

GameStop posts slightly lower 3Q earnings

The Associated Press

GameStop Corp. reported a slight decline in third-quarter earnings Thursday as higher revenue was outstripped by rising expenses.

Shares of the world's largest video game retailer fell in morning trading.

GameStop's net income fell to \$53.9 million, or 39 cents per share, from \$54.7 million, or 36 cents per share, in the same period a year earlier. The company said it spent about 3 cents per share on long-term investments in new businesses during the quarter. These include digital sales, "iDevice" trade-ins and its gaming tablet business.

Revenue grew nearly 3 percent to \$1.95 billion from \$1.9 billion.

Analysts, on average, expected earnings of 39 cents per share on revenue of \$1.96 billion for the three months that ended Oct. 29, according to a poll by FactSet.

Though the results were in line with what Wall Street was expecting, GameStop said revenue at stores open at least a year grew only 0.6 percent because of lower-than-expected sales of new software. This number is an important measure for retailers because it leaves out newly opened or recently closed stores.

"We clearly have some cash-strapped consumers who are making choices," said CEO J. Paul Raines in an interview. Big games launched during the quarter included "Gears of War 3" by Microsoft Corp., "Battlefield 3" and "Madden NFL 12" by Electronic Arts Inc. and "Batman: Arkham City" by Warner Home Video Games. Overall, sales of new games grew 4.8 percent during the quarter. GameStop also sells used video games, tablets for gaming, game downloads and other digital content.

Though the company does not break out what percentage of its overall revenue is digital content rather than boxed games, Raines said digital sales grew 59 percent and that the company is still on track to hit \$450 million for the year. That's roughly 5 percent of the \$9.84 billion that analysts are expecting for the year's revenue.

The company forecast fourth-quarter earnings of \$1.66 to \$1.76 per share, compared with analysts' expectations of \$1.74 per share. It also said it's had a good start to the holiday season.

It expects revenue at stores open at least a year to range from flat to up 2 percent. GameStop also reiterated its full-year earnings guidance of \$2.82 to \$2.92 per share. Analysts had projected \$2.90 per share.

Shares of the Grapevine, Texas-based company fell 26 cents to \$22.26 in morning

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trading. The stock has traded between \$18.34 and \$28.66 in the past 52 weeks.

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