

“Mechanics of Gamestop’s Private Offering of \$1.3 Billion of Convertible Senior Notes”

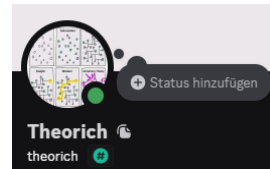
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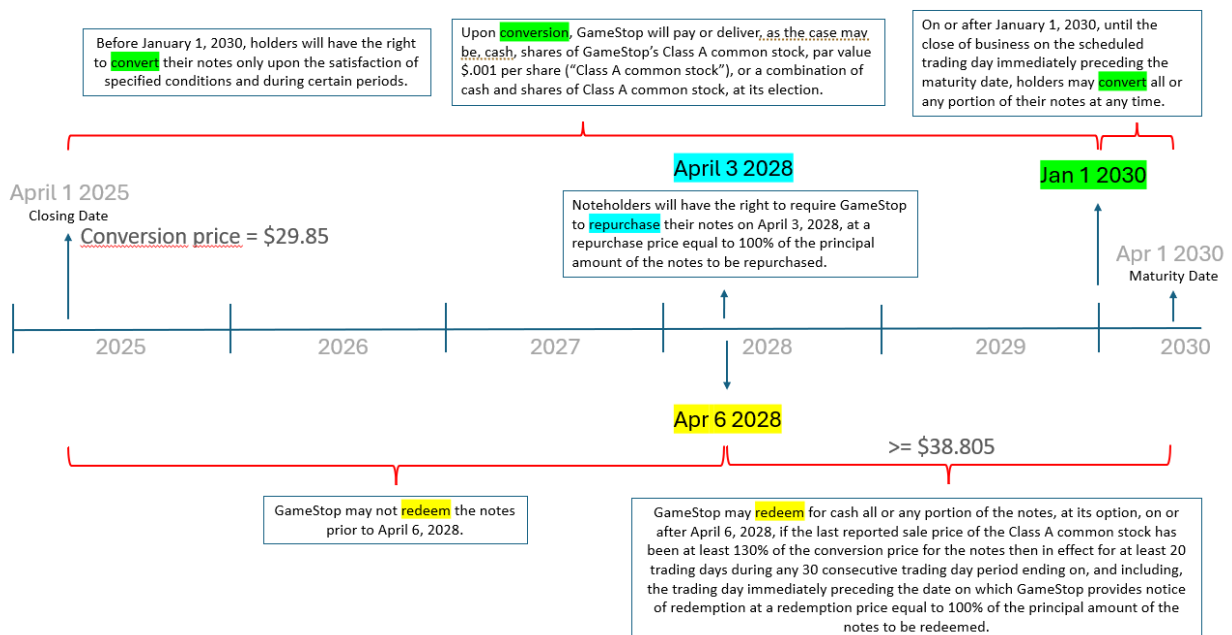
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1. The Offering

Gamestop’s Private Offering of \$1.3 Billion of Convertible Senior Notes



There are 3 main events that are tied up with 3 important dates, respectively:

1. Conversion
2. Repurchase
3. Redemption

January 1 2030 is the date related to **Conversion**.

Before January 1 2030, Holders of the Notes will have the right to convert their notes **but only upon the satisfaction of specified conditions and during certain periods**.

We don't know yet what those specified conditions are, nor the mentioned periods. Fact is that the Holders of the Notes face some restrictions to convert until that date. Only after January 1 2030 they will be able to convert without such restrictions.

The other important aspect is the **Repurchase** of the Notes.

There is **only one specific day, April 3 2028**, when the Holders of the Notes can force GameStop to buy back their Notes, for the same price they paid. This means that after 3 years from now, Holders of the Notes can have their money back if they decide for that.

Finally, the last aspect is the **Redemption** of the Notes by GameStop, i.e., GameStop taking the action to buy back the Notes.

Before April 6 2028 GameStop is not allowed to redeem the Notes.

However, on April 6 2028 and afterwards, if the share price would be at least \$ 38.805 (which is 130% of the Conversion Price of \$ 29.85) for at least any 20 trading days inside a window of 30 trading days, then GameStop can redeem the Notes by simply paying back what the Holders of the Notes initially paid for them.

Let's call this **\$ 38.805 price "redemption threshold"**.

Let's also call the **conditions described above that enable GameStop to redeem "redemption conditions"**.

2. The Players and their Interests

There are 3 main Players in this Offering:

1. The Holders of the Notes
2. GameStop's Shareholders
3. GameStop

The Holders of the Notes are incentivized to convert their Notes if the share price would be higher than the Conversion Price of \$ 29.85 that they paid for their Notes.

By the way, the hedging possibly done by the Holders of the Notes is not relevant for this analysis.

The Shareholders are passive in this Offering and their interest is not being diluted, so Shareholders prefer that upon conversions of the Notes GameStop would pay the Holders of the Notes in cash rather than in Shares.

GameStop has two possibilities:

1. invest the proceeds from the Offering in Treasury Notes just like in the previous ATMs.
2. invest the proceeds from the Offering in Bitcoin

Even if GameStop would invest in Treasury Notes as before, this table shows that this would not be a bad option at all, as it brings more dollars per diluted share than any of the previous ATMs, but this would be bad for the Shareholders, as they would be diluted by up to 50.25 million shares:

Type of Offering	Date	Proceeds	Shares	Price per Share
ATM	May 17 2024	\$933.4 million	45.0 million	\$20.74
ATM	June 7 2024	\$2,177.0 million	75.0 million	\$28.49
ATM	September 10 2024	\$400.0 million	20.0 million	\$20.00
Convertible Bonds	April 1 2025	\$1,500.0 million	50.25 million	\$29.85

Anyway, in this analysis **I will assume that GameStop will indeed buy Bitcoin with the proceeds of this Offering.**

Let's also assume that GameStop's Management will act in the interest of its Shareholders, meaning GameStop would not be interested in diluting its Shareholders unnecessarily.

Having that in mind, the best scenario for GameStop (and its Shareholders) would be that the investment in Bitcoin would generate a profit higher than the appreciation of GameStop's share price.

Moreover, GameStop is very interested in redeeming the Notes if their investment in Bitcoin would be in profit because they could buy back the Notes for their initial price and keep the profit, decreasing their debit and avoiding diluting the Shareholders.

Based on all the above, we can summarize this Offering as following:

By investing in Bitcoin, GameStop will bet on their Bitcoin investment appreciating more than the appreciation of the share price.

3. The Phases of the Offering

The dates mentioned earlier divide the Offering into phases, so let's have a closer look on how things play out in each of those phases.

3.1. From the start until April 6 2028

First of all let's recall that the Conversion Price has a premium of 37.5% in relation to the VWAP of the period between 1pm and 4pm on the day of the Pricing was defined, which was Thursday March 27th 2025.

The Offering will officially start on April 1 2025 and it will be important to follow how far the share price will be from the Conversion Price, because if it will be higher, the Holders of the Notes may convert.

As of the end of Friday March 28th the share price was \$ 21.73, still very far (~27% lower) from \$ 29.85.

So, during this first phase of the Offering, until April 6 2028, GameStop cannot redeem the Notes. This means that from April 1 2025 until April 6 2028, Holders of the Notes will in principle convert their Notes if the share price goes higher than \$ 29.85. I wrote "in principle" because until January 1 2030 the Holders of the Notes can only convert their Notes upon the satisfaction of some conditions and during certain periods, which both remain unknown as of the time of this writing. We will find out what those conditions and periods are when/if the Indenture of the Notes will be made public.

Assuming that GameStop would have invested all the proceeds in Bitcoin, this means that the Bitcoin price appreciation would need to be higher than the appreciation share price for GameStop to realize a profit and pay the Holders of the Notes in cash.

If that would not be the case, meaning that the appreciation of the Bitcoin price would be less than the appreciation of the share price, and the share price would be higher than \$ 29.85 and the Holders of the Notes would convert, then GameStop will need to either realize a loss in their Bitcoin holding to pay the Holders of the Notes and use part of its cash or will need to issue Shares to give to the Holders of the Notes, thereby diluting the Shareholders.

However, if the price appreciation on Bitcoin would be less than the appreciation of their share price, but the share price would be still below \$ 29.85 in this first phase, GameStop can do nothing.

There is also one very important scenario: if the share price is lower than \$ 29.85 on April 3 2028, then the Holders of the Notes can request GameStop to repurchase their Notes, only in this specific day. In this case, if the Bitcoin investment appreciated, GameStop can realize a profit and pay the Holders of the Notes in cash, or even decide to pay the Holders of the Notes with its cash without selling their Bitcoin investment.

On the other hand, if the Bitcoin investment would be in a loss, then GameStop can either realize the loss and also use part of their cash to pay the Holders of the Notes, or keep the Bitcoin investment and pay the Holders of the Notes with its cash.

3.2. From April 6 2028 until January 1 2030

During this second period the still unknown conditions for conversion still apply.

What changes is that from April 6 2028 onwards GameStop can redeem the Notes in case the redemption conditions are met.

Quoting from Chapter 1 for you convenience:

“

However, on April 6 2028 and afterwards, if the share price would be at least \$ 38.805 (which is 130% of the Conversion Price of \$ 29.85) for at least any 20 trading days inside a window of 30 trading days, then GameStop can redeem the Notes by simply paying back what the Holders of the Notes initially paid for them.

Let's call this \$ 38.805 price “redemption threshold”.

Let's also call the conditions described above that enable GameStop to redeem “redemption conditions”.

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This redemption option that GameStop has is for me the most interesting aspect of this offer.

The redemption conditions put pressure on the Holders of the Notes.

In the previous phase, until before April 6 2028, the Holders of the Notes called the shots, they could decide to wait for the continuous appreciation of the share price.

In this phase, if the redemption conditions would be met, GameStop can redeem the Notes.

Imagine you are a Holder of the Notes and the share price is rising and it is already more than \$ 38.805 for many days, let's say 19 trading days inside a window of 30 trading days. If you won't convert you risk GameStop redeeming your Notes and getting paid only what you initially paid for the Notes, meaning you would have lost the opportunity to make a good profit.

Therefore, if the profit would be good enough for you, you would decide to convert. However, you cannot forget that until January 1 2030 there are some unknown conditions and periods to convert, so you could end up not being able to convert in time.

3.3. From January 1 2030 to April 1 2030 (Maturity Date)

From January 1 2023 onwards there are no conditions to be satisfied in order to allow Holders of the Notes to convert, nor specified periods when they could convert, so they can convert at any time.

4. Bitcoin x Share Price Scenarios

The table below shows several scenarios involving the return on the Bitcoin investment and the Share price. It shows what the best proactive actions the Holders of the Notes and GameStop should take and what the result of those would be for each player:

Return on Bitcoin Investment	Share price in relation to \$29.85	Best proactive action by Holders	Result of Holders' action to GameStop	Result of Holders' and GameStop's actions to Shareholders	Best proactive action by Gamestop
+30%	+10%	convert	profit, pay in cash	not diluted	none (not possible to redeem)
-20%	+25%	convert	loss, pay in Shares loss, pay in cash	diluted not diluted	none (not possible to redeem)
+30%	+40%	convert	loss, pay in Shares	diluted	none if before April 6 2028 redeem if after April 6 2028
+50%	+40%	convert	profit, pay in cash	not diluted	none if before April 6 2028 redeem if after April 6 2028
+30%	-20%	do nothing request GameStop to repurchase on April 3 2028 convert (if near to Maturity date)	none profit, pay in cash profit, pay in cash	none not diluted not diluted	none none none
-30%	-20%	do nothing request GameStop to repurchase on April 3 2028 convert (if near to Maturity date)	none loss, pay in Shares loss, pay in Shares	none diluted diluted	none none none
-20%	-30%	do nothing request GameStop to repurchase on April 3 2028 convert (if near to Maturity date)	none loss, pay in Shares loss, pay in Shares	none diluted diluted	none none none