

# GameStop's \$56bn Swing at eBay: Buffett Cosplay or Meme-Stock Hubris?

Date: May 05, 2026 | Model: anthropic-batch:claude-opus-4-7

Source: Screenshot (OCR via AI)

---

## Contents

1. Reading Passage
2. Explanation
3. Key Terms Glossary
4. Reading Comprehension Quiz (10 questions)
5. Answer Key with Explanations

*Note: the original article is provided as a separate file (attached to the email or downloadable from the website).*

## 1. Reading Passage

---

Once upon a time, companies made things – furniture, shoes, violins. Then came companies that bought other companies. And then came the rare hybrids that did both. The most famous of these is Warren Buffett's Berkshire Hathaway, a \$475bn conglomerate that owns everything from the insurer Geico to the chocolatier See's Candies, and which held its much-anticipated annual meeting over the weekend.

Few leaders have managed to excel in this middle ground between operating businesses and acquiring them. Usually the role attracts a particular type: the self-confident billionaire. Bill Ackman is using a blank-cheque vehicle to chase Universal Music Group at a reported €55bn valuation. Brad Jacobs runs QXO, a roll-up company that has executed roughly \$30bn in building-products deals in the past year. Now there is GameStop. On Sunday, the pandemic-era meme-stock champion launched a takeover bid for the online auctioneer eBay worth \$56bn in cash and stock.

Here's where the story gets strange. GameStop, run by former petcare retail tycoon Ryan Cohen, has a market capitalisation of just \$12bn – roughly \$5bn of which is simply the cash sitting on its balance sheet. In other words, Cohen runs a pile of cash more than a company. The differences with Buffett are stark. Half the eBay bid would be paid in GameStop shares, which the column politely calls 'highly volatile.' GameStop has raised cash by issuing convertible bonds, a financing tool favoured by issuers whose stock prices swing wildly. Buffett, by contrast, almost always pays cash – easier to value – and rarely brags about how much better he could run a target than the incumbent CEO.

The auctioneer has ways to push back if it wants to. Beyond the bumpy nature of GameStop's share-based offering, much of the bid would in effect leverage up eBay's balance sheet, something eBay could do on its own. Its net debt was just 0.6 times EBITDA at the end of March. Cohen wants to convert eBay's 1,600 store-equivalent footprint... wait, the other way: he wants to push GameStop's roughly 1,600 physical locations into eBay outlets. And if shareholders want more stores, they can vote for that without selling.

The real pitch, then, is Cohen himself. He is presented as a visionary who can outmanage eBay's current CEO Jamie Iannone. Some clearly believe him: Canada's TD Bank has lined up a \$20bn debt commitment, and GameStop has proposed awarding Cohen a bonus worth over \$20bn if he hits certain targets – though shareholders haven't yet signed off.

Buffett, for all his quirks, has seldom indulged in braggadocio, and rarely demanded huge stock-option packages tied to future market-cap goals. Given the deliberately unshowy nature of this year's Berkshire shareholder meeting, his successors Greg Abel and Ajit Jain look set to be similarly modest. There's another distinction worth bearing in mind

## 2. Explanation

---

***A \$12bn meme stock just bid \$56bn for a company four times its size – and the man behind it wants you to believe he's the next Warren Buffett.***

### What's Going On?

On Sunday, GameStop launched a takeover bid for online auctioneer eBay worth \$56bn in cash and stock. The catch: GameStop itself is only worth about \$12bn, and roughly \$5bn of that is just the cash sitting on its balance sheet. CEO Ryan Cohen – the former Chewy founder who became a meme-stock folk hero in 2021 – is running a company that today holds more cash than actual business.

The Lex column frames the move against Warren Buffett's Berkshire Hathaway, the \$475bn conglomerate that just held its annual meeting and is sitting on \$380bn in cash and Treasuries. Cohen is openly chasing the Buffett 'capital allocator' archetype. Whether he's the next Buffett or the anti-Buffett is the whole question.

### How To Think About It

This isn't really a retail story – it's a story about what kind of currency a company's stock actually is. Two useful parallels:

- Think of a high schooler with a fake-ID-grade gift card trying to buy a car: GameStop is paying half the bid in its own shares, which only have their current price because of meme-driven sentiment. If that sentiment cracks before the deal closes, the 'money' shrinks.
- Or think of a small indie band trying to acquire a major label using album-royalty IOUs. Buffett, by contrast, pays in actual cash – boring, heavy, real. Same goal (owning good businesses), totally different ammunition.

### Key Things To Know

- Scale gap: GameStop (\$12bn market cap) is bidding for eBay (\$56bn). The acquirer is a quarter the size of the target.
- Funding mix: Half the bid is GameStop stock – 'highly volatile' currency, per Lex. The cash half is backed by a \$20bn debt commitment from Canada's TD Bank.
- Buffett's playbook is the opposite: cash bids, low debt (Berkshire's net debt is just 0.6x EBITDA), and no public boasts about outshining target CEOs.
- Cohen's incentives are huge: shareholders are being asked to approve a bonus worth over \$20bn if he hits certain targets, including growing GameStop into a \$100bn company.
- What people miss: this isn't a normal merger. It's a bet that hype-driven equity can be converted into real corporate control before the hype fades.

### Why It Matters

If you've ever watched a stock pump on TikTok or Reddit, this is the grown-up version of that energy – meme valuations being deployed as actual M&A weapons. For anyone thinking about finance, business, or even just how markets interact with internet culture, this deal is a live experiment. It also shapes how

a generation of CEOs will think about using their share price as a tool: is it a measuring stick, or is it ammo?

### **The Bigger Picture**

Buffett spent 60 years proving that patience plus cash plus boring discipline compounds into staggering wealth. Cohen is testing whether you can shortcut that with charisma, a loyal retail-investor base, and a willingness to swing big. Watch three things next: whether eBay's board engages or rejects, whether GameStop's stock holds up under deal scrutiny, and whether Berkshire's new CEO Greg Abel does the un-Buffett thing and finally spends some of that \$380bn pile.

### 3. Key Terms Glossary

---

#### **Conglomerate**

A single company that owns lots of unrelated businesses – e.g. Berkshire owns Geico (insurance), See's Candies (sweets), and BNSF (railways). The point is diversification and capital allocation across industries.

#### **Market capitalisation (market cap)**

The total value of a company's outstanding shares: share price × number of shares. GameStop's \$12bn market cap means investors collectively price the whole company at that figure.

#### **Meme stock**

A stock whose price is driven more by online retail-investor enthusiasm than by traditional financials. GameStop became the original meme stock in 2021.

#### **Convertible bond**

A debt instrument that lenders can later convert into the company's shares. Attractive to issuers whose stock is volatile, because lenders get upside if the price rises.

#### **Net debt to EBITDA**

A leverage ratio comparing what a company owes (minus cash) to its annual operating earnings (EBITDA). A 0.6x reading, like Berkshire's, signals very low borrowing relative to earning power.

#### **Roll-up**

A growth strategy where a company rapidly acquires many smaller companies in the same industry to consolidate them. Brad Jacobs' QXO is doing this in building products.

#### **Blank-cheque vehicle**

A publicly listed company set up specifically to acquire another business, with the target chosen later. Bill Ackman's vehicle bidding for Universal Music is the example here.

#### **Capital allocator**

A leader whose main job is deciding where the company's cash goes – buybacks, acquisitions, new ventures – rather than running daily operations. Buffett is the archetype.

## 4. Reading Comprehension Quiz

---

Circle the best answer for each question.

- Q1.** The passage primarily argues that GameStop's bid for eBay is best understood as:
- A) A conventional retail merger likely to close on standard terms
  - B) A test of whether meme-driven equity can be used as real M&A currency
  - C) A defensive move to protect GameStop from being acquired itself
  - D) An attempt by Ryan Cohen to exit the company via a sale
- Q2.** According to the passage, why is GameStop's stock considered a risky form of payment in the eBay bid?
- A) Because it has been delisted from major exchanges
  - B) Because its value reflects meme-driven sentiment more than fundamentals
  - C) Because federal regulators have frozen trading in the shares
  - D) Because Cohen has pledged to sell his entire personal stake
- Q3.** Which choice best states the central comparison the author draws?
- A) Berkshire and GameStop both rely on debt-funded acquisitions
  - B) Cohen and Buffett share identical strategies despite different industries
  - C) Buffett uses cash and discretion; Cohen uses volatile stock and bravado
  - D) Both Cohen and Buffett refuse to make hostile takeover offers
- Q4.** As used in the passage, the word 'currency' most nearly means:
- A) Foreign money used in international trade
  - B) A medium accepted as payment in a transaction
  - C) A measure of how recently information was updated
  - D) Popularity within social media communities
- Q5.** As used in the passage, the word 'modest' most nearly means:
- A) Shy about personal appearance
  - B) Inexpensive and low-cost
  - C) Reserved and not boastful
  - D) Small in physical dimensions
- Q6.** Which statement about Berkshire Hathaway can most reasonably be inferred?
- A) It is currently scouting aggressive new acquisitions
  - B) It views the present moment as unattractive for major deals
  - C) It is preparing a counter-bid for eBay
  - D) It has begun mimicking Cohen's strategic style
- Q7.** The passage suggests that GameStop's \$20bn proposed bonus for Cohen is significant because:
- A) It has already been approved by GameStop's investors
  - B) It would replace his current annual salary entirely
  - C) It ties his personal payout to ambitious market-value targets
  - D) It is funded directly by the eBay acquisition's cost savings

**Q8.** The author's tone in describing Cohen's bid is best described as:

- A) Openly hostile and dismissive
- B) Awestruck and celebratory
- C) Skeptical but curious
- D) Indifferent and detached

**Q9.** Which inference about Bill Ackman and Brad Jacobs is best supported by the passage?

- A) They are direct rivals to Cohen for the eBay bid
- B) They illustrate other current attempts to play the capital-allocator role
- C) They have publicly endorsed GameStop's takeover offer
- D) They have outperformed Berkshire over the last decade

**Q10.** Which choice provides the BEST evidence for the answer to the previous question?

- A) The reference to Berkshire owning Geico and See's Candies
- B) The line that calls leading the charge in this middle ground typically the work of a self-confident billionaire
- C) The note that Berkshire holds \$380bn in cash and Treasuries
- D) The mention that GameStop has \$5bn in net cash

**My Score:** \_\_\_\_\_ / 10

## 5. Answer Key with Explanations

---

**Q1.** The passage primarily argues that GameStop's bid for eBay is best understood as:

**Answer: B**

The passage repeatedly contrasts GameStop's volatile, sentiment-driven shares with Buffett's cash bids, framing the deal as an experiment in converting meme valuation into corporate control. A is wrong (Trap C: real-world plausible but the passage stresses the deal is unusual). SAT Tip: when a passage devotes most of its space to a contrast, the central idea almost always lives inside that contrast – not in the surface-level news event.

**Q2.** According to the passage, why is GameStop's stock considered a risky form of payment in the eBay bid?

**Answer: B**

The passage describes GameStop shares as 'highly volatile' and explicitly calls GameStop a meme stock, suggesting price reflects retail enthusiasm rather than business cash flows. C is wrong (Trap C: dramatic but unsupported by the passage). SAT Tip: 'According to the passage' questions reward you for sticking strictly to what's stated – invented details, even plausible ones, are always traps.

**Q3.** Which choice best states the central comparison the author draws?

**Answer: C**

The passage contrasts Buffett's cash-only bids and unshowy style with Cohen's stock-heavy, headline-grabbing approach. B inverts the entire piece (Trap A: right scope, opposite direction). SAT Tip: when two figures are juxtaposed, list their contrasting traits in the margin before answering – it makes inversion-style traps obvious.

**Q4.** As used in the passage, the word 'currency' most nearly means:

**Answer: B**

In context, the passage talks about stock being used as payment in the bid, so 'currency' means the medium of exchange. A is the common-meaning trap (Trap B: passage vocabulary, wrong sense). SAT Tip: on vocab-in-context, substitute each option into the sentence – only one will preserve the original meaning of the line.

**Q5.** As used in the passage, the word 'modest' most nearly means:

**Answer: C**

The passage describes Buffett's successors as similarly 'modest' in the context of avoiding braggadocio – meaning unshowy and reserved. A is the common-meaning trap (Trap B). SAT Tip: when the surrounding sentence uses words like 'unshowy' or 'seldom braggadocio,' it's signposting the intended meaning – match the synonym, not the dictionary's first definition.

**Q6.** Which statement about Berkshire Hathaway can most reasonably be inferred?

**Answer: B**

The passage states that despite holding \$380bn in cash, Berkshire 'does not currently want to do deals,' implying valuations or conditions look unattractive. A directly inverts that (Trap A). SAT Tip: inference questions reward conservative reading – pick the option closest to the passage's literal claim, not a speculative leap from it.

**Q7.** The passage suggests that GameStop's \$20bn proposed bonus for Cohen is significant because:

**Answer: C**

The passage notes the bonus is contingent on Cohen hitting 'certain targets' and is still awaiting shareholder approval, implying performance-linked stakes. A contradicts the passage (Trap A). SAT Tip: when a passage uses qualifiers like 'if' or 'should,' the answer almost always has a conditional structure – eliminate options stated as completed facts.

**Q8.** The author's tone in describing Cohen's bid is best described as:

**Answer: C**

The closing line 'Let's see if Cohen knows better' captures a wait-and-see skepticism – neither cheerleading nor condemnation. B reads the opposite (Trap A). SAT Tip: tone lives in adjectives, sentence rhythm, and closing lines – not in the topic. A serious topic can still be discussed playfully, and vice versa.

**Q9.** Which inference about Bill Ackman and Brad Jacobs is best supported by the passage?

**Answer: B**

Ackman and Jacobs are introduced as examples of self-confident billionaires also trying to build Buffett-style vehicles – illustrating a broader trend, not specifically eBay. D is unsupported (Trap C). SAT Tip: ask why an example is included – usually it's to support a generalisation, not to make a claim about the example itself.

**Q10.** Which choice provides the BEST evidence for the answer to the previous question?

**Answer: B**

That line frames Ackman and Jacobs as representatives of a recurring archetype – exactly what the previous answer claimed. A and C describe Berkshire's holdings, not the broader pattern (Trap B: passage words, wrong combination). SAT Tip: on evidence-pairing questions, find the line that supports your prior answer first, then pick the option closest to it word-for-word.