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March 13, 2019

Sent via Email

The Board of Directors
GameStop Corp.
625 Westport Parkway
Grapevine, TX 76051

Dear Members of the Board:

Permit Capital Enterprise Fund, L.P. ("Permit Enterprise") and Hestia Capital Partners LP ("Hestia"), together with their affiliates, are long-term stockholders of GameStop Corp. ("GameStop" or the "Company"), collectively owning approximately 1.3% of the outstanding stock. Permit Enterprise and Hestia have formed a group ("we") due to our shared concern that immediate and meaningful change must be made to the GameStop Corp. Board of Directors (the "Board") to preserve and maximize value for all stockholders.

As background, the investment advisors of Permit Enterprise and Hestia employ deep value strategies and typically invest in high cash flow companies which possess competitive strengths but face challenging growth prospects and/or disruptive threats. This investment specialization, which attracted us to GameStop, has allowed us to develop an expertise in value creation (and destruction) at companies such as GameStop. Collectively, we also have experience in business strategy, corporate turnarounds, and working with management teams and boards to affect positive change.

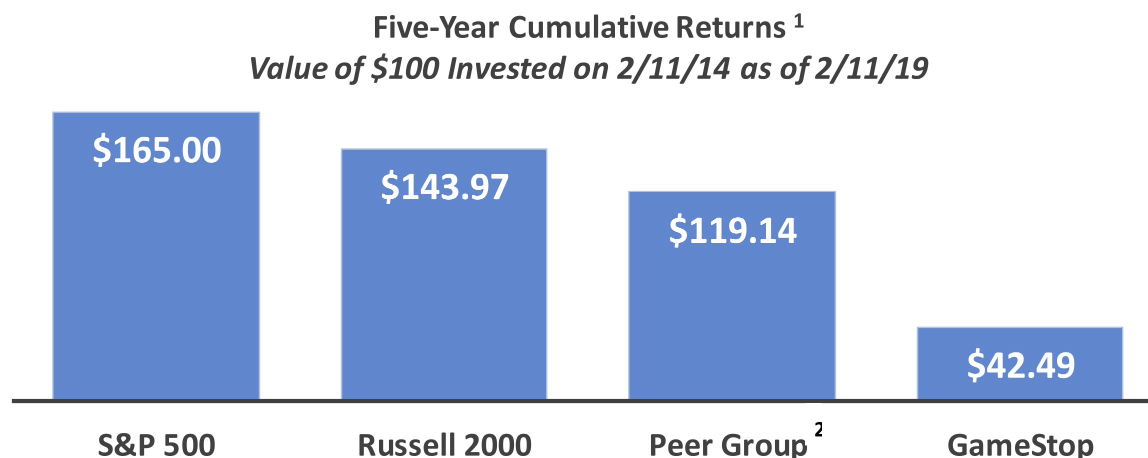
We are long-term stockholders in the Company: Permit since 2011 and Hestia since 2012. Additionally, GameStop represents the largest holding for both funds due to our belief that the Company is dramatically undervalued and has significant upside potential.

We are not typically activist investors. However, the Board's lack of a meaningful response following Hestia's February 12, 2019 open letter to the Board (the "February 12 Letter"), a link to which can be found here, and Hestia's considerable efforts to engage with the Board, have driven us to group together and speak publicly now. It is our goal to work constructively with the Board to address ongoing value destruction at the Company. However, if this letter fails to elicit an acceptable response, we are prepared to take our proposals directly to stockholders and nominate directors for election at the Company's 2019 annual meeting.

Value Destruction at the Company

For the five-year period ended February 11, 2019, the last trading day prior to the February 12 Letter, GameStop has dramatically underperformed the Company's self-identified peer group, the Russell 2000 and the S&P 500.

GameStop Total Shareholder Return (TSR) Comparison



Notes:

[1] Total return with dividends reinvested in underlying security

[2] Peer group used by GameStop's Board in most recent proxy; group includes: Advance Auto Parts, Dick's Sporting Goods, Abercrombie & Fitch, AutoZone, Barnes & Noble, Tiffany & Co, Foot Locker, The Gap, Bed Bath & Beyond, Williams-Sonoma, L Brands, Nordstrom, Kohl's, Office Depot, Ross Stores and O'Reilly Automotive.

Source: Bloomberg and company reports

We believe this underperformance is a result of a stale Board (average tenure of 11 years) that is not functioning well. Surveying the last five years, we struggle to identify any significant steps the Company has taken - besides the introduction of collectibles - to adapt to disruptive dynamics in its core business. Furthermore, the Board's average stock ownership, despite directors' average long-tenure, represents only three times the annual Board fees, suggesting that the Board is not well-aligned with stockholders.

The Company recently announced plans to retire certain of its debt and approved a new share repurchase authorization, which appears to be in response to the February 12 Letter. However, these measures do not go far enough in scale or commitment to result in meaningful change for stockholders. In order to reverse the Company's prolonged history of value destruction, we believe it is imperative that the Board be immediately refreshed with new, independent directors with relevant experience to focus on: optimizing the business, returning capital to stockholders, rebuilding company leadership and assessing the failed sale process.

Optimizing the Business

Based on our analysis, the Company could cut more than $50 million in annual SG&A, simply by bringing SG&A as a percent of revenue down from 24.2% (excluding Tech Brands) over the trailing twelve-month period to 23.5% (which would still be significantly higher than 2013 levels of 20.8%). In addition, the creation of the unrelated Tech Brands business seems to have distracted the Company from leveraging its competitive strengths and maximizing revenues in the core gaming business. Again, besides collectibles, we have seen scant evidence of a meaningful response under the Board's oversight to a rapidly changing industry.

Returning Capital to Stockholders

Based on the Company's prior disclosures, we estimate the Company had upwards of $1.5 billion in cash as of the end of fiscal year 2018. We believe the Company should return a significant portion of this capital to stockholders for several reasons. First, the Company will be less tempted to diversify into businesses that do not leverage its core strength in video game retailing. Second, the extremely low valuation of GameStop shares represents an excellent opportunity to retire a significant percentage of the shares outstanding.

We believe it is in the best interest of all stockholders for the Company to commit to a tender offer of up to $700 million, in addition to ongoing repurchases, so long as the share price continues to remain significantly below fair value. We believe the fair value of the Company is at least $19 per share and potentially significantly higher based on the Company's peer group referenced above.

GameStop Relative Valuation as of 3/12/19

$millions except for per share figures

	Peer Group Valuation	
	Average	**Low End**
Peer Group Enterprise Value/EBITDA	*8.0*	*2.9*
Est. Pro Forma GME 2018 EBITDA [1]	431.3	431.3
Implied GME Enterprise Value	3,429.1	1,250.9
Est. Pro Forma GME Net Debt	(700.0)	(700.0)
Implied GME Market Cap	4,129.1	1,950.9
Implied GME Value per Share (EV/EBITDA)	**$40.49**	**$19.13**
Peer Group Price/Earnings Ratio [2]	*16.7*	*6.9*
Est. Pro Forma GME 2018 EPS [3]	$2.05	$2.05
Est. Pro Forma GME Cash/Share	$6.86	$6.86
Implied GME Value per Share (Price/Earnings]	**$41.02**	**$21.08**

Notes:

[1] Estimated 2018 consolidated EBITDA of $543.3 million less estimated Spring Mobile EBITDA of $112.0 million

[2] Adjusted for net cash per share where balance sheet cash exceeeds debt

[3] Midpoint of 2018 GME EPS guidance less an estimated contribution of $0.60 per share from Spring Mobile to EPS

Source: Bloomberg, company reports and Permit and Hestia estimates

Applying the lowest EV/EBITDA ratio in the peer group of 2.9x (Bed Bath and Beyond) implies that GameStop's value per share is $19 based on our *pro forma* estimate of the Company's fiscal 2018 EBITDA. Applying the average EV/EBITDA valuation for the peer group yields a $40 per share implied valuation. Applying a price to earnings ratio to the Company based on the low (Bed Bath and Beyond) and average value for the peer group yields similar implied values. As such, a significant repurchase program executed well below this price range could create significant value for stockholders who have a long-term commitment to the Company. The recently announced $130 million increase in repurchase authorization is simply too small and lacks the commitment of a tender offer.

Rebuilding Company Leadership

Over the past two years, the Company has had five CEOs (Raines, DeMatteo, Mauler, DeMatteo, Kim), which is indicative of the Board's poor succession planning. The recent departure of additional executives suggests larger issues with the Company's culture and leaves the executive team even further depleted. The substantial value destruction over the past five years – and the causes of it – suggest historically poor leadership at GameStop and ineffective oversight by the Board. Given this poor track record, we believe it is in the best interest of stockholders for the Board to be reconstituted with individuals who are independent from the current Board and who will be tasked with rebuilding the executive team, starting with the current CEO search.

Failed Sales Process

While we applaud the Board for running a strategic process, we are left with many questions and concerns about the inability of the Board to sell a company that currently trades at an estimated EV/EBITDA of 1.12x, based on estimated *pro forma* cash of $1.53 billion, debt of $825 million at 1/31/2019, a current market capitalization of $1.17 billion and *pro forma* estimated 2018 EBITDA of $431 million. While there are countless reasons a process can end without a sale, the inability of the Board to attract reasonable offers for the Company is a failure and suggests that meaningful introspection and change is needed.

When writing the February 12 letter, Hestia believed that a Board refresh was likely needed. Since then, the Board's unwillingness to engage with Hestia – in stark contrast to the extremely favorable reaction Hestia received from many stockholders (including Permit, which ultimately led to our grouping) – has convinced us that a Board refresh is a necessity.

We urge the Board to immediately engage with us to address our areas of concern and bring in new and independent Board members. If the Board continues to refuse to engage with us by the March 28 nominating deadline, we intend to nominate several highly qualified candidates to the Board. We look forward to your response.

Sincerely,

John C. Broderick
Partner of the Investment Advisor
Permit Capital Enterprise Fund, L.P.

Kurtis J. Wolf
Managing Member of the GP
Hestia Capital Partners LP