Acquisition Project

Best Buy & GameStop





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Slide Summary



Executive Summary



Industry Overview and Case for the Acquisition



Acquisition Plan



Appendix

Executive Summary

A New Frontier

Best Buy has a timely opportunity to expand into the rapidly-growing video game industry by acquiring GameStop — a bold, strategic move that unlocks new revenue channels, introducing cross-selling opportunities, deepens customer engagement, and enhances long-term shareholder value.

- The video game industry is growing at **7.25% annually**, but Best Buy's brand lacks traction in gaming-specific spaces.
- **GameStop's strong gamer identity** complements Best Buy's scale, supply chain, and service capabilities.
- Transforming GameStop stores into "**third places**" for gamers will drive community engagement and in-store monetization.
- Recommended **$12.51B all-stock deal ($28/share)** provides a 19.7% premium without leveraging debt in a high-interest environment.
- Forecasted **17.2% IRR** and ~$21B terminal value indicate strong strategic and financial returns.

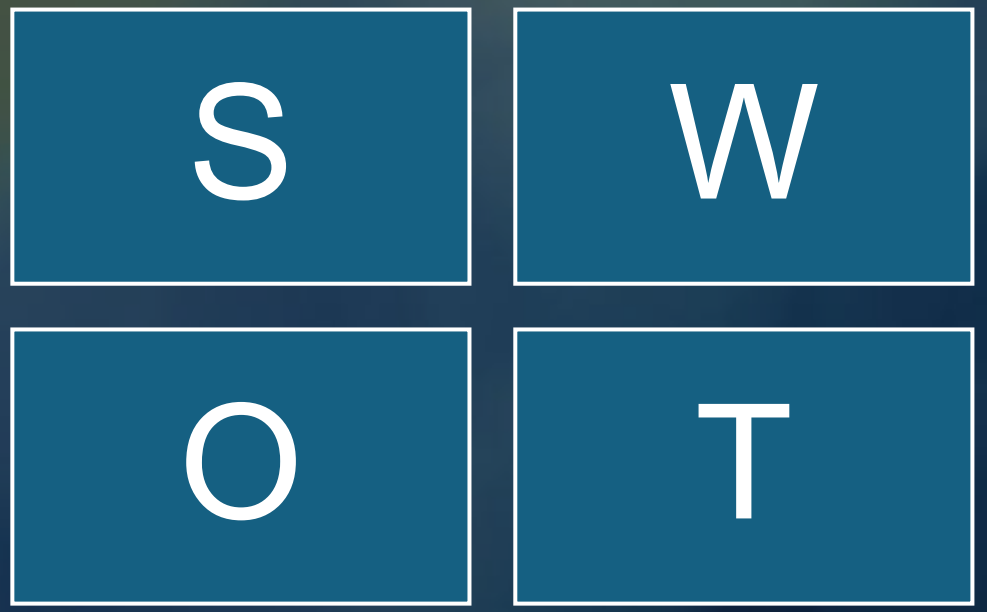
Industry Overview and Case for the Acquisition

Industry Overview

- Competition is high across retail, e-commerce, and digital
- Buyer power is strong, with rising digital adoption
- Major suppliers control pricing and product access
- Mobile and streaming are growing substitution threats



SWOT Analysis



- Strong national operations and logistics
- Loyal GameStop customer base
- In-store service and repair potential
- Trusted Geek Squad brand

- GameStop's declining financials
- High supplier leverage

- Fast-growing gaming industry
- Demand for repair and custom builds
- Reposition as experience-driven
- Sell high-margin collectibles and gear

- Rise of digital downloads
- Dependence on console makers
- Risk in execution and rollout

Mission Statement and Core Values

CORE VALUES

COMMUNITY
Building an inclusive space where gamers connect and share experiences full of support for all styles and genres

PASSION
Celebrating the love of gaming through engaging in-person events like LAN tournaments and meetup games

QUALITY
Offering top-notch hardware, custom PC builds, and repair services

INNOVATION
Staying ahead of industry and technology trend to provide the best experience for our community

LEGACY
Curating rare, limited-edition games, hardware, and merchandise that hold lasting value for collectors and enthusiasts

INTEGRITY
Upholding honesty, transparency, and reliability offline and online

We bring gamers together by offering quality products, custom services, and exclusive experiences that celebrate both the community and the legacy of gaming

Vision and Strategic Objectives

YEAR 5 GOALS

INCREASE COMMUNITY ENGAGEMENT

Grow active customers participating in LAN events and meetups to 150,000 per month on average

EXPAND EVENT FREQUENCY:

Host 12 major LAN tournaments per year, with at least 40 participants at each location.

DEVELOPE STRATEGIC PARTNERSHIPS:

Secure 10 new partnerships with brands, developers, or esports teams

INTRODUCE VIRTUAL EVENTS:

Launch 12 virtual events per year to increase digital engagement by 35%

LAUNCH MEMBERSHIP PROGRAM:

Acquire 300,000 premium members in the first year with the goal of doubling in size by the end of year 3.

ENHANCE CUSTOMER EXPERIENCE & RETENTION:

Achieve an 80% customer retention rate and improve customer satisfaction by 25%

To become the leading destination for gamers; driving innovation, connection, and exclusivity through engaging events, premium products, and dynamic experiences that shape the future of the gaming culture

Why should Best Buy acquire GameStop?

- **Expand Market Reach**: GameStop's strong brand recognition and loyal customer base allow Best Buy to strengthen its presence in the gaming and youth markets.
- **Create "Third-Place" Destinations**: Best Buy can reimagine GameStop stores as vibrant community hubs, increasing foot traffic and enhancing in-person customer engagement.
- **Enhance Services Revenue**: Integrating Geek Squad support into GameStop locations enables Best Buy to drive higher-margin service offerings tied to gaming hardware and tech support (i.e. cross-selling).
- **Defend Against Digital Disruption**: Combining physical retail strengths with omni-channel capabilities positions Best Buy to better compete against Amazon and direct-to-consumer digital platforms.

Acquisition Plan

Valuation: Key Assumptions

- Used CAPM to calculate the cost of equity for both firms as well as the integrated firm
- The integrated firm's beta is a 2:1 weighted average between Best Buy and GameStop
- Risk free rate came from the current 5-year treasury yield
- Assumed marginal tax rate of 25%
- Assumed market risk premium to be 5.5%
- Used conservative terminal growth rates bound by inflation at the low end and GDP growth at the high end
- Chose terminal WACC based on analysis of other mature firms in the industry with similar asset betas

Valuation: Cost of Capital

Best Buy

Integrated Firm

WACC	12.1%
Target D/E*	60.0%
Target D/TC*	37.5%
Marginal Tax Rate	25.0%
ke	13.5%
Rf	4.3%
Rf - Rm	5.5%
Beta	1.44
Terminal Value	
FCF 2030	(1,088.6)
Terminal Growth Rate	2.6%
Terminal Period WACC	9.0%

GameStop

WACC	9.5%
Target D/E*	30.0%
Target D/TC*	23.1%
Marginal Tax Rate	25.0%
ke	8.9%
Rf	4.3%
Rf - Rm	5.5%
Beta	(0.41
Terminal Value	
FCF 2030	(60.0
Terminal Growth Rate	2.0%
Terminal Period WACC	8.0%

WACC =	8.6%
Target D/E*	50.0%
Target D/TC*	33.3%
Marginal Tax Rate	25.0%
ke	8.8%
Rf	4.3%
Rf - Rm	5.5%
Beta	0.82
Terminal Value	
FCF 2030	1,809.3
Terminal Growth Rate	2.4%
Terminal Period WACC	8.5%

Valuation: Offer Price

- Total offer price of $12.5 billion ($28 per share) which is an implied premium of 19.7% over GameStop's current share price
- Using an all-stock purchase vehicle, because we do not have the cash on-hand to purchase GameStop outright, and current market interest rates are not favorable for investment using debt
- Swap rate of 0.498 Best Buy shares per GameStop Share

Form of Payment

% Stock		100.0%
% Cash		-
Target Preannouncement Share Price		$ 23.39
Implied Purchase Price Premium		19.7%
	Acq. Shares	%
Current Shares Outstanding	213.8	47.5%
Shares Issued to Target Sh.	222.7	49.5%
New Common Shares Issued	13.4	3.0%
Convertible Preferred Shares	-	-
New Warrants Issued	-	-
Total Shares	449.9	100.0%

Sources & Uses

Excess Cash			
Common Shares Issued to Target Shareholders			12,510.4
New Common Shares Issued to Public			750.0
Convertible Preferred Equity	-		-
Revolving Credit Facility	8.33%		-
Senior Debt	14.66%		-
Subordinated Debt	20.00%		-
Total Sources		$	13,260.4
Equity Consideration		$	12,510.4
Transaction Expenses	5 yrs		750.0
Total Uses		$	13,260.4

Financing

- Issuing an additional 13.4 million shares to the public which will bring in a total of $750 million to the firm to cover acquisition and integration expenses
- Offering a share for share exchange further incentivizes GameStop shareholders by presenting a tax benefit as stock transactions can often be tax-deferred
- Projected IRR of 17.2% which is on the high end when it comes to average public strategic acquisitions

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Returns

Newco Internal Rate of Return on Acquisition		
Purchase Price (including Trasaction Expenses)	2025	(13,260.4)
Free Cash Flows	2026	3,484.2
	2027	(498.7)
	2028	1,184.5
	2029	1,857.6
	2030	1,809.3
Terminal Value		**20,987.6**
IRR		**17.2%**

- Terminal value after 2030 is 21% more than the sum of Best Buy and GameStop's combined standalone enterprise values currently
- Projected NPV of $5.352 billion

Integration Plan

Key Challenges

- **Store Operations Alignment**
  - BestBuy and GameStop employ different staffing models, customer flows and services environments
  - Introducing Geek Squad requires layout and workflow changes.
  - Certain GameStop locations may have limited space for service areas
  - **Pilot Program:** Start implementing these changes in select stores in select markets and adjust the rollout over time after testing.
- **Cultural Integration**
  - BestBuy's standardized culture may clash with the casual environment of GameStop
  - GameStop staff may resist cultural changes within the new firm
  - **Solution:** Maintain some GameStop experience elements while still prioritizing cultural integration with BestBuy's model
  - Implement continuous training programs to all GameStop employees to allows them to be flexible across multiple sectors of the Business.

Strategic Enhancements

- **Utilizing GameStop Locations**
  - GameStop locations will be used to improve supply chain operations and inventory management procedures
  - Retail locations will serve a dual purpose as they will also be converted into micro-fulfillment centers to improve online delivery
  - **Reverse Coordination:** Allow for returns and repairs of BestBuy products at GameStop locations and vice-versa

Appendix

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Final Notes

- Our PESTEL Analysis, Five Forces Analysis, and SWOT Analysis are all in the appendix section of the Acquisition Plan Document.