

GameStop finally announces a share sale

April 5 2021, by Michelle Chapman and Alex Veiga



In this Jan. 28, 2021, file photo, pedestrians pass a GameStop store on 14th Street at Union Square, in the Manhattan borough of New York. GameStop says it's selling up to 3.5 million of its shares, a move that will allow the video-game retailer to take advantage of the big surge in its stock price this year. The company said the shares will be sold through an "at-the-market" offering, which lets a publicly traded company raise capital over time by offering securities into the already existing trading market. (AP Photo/John Minchillo, File)

Two months after a market phenomenon took shares of GameStop to the moon, the video game retailer said Monday that it will sell up to 3.5 million of its shares with the price still vastly elevated.

The [company](#) said the shares will be sold through an "at-the-market" offering, which lets a publicly traded company raise capital over time.

A bizarre stand-off between hedge funds that had heavily shorted GameStop, betting that the price of shares would fall, and smaller investors who challenged them, sent shares of the beleaguered company soaring early this year.

Market pundits had urged the company to put more shares on the market as the price of a share, which had hovered around \$20 each, spiked close to \$500. Such a stock sale would have allowed to company to pay down hefty debts that it had accumulated as a technology shift led gamers to spend money online, rather than in GameStop stores.

And two weeks ago, GameStop disclosed in a filing with the Securities and Exchange Commission that it actually had been considering such a sale since January.

Even though it did not announce the share sale when share prices peaked, GameStop could wipe existing debt of the books if it chooses.

The company's stock closed at \$191.45 last week, meaning it could raise as much as \$670 million. GameStop's net debt was around \$430 million in January. However, because the sale is "at-the-market," it gives the company more flexibility as to when the sales happen.

Shares skyrocketed 1,625% in January as bands of smaller and novice investors communicating on [social media](#) hyped up the retailer's stock, putting pressure on [hedge funds](#) to sell in a "short squeeze" that only sent

the stock price higher.

Share typically slide, however, when a share sale is announced because it can water down the value of shares already in investors' hands. That happened before the opening bell Monday, with shares sliding almost 16%. But a [share](#) still costs more than \$161, meaning prices are still up more than 900% this year.

The company, based in Grapevine, Texas, also said Monday that preliminary fiscal first-quarter to-date [global sales](#) are up about 11% from a year ago, a period when the pandemic slammed the U.S. and retailers like GameStop were forced to close its stores.

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