



Position Close Update: GameStop (GME)

GameStop (GME) – Closing Long Position – up 1132% vs. S&P up 37%

We made GameStop (GME: \$197/share) a Long Idea on [June 20, 2018](#). At the time, GME received an Attractive [rating](#). Our long thesis focused on the attractiveness of GameStop’s business to a private equity buyer. We saw untapped potential in a business whose stock had been trounced by the “retail apocalypse” narrative. While no buyer materialized at the time, the recent investment by Ryan Cohen of RC Ventures, and his subsequent appointment to the Board of Directors, signals that other investors see similar potential and are willing to put significant investment behind a strategy to extract more value out of the GameStop concept.

This report, along with all of our research¹, leverages our [superior fundamental data](#)² to get the truth about earnings, as shown in the Journal of Financial Economics paper, “[Core Earnings: New Data and Evidence](#).”

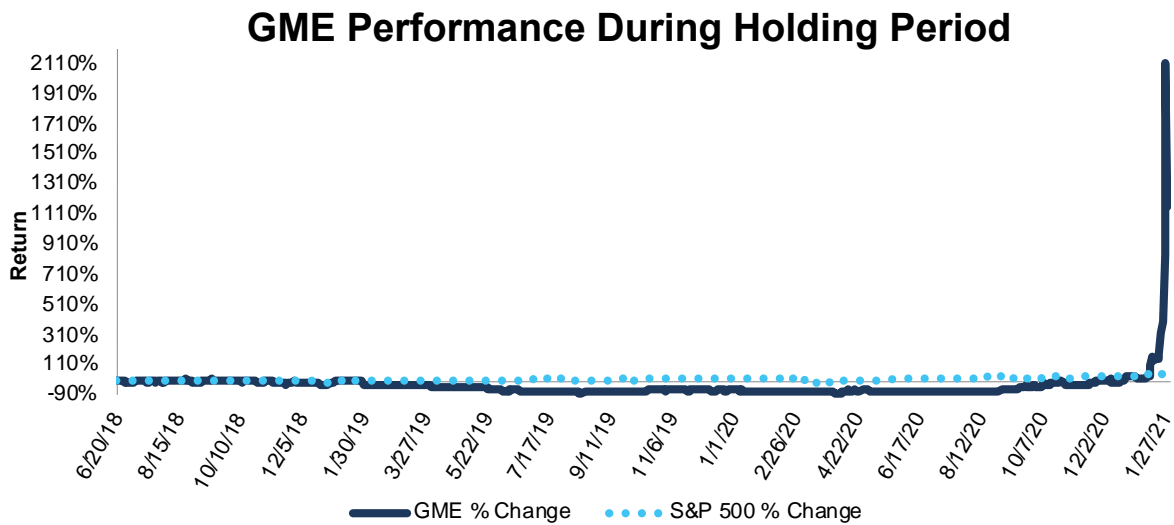
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During the 2+ year holding period, GME outperformed as a long position, rising 1132% compared to a 37% gain for the S&P 500.

More recently, the stock’s strong performance caught the attention of momentum traders and sparked a short-squeeze that sent shares soaring. Now, the stock price implies the firm must grow revenue by consensus estimates and achieve NOPAT margins greater than any achieved throughout the history of the firm.

While Ryan Cohen has experience running an e-commerce-focused business, and his plan of closing underperforming stores and selling non-core operations could improve margins, owning GME at current levels presents too much risk versus reward. As a result, we are closing this long position.

Figure 1: GME vs. S&P 500 – Price Return – Successful Long Idea



Sources: New Constructs, LLC and company filings
Note: Gain/Decline performance analysis excludes transaction costs and dividends.

¹ Harvard Business School features the powerful impact of our research automation technology in the case [New Constructs: Disrupting Fundamental Analysis with Robo-Analysts](#).

² Three independent studies from respected institutions prove the superiority of our data, models, and ratings. Learn more [here](#).



This article originally published on [January 28, 2021](#).

Disclosure: David Trainer, Kyle Guske II, and Matt Shuler receive no compensation to write about any specific stock, style, or theme.

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It's Official: We Offer the Best Fundamental Data in the World

Many firms claim their research is superior, but none of them can prove it with independent studies from highly-respected institutions as we can. Below, we present three different papers from both the public and private sectors that prove the superiority of our proprietary fundamental data, earnings models, investment ratings, and research for stocks, bonds, ETFs, and mutual funds.

Best Fundamental Data in the World

Forthcoming in [The Journal of Financial Economics](#), a top peer-reviewed journal, [Core Earnings: New Data & Evidence](#) proves the superiority of our [fundamental data](#), [earnings](#) models, and [research](#). More [details](#).

Key quotes from the paper:

- “[New Constructs’] *Total Adjustments* differs significantly from the items identified and excluded from Compustat’s adjusted earnings measures. For example... 50% to 70% of the variation in *Total Adjustments* is not explained by *IBSPI Adjustments*, *OIADP Adjustments*, or *OPE Adjustments* individually.” – pp. 14, 1st para.
- “A final source of differences [between New Constructs’ and S&P Global’s data] is due to data collection oversights...we identified cases where Compustat did not collect information relating to firms’ income that is useful in assessing core earnings.” – pp. 16, 2nd para.

Superior Models

A top accounting firm features the superiority of our [NOPAT](#), [Invested Capital](#), and [ROIC](#) research on four mega-cap companies in [“Getting ROIC right: how an accurate view of ROIC can drive improved shareholder value”](#).

Key quotes from the paper:

- “...an accurate calculation of ROIC requires more diligence than often occurs in some of the common, off-the-shelf ROIC calculations. Only by scouring the footnotes and the MD&A [the New Constructs method] can investors get an accurate calculation of ROIC.” – pp. 8, 5th para.
- “The majority of the difference...comes from New Constructs’ machine learning approach, which leverages technology to calculate ROIC by applying accounting adjustments that may be buried deeply in the footnotes across thousands of companies.” – pp. 4, 2nd para.

See the [Appendix](#) for direct comparison of our analysis of DOW’s 2015 results to Capital IQ and Bloomberg.

Superior Stock Ratings

Robo-Analysts’ stock ratings outperform those from human analysts as shown in this [paper](#) from Indiana’s Kelley School of Business. Bloomberg features the paper [here](#).

Key quotes from the paper:

- “the portfolios formed following the buy recommendations of Robo-Analysts earn abnormal returns that are statistically and economically significant.” – pp. 6, 3rd para.
- “Our results ultimately suggest that Robo-Analysts are a valuable, alternative information intermediary to traditional sell-side analysts.” – pp. 20, 3rd para.

Our mission is to provide the best fundamental analysis of public and private businesses in the world and make it affordable for all investors, not just Wall Street insiders.

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