assuming there are shares to trade, this is easily done. But let's also assume that "everyone" is shorting and there are only 24.1m shares in float. How do you "push" the date of delivery on that share? You simply short again.

I know that may SEEM counterintuitive because you are just digging deeper into hole but hear me out!
Because of Continuous Net Settlement, the shares that you shorted have already been "returned" and very likely borrowed again for future shorting. This naked shorting is an accepted expectation of the market, allowing it to move forward without getting stalled behind settlement periods. So, if you borrow again, you can return that newly borrowed share instead and just kind of "kick the can" down the road.



Here's the timeline:

1. You borrow 100 shares from Broker A, to sell them for $10/per share
2. You owe those 100 shares to Broker A, so you go to Broker B, borrow 100 shares, immediately giving them to Broker A (+$1000)
3. You owe Broker B 100 shares, and the share price is $5/per share. You buy 100 shares at $5/each and give them to Broker B (-$500)
4. You now owe 0 shares and have made a $500 profit just by juggling some shares you never actually owned
5. What if we back up a step and imagine that you didn't buy in Step 3 and, instead borrowed from Broker C to satisfy Broker B.

Now imagine the 100 shares Broker C gave you to cover your shares owed to Broker B were borrowed shares that someone else borrowed from Broker A… now imagine they were YOUR shares 😱

If you are thinking, "what is the big deal" if GME is going to fail and the Bankruptcy Jackpot is inevitable, then what does it matter how long we "kick the can down the road". If shares are available to borrow, just continue borrowing, shorting, and profiting until 3/15/21.

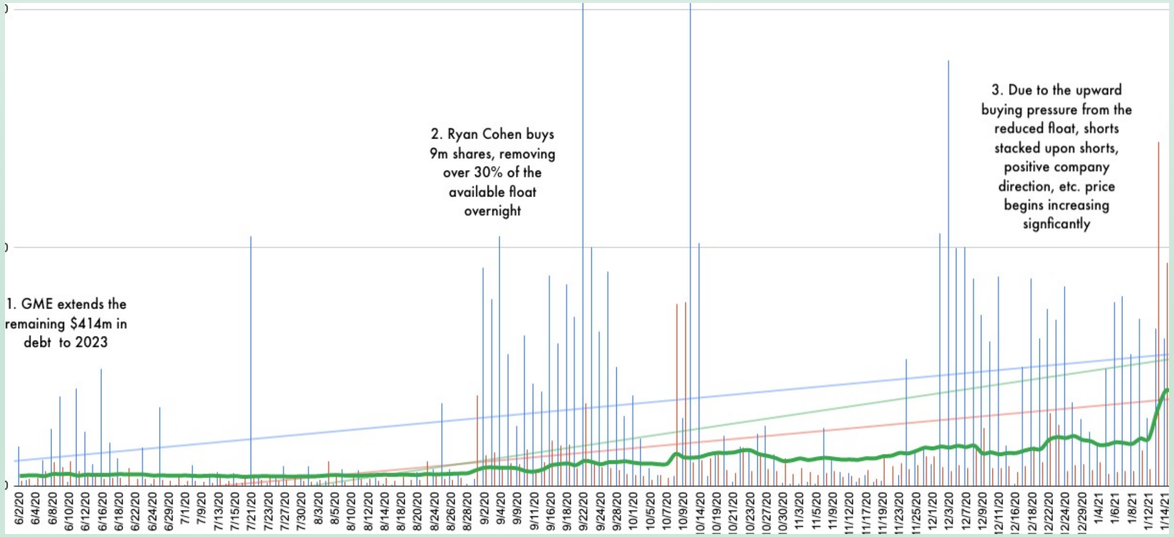
Congratulations… you are thinking like a Hedge Fund now!

THE FTD SQUEEZE…CONTINUED

Now that we know the what, when, why, and how, let's look at the why not?

For this, we need to understand a bit about risk models. A few things we should consider as truth:

1. Banks, hedge funds, etc. are NOT dumb
2. They do NOT take risks lightly
3. As much as they like making money, they REALLY don't like losing it
4. They have been running risk models on Bankruptcy Jackpots for years
5. Even the best risk models have oversight and unrealized variables
6. Risk acceptance is based on a risk tolerance defined within these models

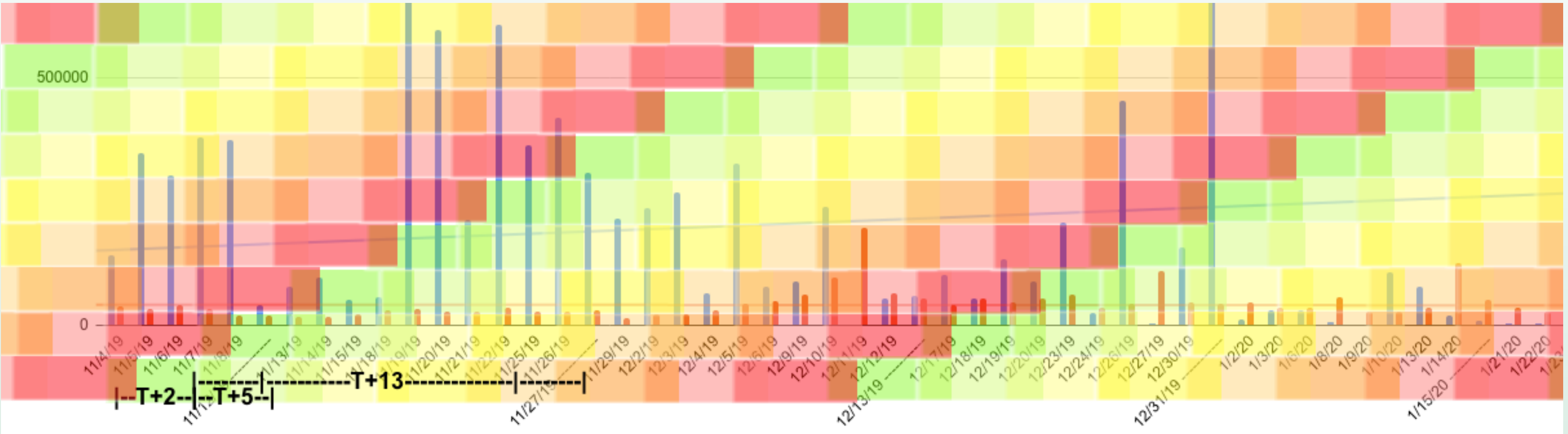


With that in mind, what are the risks here, as of May 2020?

1. GME pulls out a market changing win in 9 months which saves the company from certain bankruptcy
2. An external investor steps in to dramatically cut the available shares we have to us, forcing us to fight against our own shorts to avoid the FTDs
3. The share price suddenly starts spiking, pushing all our shorts out of the money, as we now need to buy them at a higher rater than we initially sold them

Oops………

THE FTD SQUEEZE…VISUALIZED



As a short seller, the above visual example, demonstrating the consistent and predictable borrowing and subsequent return of shorted shares over time, would be ideal

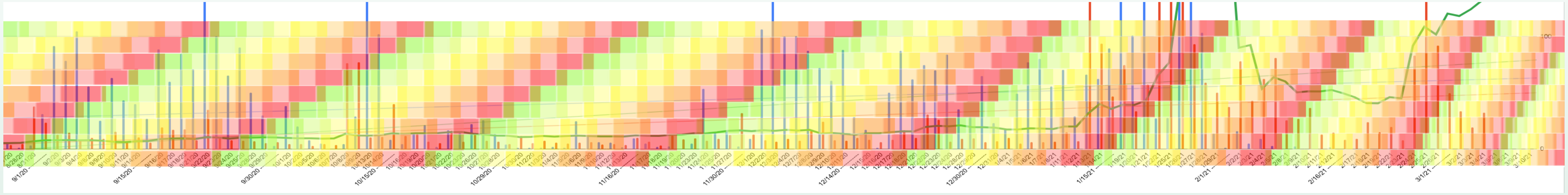
- Borrowing, then returning the shorted share within the T+2 period is most preferred (green), so the share is not identified as a Fail-to-deliver.
- At T+5, the broker is required to begin "locating" the share
- At T+6 (yellow), the expected limit of return based on transaction settlement delays has been reached. The broker can now assume that the return delay may be a result of share availability and, if this is a broker's transaction, this is the point it is considered an FTD, NOT the T+2 above
- T+13 (orange) is the point at which, if the broker has not "located" the share, they will be restricted from accepting any short a short sale order in any equity
- The reason this is not the "redline" is because the broker's "locate requirement" can be satisfied by another borrowed share and, in doing so, the broker's "market making activity" would have an FTD of T+6 instead. That borrowed share would also follow its own T+13 settlement period

Notably, if shares are available in a stock, this process of borrowing, delayed returning, and reborrowing could theoretically go on for years unabated. If shares are available, the limitation in shorting is managed only by the broker's decision to allow it continue.

In a Bankruptcy jackpot, specifically, I continue to pull in cash, hand over fist, while the value of the company plummets. With shares available, I run back-to-back shorts, pushing the FTD dates out to the last possible moment, before purchasing to cover, while continuing to short relentlessly, to maximize profit. Brokers continue to grant me short selling opportunities since shares become more available as the price drops and investors exit their positions. As we get closer to the day of reckoning (3/15/21) I become more confident that there is no exit strategy available to the company and within ~1-2 months of the default day, I don't even care about covering shorts anymore because I'm that confident in their imminent demise… What could go wrong?

Editor's Note:
To clarify, this FTD squeeze cycle, always existed and still exists for the thousands of shorted tickers across the market. THIS squeeze is so unique because the perfect storm outlined in the previous few slides has created an untenable time bomb. If future regulations are not put in place to manage the causes, it <u>will</u> happen again, and the next one could have a much broader impact on the market overall.

THE FTD SQUEEZE…WHEN RISK MODELS FAIL…



As you can see above, as we move closer to today, several factors cause the "ideal" management of my shares to be compressed

- Based on the previously defined cycle, there is an approximate timing of 15-20 days a share can "float", as first borrowed and then as an FTD, before needing to be resolved via a replacement share (ie. counterfeit or actual)
- This timing is largely dependent on available shares, controlled shared pricing, and risk-loss models
- As a result, risk models at both brokers and short sellers, would only allow a certain number of shorts to process and would be tightly controlled via algorithms
- In anticipation of a Bankruptcy Jackpot, however, the defined end of life allows for the risk model tolerance for loss-risks to be increased, depending on their calculated probability
- This means that as time went on, shorts were processed with higher frequency and the identified risks around **Available Float** and **Share Price** were lowered. This pattern can be seen in the chart above which shows increased spikes in FTDs as the defined Bankruptcy Jackpot date (3/15/2021) approaches
- With the bond extension in July 2020, this end of life was no longer certain and the FTDs, for 1.5 months, dropped to the lowest aggregate value GME had seen in nearly two years
- On August 30, 2020, Ryan Cohen purchases over 30% of the float and, as a board member, his shares are restricted from shorting
- This vote of confidence also causes the share price to increase 40% in 48 hours; it will never dip back to its original value
- In less than two months, the three key pieces of a successful Bankruptcy Jackpot (defined end of life, available float, and controlled shared pricing) are now gone and the FTD squeeze begins

Editor's Note:
The timelines/dates presented above are approximations based on market conditions. The scale used it to provide an example of the squeeze's impact over time on short sellers and should not be used as a defined projection of timing, share price, or investment direction

THE FTD SQUEEZE…UNCOILING THE SPRING

…without releasing the tension all at once

One of the best ways to visualize this is to think about short selling, particularly the short sellers and broker involvement, as several springs under growing tension from each other. Like springs in a mattress, pressure applied to one, is distributed in some way across them all. Over the last five years, each spring has coiled tighter, increasing tension overtime shorters continue to squeeze life from the stock. This tension can be released in a finite number of ways.

1. **A Bankruptcy Jackpot -** The spring breaks. When the company goes under, tension is relieved without catapulting stock value, shorters make their profits, and the market stabilizes.
2. **A Traditional Short Squeeze -** The spring springs. All tension, eventually, is unable to be contained and it releases sending the "long" investors to the moon. Shorters experience large, typically single-incident, losses and the market stabilizes.
3. **An FTD Squeeze -** The spring springs several times. The FTD cycle's share location requirements under a severely limited float and extraordinarily high amounts of over-shorted volume, cause the spring's tension to release in waves of lessening strength, but at higher prices, over an elongated period. These multiple-incident losses are necessary as the length of the squeeze, and limited float, require a consistent additional tension to be applied throughout the slow release. Shorters experience larger, multiple-incident, losses and the market stabilizes once the tension is returned to a manageable level given the reduced float and buying pressure.[1]
4. **Uncoiling the Spring -** The spring never fully springs. All tension is eventually released as the tightly wound spring "uncoils" over time. As more shares are made available, the tension will decrease proportionally, and the market stabilizes once the tension is returned to a manageable level. Like the FTD Squeeze, this requires a consistent additional tension to be applied throughout the slow release however it relies on the available float increasing. The buying pressure becomes the difference between the Uncoiling and the FTD Squeeze. In other words, the share price increases as buying pressure increases, if the float never changes, the ability to uncoil takes significantly longer and, in the meantime, the FTD Squeeze continues.

Note that the largest difference between the FTD Squeeze and Uncoiling the Spring is perspective. As shorters "uncoil" their position, the FTD Squeeze continues. If buying pressure levels are controlled, the losses to shorters are large but manageable and, most of all, predictable. If buying pressure changes, losses are unpredictable and could be staggering as the tension will STILL need to be relieved and, if the float remains largely unchanged, the "floor" would have been raised significantly.

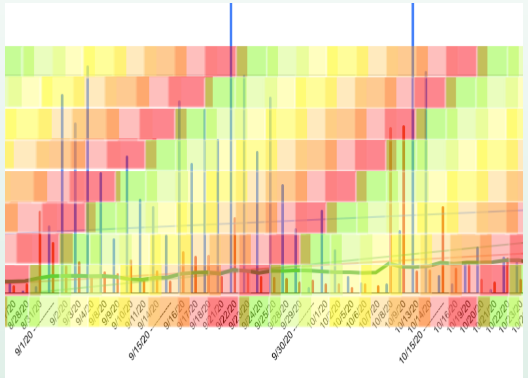
In all cases, the spring tension is increased by shorters creating FTDs which are required by brokers to be returned. As this is only possible via additional shorting, every new shorted share is additional tension applied. The lower the available float the more likely shorters are to continue shorting to cover the FTDs, which increases the tension, compounding the pressure.

Editor's Note:

The information presented above is based on market observations. The example provided is an estimation of the squeeze's impact over time on short sellers and investors. It should not be used as a defined projection of timing, share price, or investment direction.

1. The concept of the "Interstellar YoYo Theory" tracks very closely to the FTD Squeeze, with the exception being that the "YoYo" does not project an end but rather a continuous, largely homogenous, wave form which moves forward in perpetuity as short sellers continue to gain and then subsequently lose ground on covering shorts. This theory does not consider the FTD "locate requirements" placed on the brokers in the event of an over-shorted stock with a limited float. [27]

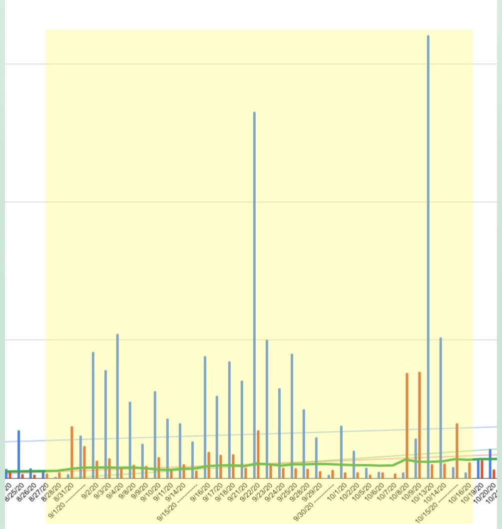
THE PANIC OF THE FTD SQUEEZE



With the elimination of ~30% of available shares to trade and the price beginning to climb, the best case 15–20 day FTD cycle is already starting to lower. But why?

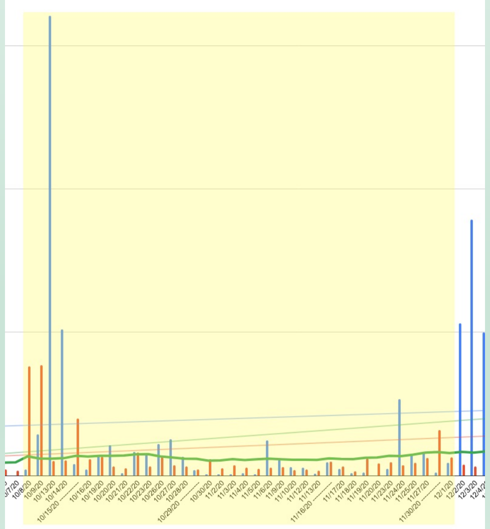
REG SHO Rule 203(b) states that, in the event FTDs are not resolved, the brokers are held responsible for their return. If, after the full settlement period, they haven't been returned the broker is prohibited from accepting a short sale order in any equity security, or effecting a short sale order in an equity security for its own account, until ALL FTDs have been located. Notably, this "location requirement" is satisfied if the broker is able to successfully 1) borrow the security; 2) entered into a bona-fide arrangement to borrow the security; or 3) establish reasonable grounds to believe that the security can be borrowed so that it can be delivered on the date delivery is due. [23]
Put simply, the only way to clear the FTD short is to provide the actual share OR short it again.

To remain solvent themselves, the brokers, as FTD location requirement dates near, begin limiting available short options because they know the limited float means the shares shorted are unlikely to be returned within the allotted time period. By limiting shorts, they ensure that shares returned are unlikely to be further naked shorts which protects their ability to continue short selling to other clients and within other securities.



The 1.5 months immediately following Cohen's 9m purchase could not have been more different than the 1.5 months preceding it.
Along with a significant hike in volume and an uptrend slope in value, the FTDs as there were suddenly not enough shares to continue shorting at the same level. In addition to the brokers limiting short selling opportunities, additional investors suddenly began buying in; perhaps smelling blood in the water…

10/13/20 saw 1m+ FTDs followed by a period of very little volume and very few FTDs, by comparison. How? One interesting coincidence from October and November 2020 was approximately 850k mutual fund and 500k ETF GME holdings were sold… to someone.
In either case, you can see the relief was short-lived as the FTDs would be consistent from 12/1/20 on.



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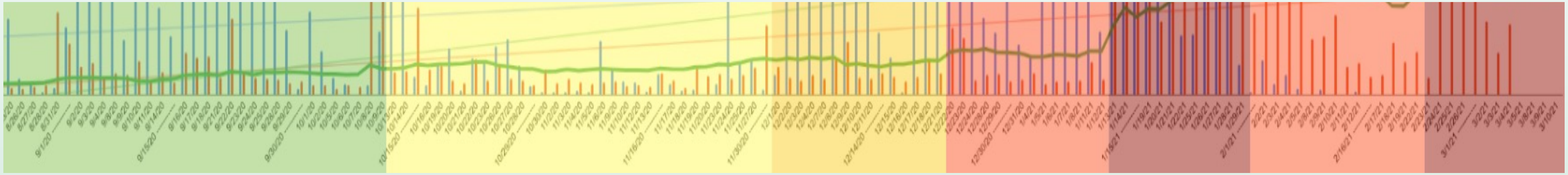
THE FTD SQUEEZE CYCLE NARROWS

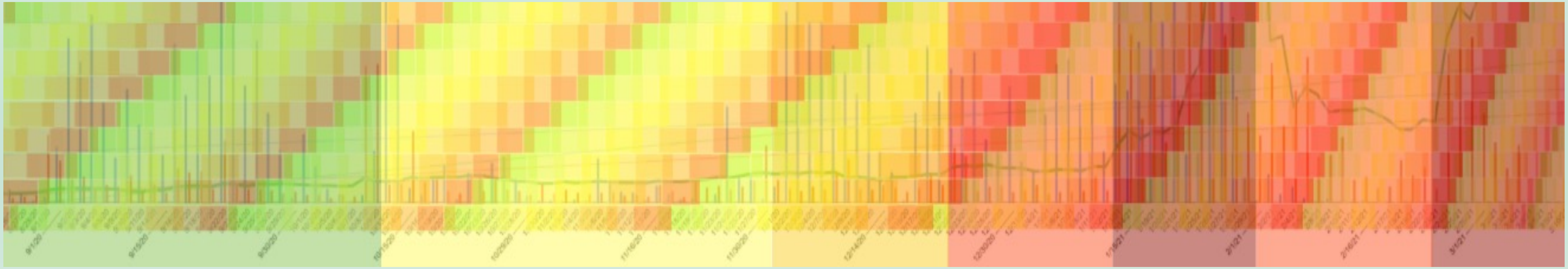
The walls are closing in and there is writing on them…

The chart below represents a possible breakdown of "pressure walls" as a result of the FTD location requirement dates. While the T+2 settlement dates overlap as we saw in previous slides, the broker must take steps to close the identified FTDs at T+5 and will expect them to be "located" by T+13 at the very latest since any shares beyond that would restrict their ability to accept short sale orders generally.



The assumption is that the dates with significant changes (up or down) in total FTD followed by equally significant changes (up or down) in volume would signify an attempt to cover as many FTDs as possible prior to the location dates and/or defined "delivery" dates required of the short sellers by the brokers.

The below chart overlays the proposed delivery squeeze of FTDs over time on top of the FTD pressure walls identified above. Notice the relative alignment of FTD volume spikes with the delivery squeeze followed by drop offs in the middle of the pressure walls as the delivery pressure is relieved. Also note that, as the FTD squeeze continues, both the delivery period AND pressure walls narrow. This is because shares are becoming less available which is causing the brokers' location requirement periods to be narrower as well.



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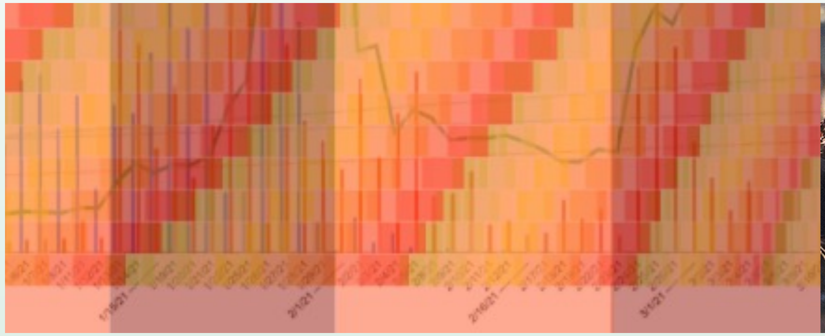
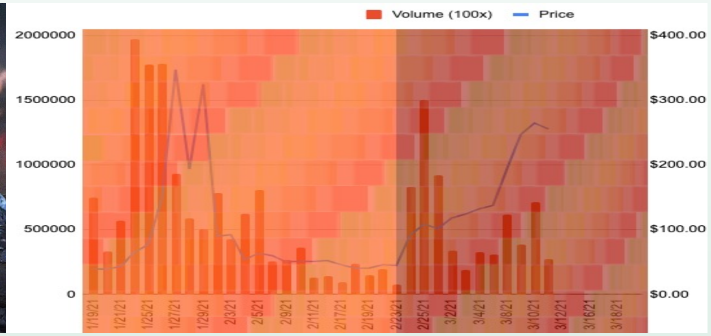
THE FTD SQUEEZE … ENDGAME

The snap is inevitable… but, just for fun, let's circle back to our game…





Alright Thanos, when we last left the game (which, you just lost BTW) we were positive that the 3/15/21 maturity date, the 27.9m float, the poor credit rating, the brick-and-mortar business model, and a global pandemic would deliver the Bankruptcy Jackpot into your hand. Now, we are ~8 months on, the end of GME should be a week away but you are staring at red balance sheets while Redditors are seeing green and, worst of all, you know you can't stop it. Why?

<u>Buying pressure</u>… in the end, that is what will do you in. Buying pressure that YOU must apply because YOU can't deliver the shares otherwise. Sure, you can return some legitimately, but the vast majority continue to be naked. For example, let's assume you are over-shorted 60m shares and you potentially buyback 5% (~750k) of the available float each day. But you are so over-shorted from before the FTD squeeze began that you are only able to cover ~1.25% of the total shorts you are required to deliver. This example also doesn't account for the continued growth of your over-shorted position as, the only way to satisfy the FTD "locate requirements" of the brokers is to continue borrowing from others. Also, every day fewer shares are available because those around you are in the same position. All of you, forced to borrow and sell short, digging yourselves deeper, in order to "push the goalpost" until the buying pressure is more than you can contain, at which point the spring tension is eased, the pressure walls widen, the price increases, a new "floor" is created, and the cycle begins again. This continues in narrower time scales until the tension is fully released, by the spring snapping (the Bankruptcy Jackpot), the spring releasing all at once (Traditional Short Squeeze), or all shorts all covered (Uncoiling the Spring). All of these are still viable endgames to the FTD Squeeze as it must end eventually. Currently, however, the house is burning, and a bunch of armchair quarterback quants have linked arms and are barring your only emergency exit.

Every news report, good or bad, every government hearing, every notable tweet is a catalyst that could push the buying pressure too high to maintain. Until then you will slowly bleed as the pressure walls become closer and the FTD squeeze periods get narrower, as shorts continue to be shorted and shares continue to be unavailable. You know, as others do, that when the FTD squeeze aligns with the buying pressure walls, the stones have been gathered and the real snap occurs. You may have been inevitable but…

Editor's Note:
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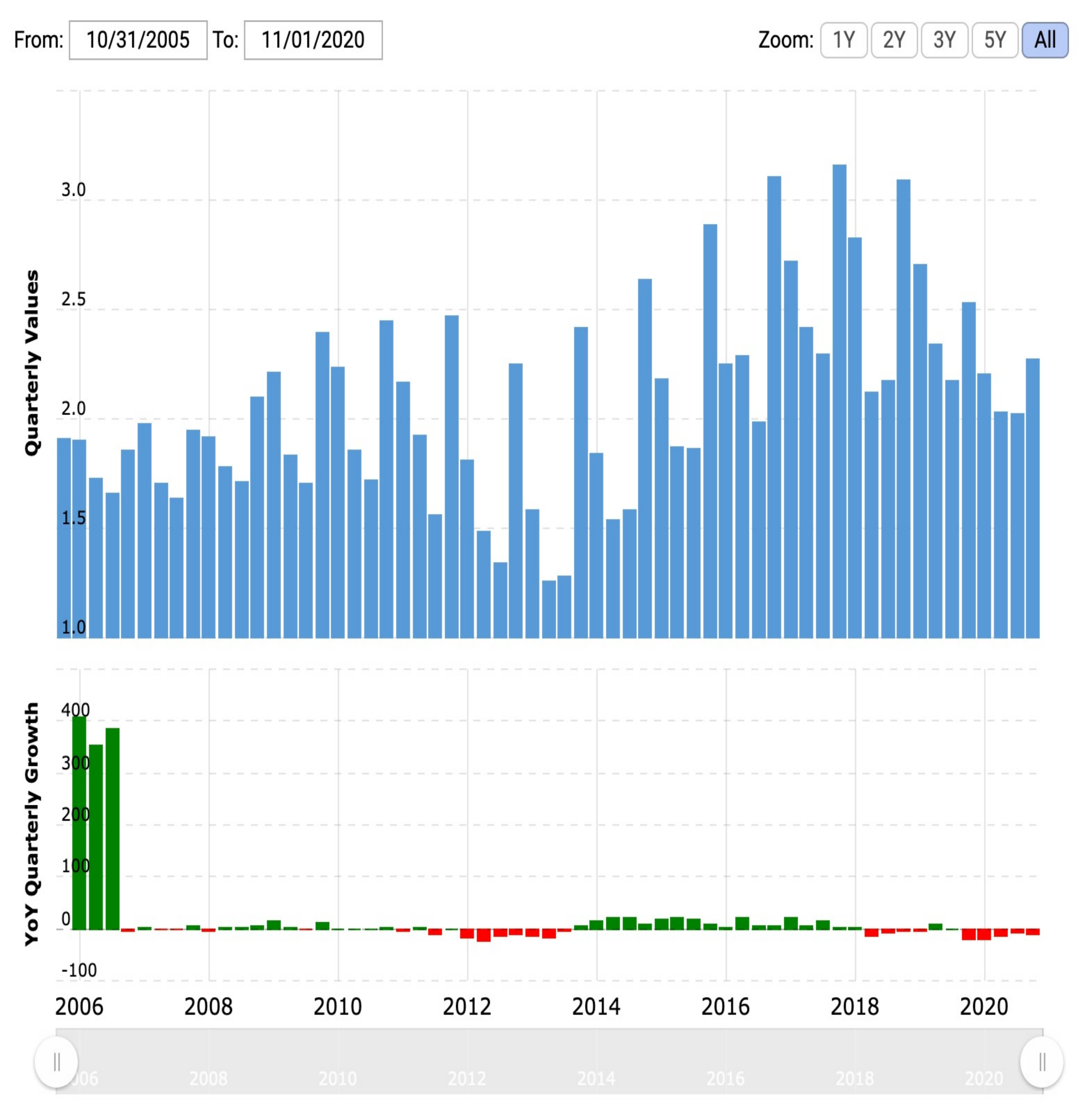
THEY ARE DIAMOND HANDS

Editor's Note:
The timelines and data presented in this presentation are approximations based on market conditions and data. They should not be used as a defined projection of timing, share price, or investment direction. The purpose was to provide a speculative, but informed view, on where we currently sit in the battle for GME. This is not meant in anyway to be hype. Trust the DATA, not the HYPE. While being informed and honest about your personal financial knowledge, situation, and goals.

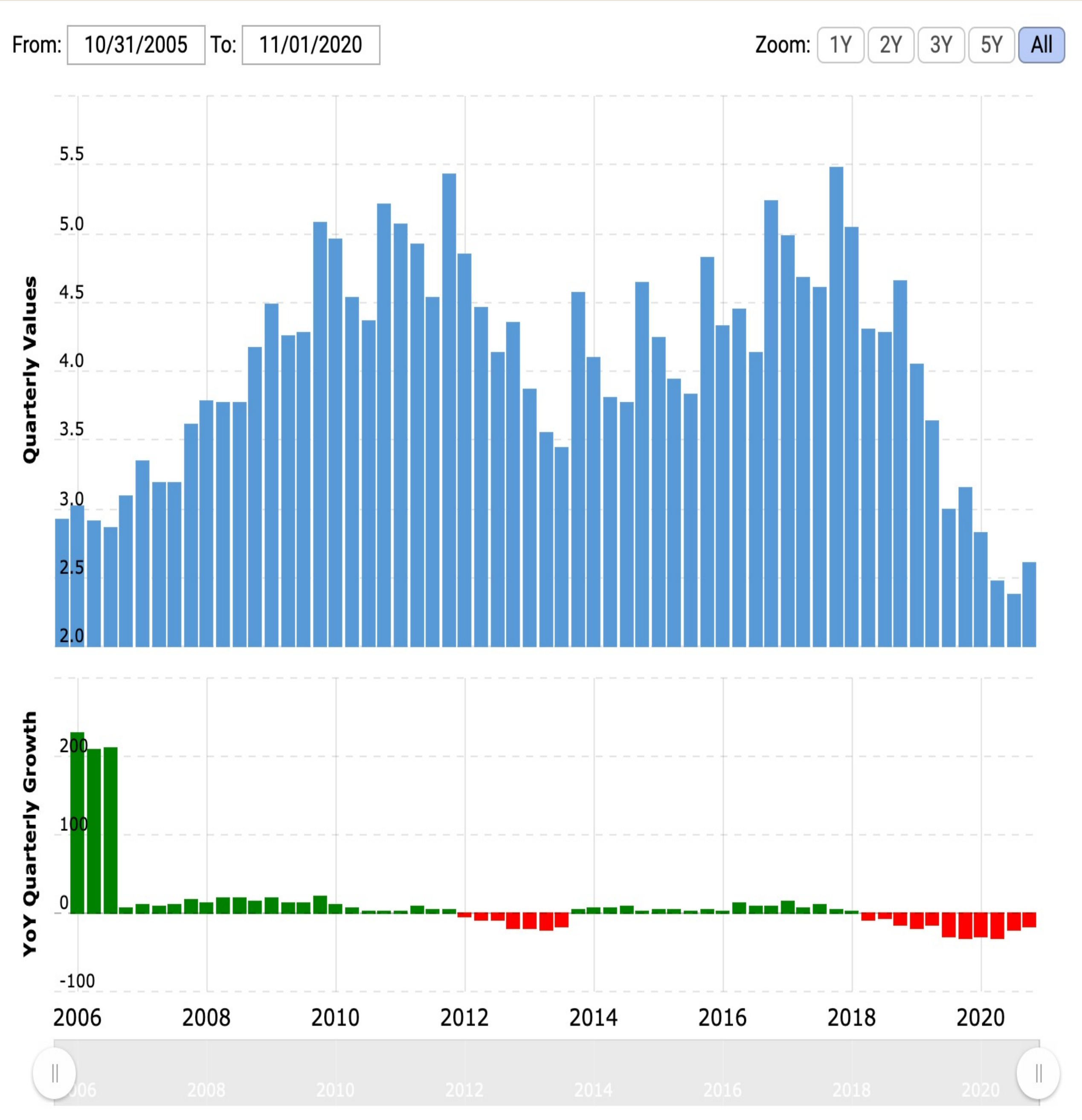
APPENDIX I
SHORTS VOLUME 2014-PRESENT

APPENDIX II
GME TOTAL LIABILITIES/ASSETS 2006 - PRESENT

GME Total Liabilities [5]

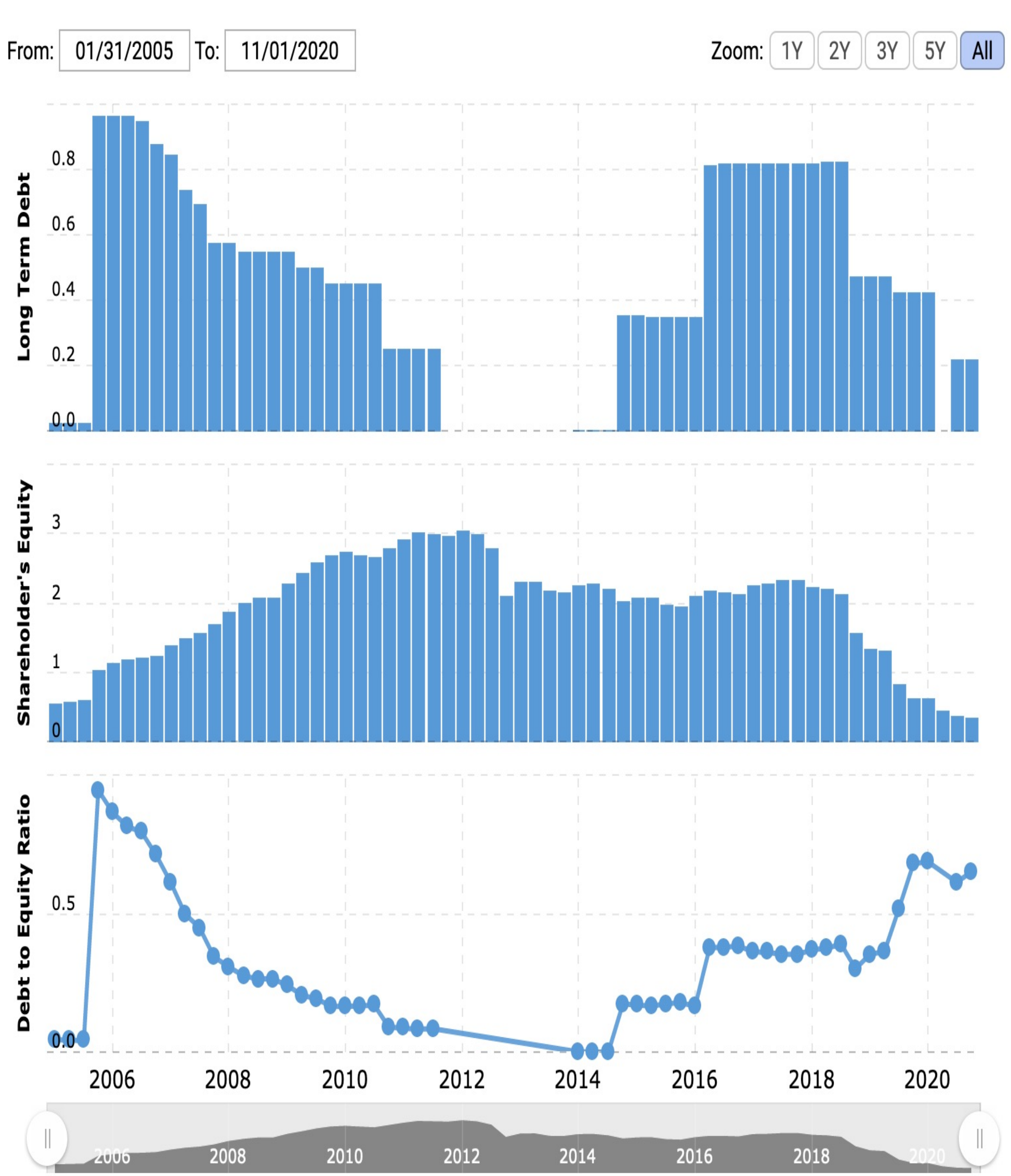


GME Total Assets [5]



APPENDIX III
GME DEBT REPORT (06-20) AND FINANCIAL SUMMARIES (15-20)

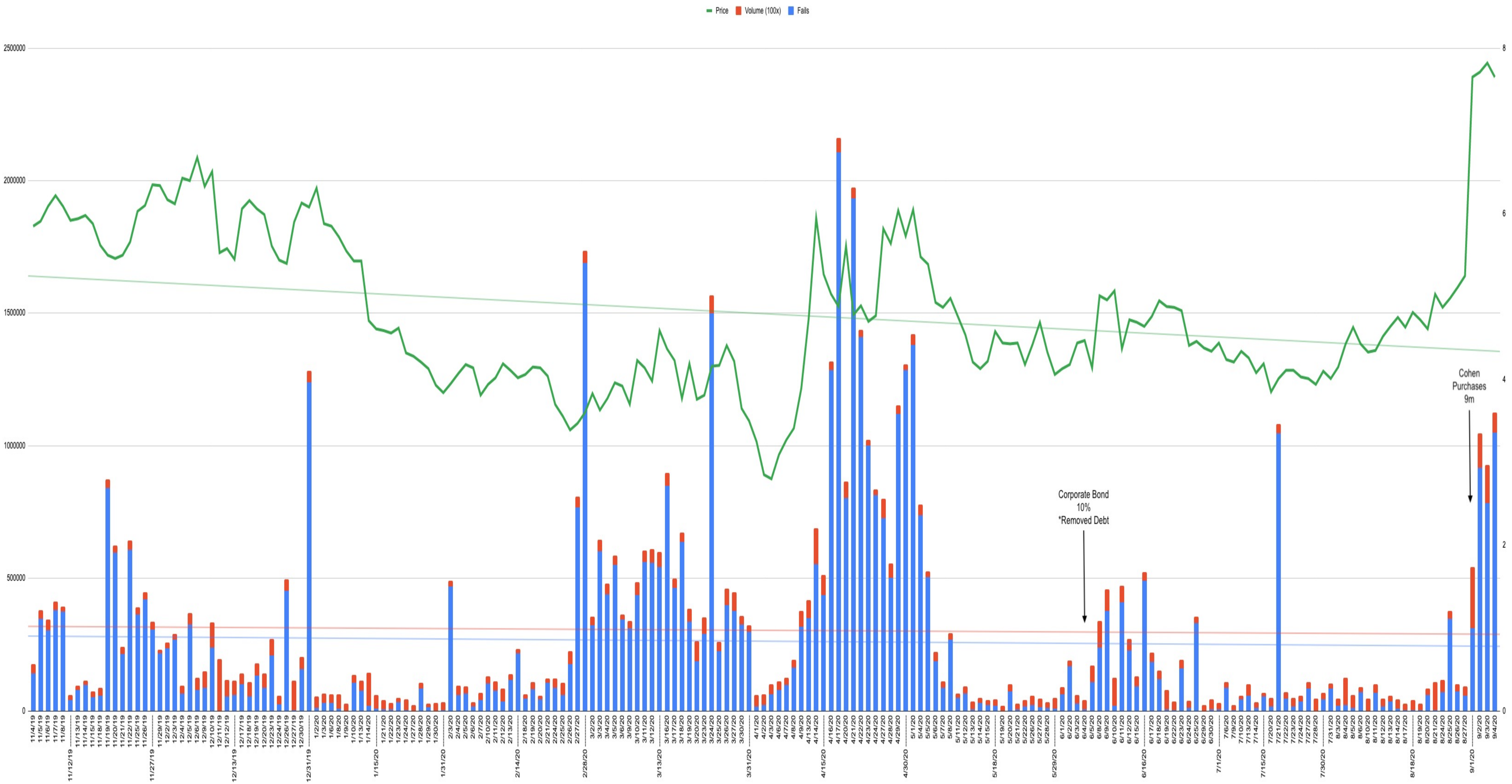
GME Debt to Equity Ratio [5]



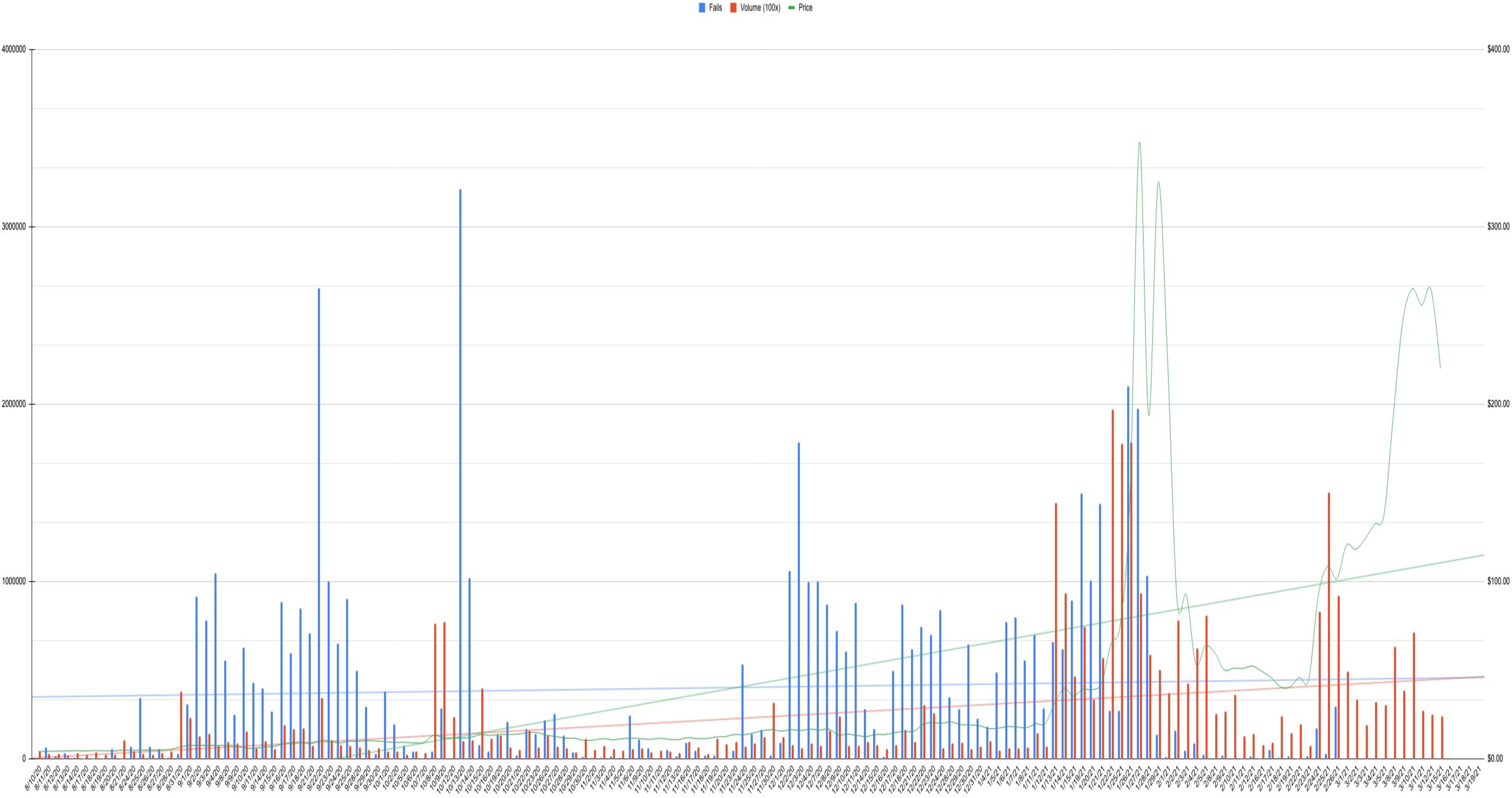
GME Annual Financial Summaries [5]

Annual Data I Millions of US $ except per share data	2020-01-31	2019-01-31	2018-01-31	2017-01-31	2016-01-31	2015-01-31
Cash On Hand	$499.4	$1,624.4	$854.2	$669.4	$450.4	$610.1
Receivables	$141.9	$134.2	$138.6	$220.9	$176.5	$113.5
Inventory	$859.7	$1,250.5	$1,250.3	$1,121.5	$1,163	$1,144.8
Pre-Paid Expenses	$120.9	$118.6	$115.2	$128.9	$147.6	$128.5
Other Current Assets	$11.8	-	$660.1	-	-	-
Total Current Assets	$1,633.7	$3,127.7	$3,018.4	$2,140.7	$1,937.5	$2,062.5
Property, Plant, And Equipment	$275.9	$321.3	$351	$471	$484.5	$454.2
Long-Term Investments	-	-	-	-	-	-
Goodwill And Intangible Assets	-	$363.9	$1,443	$2,232.4	$1,807.1	$1,628.2
Other Long-Term Assets	$60.1	$84.1	$71	$72.8	$62.2	$77.1
Total Long-Term Assets	$1,186	$916.6	$2,023.2	$2,835.2	$2,392.8	$2,183.8
Total Assets	**$2,819.7**	**$4,044.3**	**$5,041.6**	**$4,975.9**	**$4,330.3**	**$4,246.3**
Total Current Liabilities	$1,237.7	$2,181.1	$1,930.8	$1,761.5	$1,794.4	$1,639.7
Long Term Debt	$419.8	$471.6	$817.9	$815	$345.4	$350.6
Other Non-Current Liabilities	$21.4	$55.4	$73.4	$122.3	$79.9	$92.4
Total Long Term Liabilities	$970.5	$527	$896.3	$960.3	$454.9	$538.9
Total Liabilities	**$2,208.2**	**$2,708.1**	**$2,827.1**	**$2,721.8**	**$2,249.3**	**$2,178.6**
Common Stock Net	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1
Retained Earnings (Accumulated Deficit)	$690.2	$1,362.7	$2,180.1	$2,301.3	$2,169.7	$2,093
Comprehensive Income	$-78.8	$-54.3	$12.2	$-47.3	$-88.8	$-25.4
Other Share Holders Equity	-	-	-	-	-	-
Share Holder Equity	**$611.5**	**$1,336.2**	**$2,214.5**	**$2,254.1**	**$2,081**	**$2,067.7**
Total Liabilities And Share Holders Equity	**$2,819.7**	**$4,044.3**	**$5,041.6**	**$4,975.9**	**$4,330.3**	**$4,246.3**

APPENDIX IV
FAILS BY VOLUME AND FTD REPORT DATES 11/19-8/20

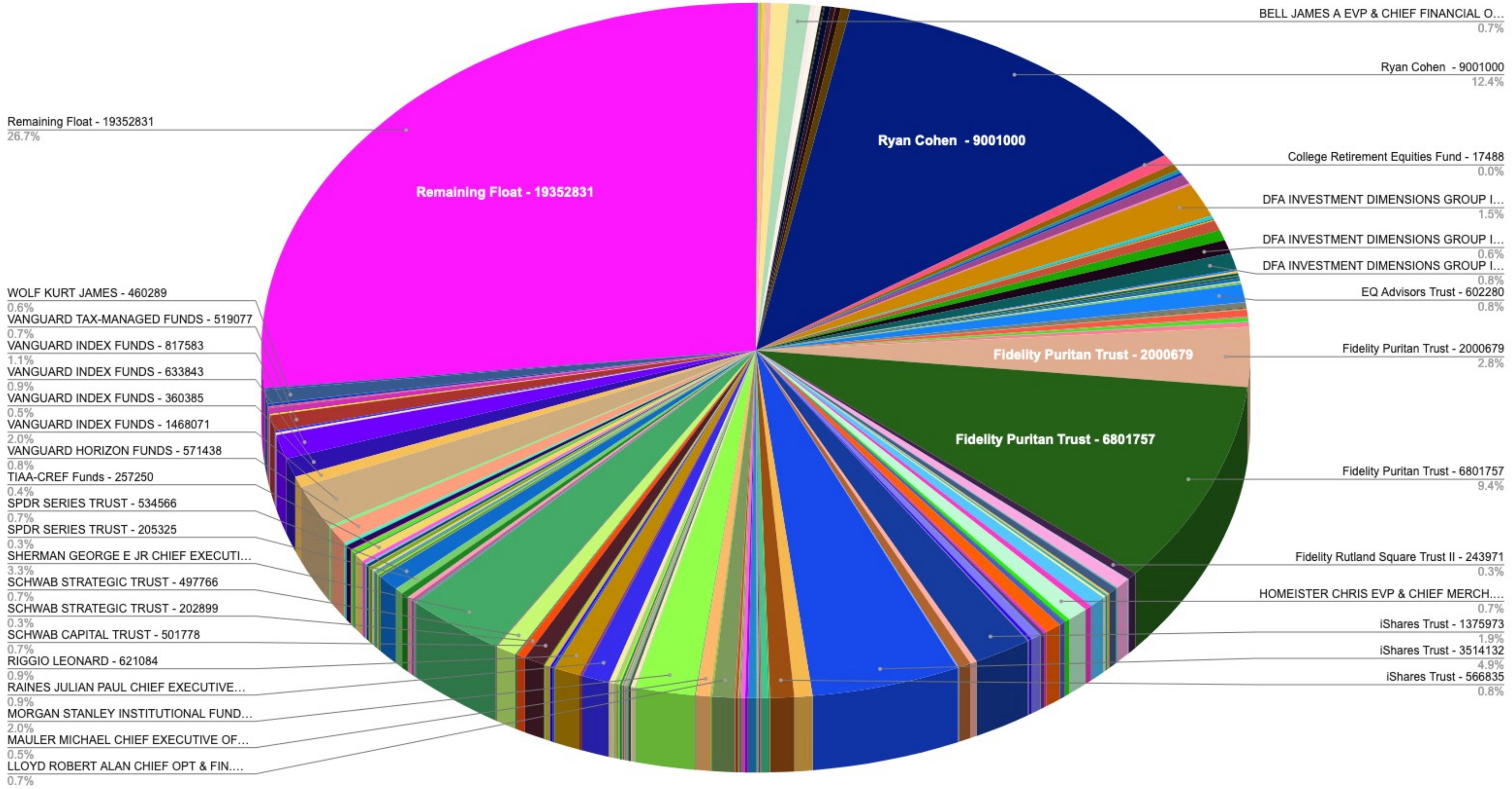


APPENDIX V
FAILS BY VOLUME AND FTD REPORT DATES 8/10-PRESENT

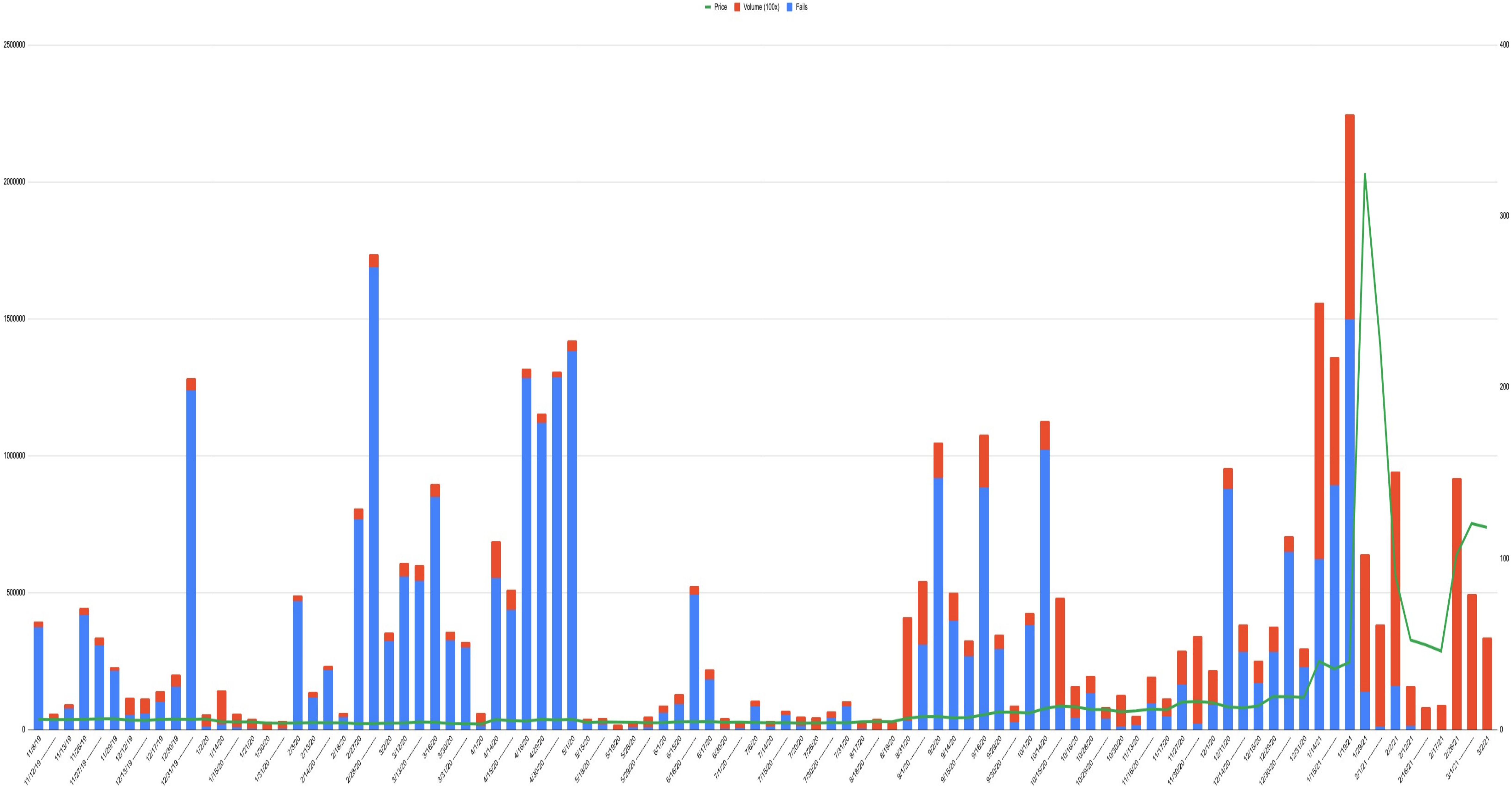


APPENDIX VI
ESTIMATED REMAINING FLOAT*

*includes 5% error

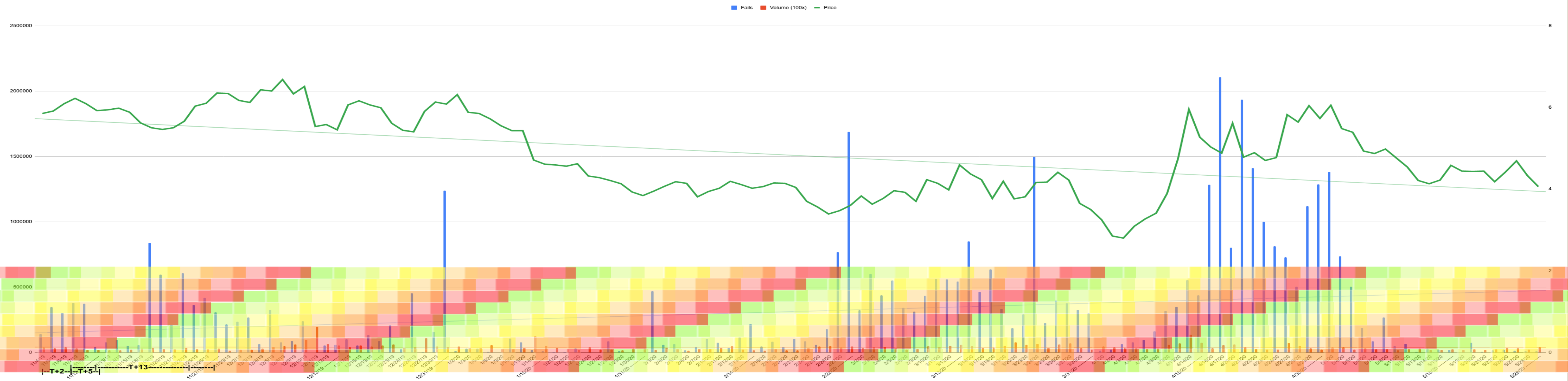


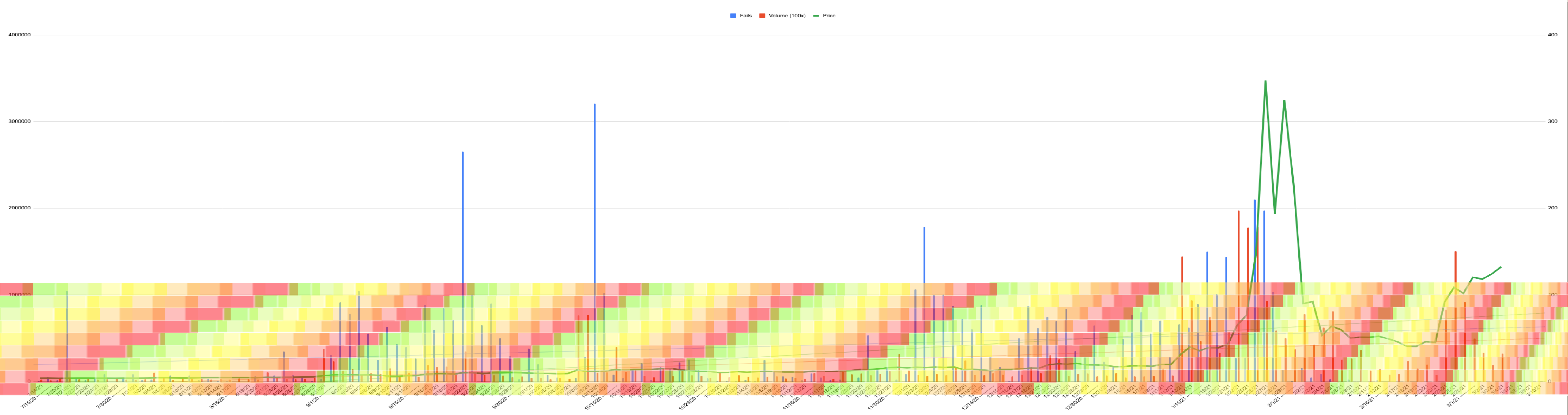
APPENDIX VII
FTD REPORTING DAYS +1/-1



APPENDIX VIII
FTD "LOCATE REQUIREMENT" BORROW/RETURN HEATMAPS 11/19 – PRESENT*

*Charts are meant to represent a **possible** visualization of the FTD borrow/return timings based on the known return windows





APPENDIX VIIII
SOURCES

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7. https://www.moodys.com/credit-ratings/GameStop-Corp-credit-rating-808528072
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19. https://www.bondpdf.com/entity/GameStop-Corp.-7bba8
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24. https://www.bizjournals.com/dallas/news/2020/10/14/gamestop-senvest-management.html
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27. https://www.reddit.com/r/wallstreetbets/comments/le6v6v/the_interstellar_yoyo
28. https://whalewisdom.com/dashboard2/mutual_fund/ncen_search

And many more in the last few months of digging and learning…

Also wanted to give a very special thanks to everyone who has contributed in any way to this data set. There are FAR too many to individually call out but the complete members list of the IAmNotAFinancialAdvisor.com Discord, is a good place to start. -Gaf

Trust the DATA, not the HYPE.

https://discord.gg/UDUZ4T6v

APPENDIX IX
CHANGELOG

6. 3/16/20 02:30 ET Initial public release
7. 3/16/20 03:30 ET Updated T+3 => T+2 throughout
8. 3/16/20 16:00 ET Updated FINRA on Slide 13 to SEC; Fixed macrotrends source link; Updated relevant charts to most recent FTD data
9. 3/16/20 17:00 ET Updated Discord link
10. 3/17/20 05:00 ET Updated Discord link; Updated “Remaining Float” based on additional DD regarding Mutual Fund bond holdings vs share holdings; Changelog format cleanup