

GameStop Wants to Swallow eBay. Yes, You Read That Right.

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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

Ryan Cohen, the unpredictable chief executive of GameStop and a folk hero of the 2021 meme-stock boom, has set his sights on a target several times larger than his own company: the online marketplace eBay. Cohen wants to buy it for roughly \$56 billion in cash and stock – an audacious figure given that GameStop's own market capitalisation sits at only about \$11 billion, a fraction of eBay's. The gulf between the two companies, observers note, is not merely one of size but also of stability and predictability. GameStop is a shrinking video-game retailer; eBay, despite being seen as a laggard in innovation compared with Amazon and newer platforms like Vinted, remains one of the largest global online marketplaces.

The financing math is daunting. Cohen has lined up close to \$40 billion: a \$20 billion commitment from TD Bank, around \$9 billion of cash on GameStop's balance sheet, and roughly \$10.7 billion worth of GameStop stock. That still leaves a \$16 billion financing gap, most likely to be filled through additional stock issuance – a step that would dilute existing shareholders. For most companies, a hole that size would be prohibitive. But GameStop is not most companies. Its retail investor base has, in the past, shown an unusual willingness to support management through unconventional capital raises, and Cohen is betting that loyalty holds.

The pitch rests on Cohen's reputation. He made his fortune through the \$3.4 billion sale of online pet retailer Chewy – which he co-founded in 2011 – to PetSmart in 2017. After buying a 10 per cent stake in GameStop and joining the board in 2021, he was named chair within six months and recast the struggling bricks-and-mortar chain as an ecommerce turnaround story, hiring senior executives from Amazon and exploiting the meme-stock surge to issue billions in new equity. People who have done business with him call the eBay gambit a 'quintessential' Cohen move. As one source put it, he is 'a bit of a cowboy' – hard to deal with, but successful.

Still, the lack of obvious synergies between two companies in different industries is, as one law professor described it, 'a bit of a head scratcher from a textbook perspective.' Eric Talley, a law professor at Columbia Law School, called it unusual for a 'small kind of minnow company' to try to 'eat the whale.' Ann Lipton, a law professor at the University of Colorado, said the upfront financial commitment is so large that closing the deal probably depends on yet another meme-stock surge – something she is sceptical will materialise.

The most striking defection is Michael Burry, the 'Big Short' investor who bet against the U.S. housing market before the 2008 crisis. Burry had until recently been one of Cohen's more prominent supporters. That has abruptly changed: he wrote on his blog that GameStop, burdened with billions in interest expense and loan covenants restricting its movements, would not be 'breaking new ground' but rather 'trotting in well-worn ruts on the road to capitalist hell.' Cohen had a chance to answer critics in a CNBC interview but offered little detail on financing, sparring with the hosts instead. His supporters online accused the mainstream media of running a 'hit job.' Whether the bid succeeds or collapses, it is a defining test of whether meme-era CEOs can convert internet enthusiasm into real corporate power.

2. Explanation

Imagine a minnow trying to eat a whale – then borrowing \$16 billion to do it. That's roughly what GameStop's CEO Ryan Cohen is attempting with eBay, and Wall Street is stunned.

What's Going On?

Ryan Cohen, the meme-stock-era CEO of GameStop, is trying to engineer a \$56 billion cash-and-stock takeover of eBay – a company more than four times GameStop's size. GameStop is worth about \$11 billion; eBay's market cap dwarfs it.

Cohen has already quietly built a 5% stake in eBay. To finance the rest, GameStop is leaning on roughly \$20 billion committed by TD Bank, \$9 billion in cash, and \$10.7 billion of its own stock. That still leaves a \$16 billion financing gap that would likely have to be filled by issuing more shares.

How To Think About It

This is less a normal merger and more a high-stakes gambit that depends on the unusual loyalty of GameStop's retail-investor base. Two parallels make the mechanics clearer:

- It's like a high-school junior varsity team trying to buy out the varsity squad – using IOUs from classmates who really like their captain. The deal only works if the fans keep believing.
- Think of it as a reverse-Goliath move in chess: a smaller piece sacrifices conventional logic for surprise and momentum. The 2017 Petsmart–Chewy deal, which Cohen pulled off, followed a similar bricks-and-mortar-buys-online template – just at a fraction of this scale.

Key Things To Know

- GameStop's market cap is about \$11 billion; the proposed deal value is \$56 billion – roughly 5x its own size.
- Cohen made his fortune from the \$3.4 billion sale of online pet retailer Chewy, which he co-founded in 2011, to PetSmart in 2017.
- Michael Burry – the 'Big Short' investor famous for predicting the 2008 housing crash – was a Cohen supporter but has now turned sceptical, citing interest expense and restrictive loan covenants.
- Ann Lipton, a law professor at the University of Colorado, says the deal requires such a huge upfront commitment that it likely depends on another meme-stock surge to actually close.
- What people miss: GameStop's investor base has historically backed unconventional capital raises – meaning the 'crazy' financing might actually be feasible here even though it would be 'prohibitive' for a normal company.

Why It Matters

If you've ever bought or sold something on eBay – or watched the GameStop saga in the 2021 Netflix-doc era – this deal sits at the exact intersection of those two worlds. It's also a live test of whether retail investors (regular people trading on apps like Robinhood) can actually move corporate America, not just stock prices. For anyone considering finance, business, or even law, this is a case

study being written in real time.

The Bigger Picture

Even if the bid fails, it signals a new era where 'meme' companies use inflated share prices as acquisition currency to grab legacy businesses – a tactic AOL famously used to buy Time Warner in 2000 (which ended badly). Watch for: whether eBay's board formally rejects, whether GameStop's stock holds up under the dilution required to issue \$16 billion in new shares, and whether other meme-era CEOs try similar moves. The second-order risk is a wave of mismatched mergers built on vibes rather than fundamentals.

3. Key Terms Glossary

Leveraged buyout (LBO)

An acquisition where the buyer uses a large amount of borrowed money – often more than the buyer's own value – to purchase a company, with the target's own assets often used as collateral.

Market capitalisation

The total dollar value of a company's outstanding shares (share price × number of shares). It's the market's estimate of what a company is worth right now.

Cash and stock deal

An acquisition paid for partly in cash and partly by giving the seller's shareholders shares in the buyer's company, instead of all cash.

Stock issuance

When a company creates and sells new shares to raise money. It dilutes existing shareholders because their slice of the pie shrinks.

Covenants

Conditions written into a loan agreement that restrict what the borrower can do (e.g., taking on more debt, selling assets) until the loan is repaid.

Synergies

The extra value supposedly created when two companies combine – usually through cost savings or new revenue. In M&A pitches, often promised, frequently overstated.

Meme stock

A stock whose price is driven primarily by social-media-fuelled retail enthusiasm rather than the company's actual financial performance. GameStop is the original example.

Retail investor base

The collection of individual, non-professional investors who own a company's stock – as opposed to big institutions like pension funds or hedge funds.

4. Reading Comprehension Quiz

Circle the best answer for each question.

Q1. The passage primarily argues that:

- A) GameStop's takeover of eBay is financially routine and likely to close smoothly.
- B) Cohen's bid for eBay is audacious and depends heavily on unconventional financing.
- C) eBay is desperate to be acquired and has welcomed Cohen's offer enthusiastically.
- D) Michael Burry has emerged as the strongest backer of GameStop's expansion plans.

Q2. According to the passage, GameStop's financing for the eBay deal includes all of the following EXCEPT:

- A) A \$20 billion commitment from TD Bank.
- B) Approximately \$9 billion of cash on GameStop's balance sheet.
- C) \$10.7 billion worth of GameStop stock.
- D) A \$35 billion private equity investment from Chewy.

Q3. Which choice best states the central idea of the passage?

- A) Ryan Cohen's track record at Chewy guarantees success at GameStop.
- B) eBay's board has formally agreed to merge with GameStop on favourable terms.
- C) GameStop's bid for eBay is bold but faces serious obstacles in funding and logic.
- D) Meme stocks have permanently replaced traditional valuation methods on Wall Street.

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

- A) A skilled rancher experienced with cattle.
- B) An unpredictable risk-taker who breaks convention.
- C) A dishonest businessman who deceives partners.
- D) A nostalgic figure from the American frontier.

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

- A) Threw away entirely.
- B) Reshaped or repositioned.
- C) Replaced the leadership of.
- D) Sold off in pieces.

Q6. Which inference about GameStop's investor base can most reasonably be drawn from the passage?

- A) It is dominated by traditional institutional pension funds.
- B) It is unusually willing to back unconventional capital-raising plans.
- C) It has rejected every share issuance Cohen has proposed.
- D) It consists mainly of former eBay shareholders.

Q7. The passage suggests that Michael Burry's recent shift in stance is significant because:

- A) Burry has never previously commented on retail companies.
- B) He is the only investor still publicly opposed to Cohen.
- C) He had until recently been one of Cohen's prominent supporters.
- D) His fund owns a controlling stake in eBay.

Q8. The author's tone toward the proposed deal is best described as:

- A) Openly mocking and dismissive.
- B) Sceptical but acknowledging Cohen's track record.
- C) Enthusiastically supportive of Cohen's vision.
- D) Indifferent and purely procedural.

Q9. Which statement about the deal can most reasonably be inferred from the passage?

- A) GameStop will likely need to issue significant new stock to complete the purchase.
- B) TD Bank has agreed to fund the entire \$56 billion price tag.
- C) eBay's CEO has personally endorsed Cohen's leadership plan.
- D) Chewy will be folded into the combined GameStop-eBay company.

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

- A) 'Ryan is a bit of a cowboy, a guy that is hard to deal with.'
- B) 'That leaves a financing gap of roughly \$16bn to be filled, most likely through additional stock issuance.'
- C) 'Cohen has access to almost \$40bn of funding.'
- D) 'Combining the two companies could create a platform with both scale and a revitalised retail investor base.'

My Score: _____ / 10

5. Answer Key with Explanations

Q1. The passage primarily argues that:

Answer: B

The passage frames the deal as a long-shot 'gambit' resting on a \$16 billion financing gap and meme-stock loyalty. A is wrong (Trap A: opposite direction – the passage stresses risk, not routine). SAT Tip: For 'primarily argues' questions, pick the option that captures both the topic AND the author's stance – a true-but-narrow detail isn't the main argument.

Q2. According to the passage, GameStop's financing for the eBay deal includes all of the following EXCEPT:

Answer: D

The passage names TD Bank, GameStop's cash, and GameStop stock as funding sources, but never mentions Chewy – Cohen's previous company – as a financier. C is the trap for some students (Trap B: real passage vocabulary in a wrong combination), but it's actually correct as listed. SAT Tip: On 'EXCEPT' questions, scan the passage for each option one by one – the wrong answer is usually a plausible-sounding detail the passage simply never states.

Q3. Which choice best states the central idea of the passage?

Answer: C

The passage repeatedly highlights both Cohen's ambition and the deal's fragile financing and lack of obvious synergies. D is too sweeping (Trap C: real-world commentary the passage doesn't actually make). SAT Tip: Central-idea answers usually balance two ideas the passage holds in tension – be wary of options that pick only the cheerleading or only the criticism.

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

Answer: B

The source describes Cohen as 'unpredictable' and willing to make a deal others call a long shot – 'cowboy' here connotes bold rule-breaking. A is the literal definition (Trap B: common meaning, not passage meaning). SAT Tip: On vocab-in-context, substitute each option into the sentence – the right answer keeps the sentence's logic intact.

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

Answer: B

Cohen 'recast GameStop as an ecommerce turnaround,' meaning he repositioned its identity, not that he replaced its staff or sold parts. C is tempting (Trap B: he did hire executives) but doesn't fit 'recast' itself. SAT Tip: Vocabulary words often have multiple plausible meanings – pick the one that matches the grammatical object of the verb, not a related action.

Q6. Which inference about GameStop's investor base can most reasonably be drawn from the passage?

Answer: B

The passage states GameStop's investors have shown willingness to support management through unconventional capital raises – that's why a normally prohibitive financing gap might still be fillable. C reverses the passage (Trap A: opposite direction). SAT Tip: Inference answers must be a small logical step from the text – if you have to add new facts to make it true, it's wrong.

Q7. The passage suggests that Michael Burry's recent shift in stance is significant because:

Answer: C

The passage explicitly notes Burry had been a prominent Cohen supporter until his stance abruptly changed, making the reversal newsworthy. B overstates his uniqueness (Trap C: real-world plausible but not stated). SAT Tip: When a passage emphasises a 'change' or 'reversal,' the significance usually lies in the contrast with a prior position – look for the before/after.

Q8. The author's tone toward the proposed deal is best described as:

Answer: B

The author quotes critics calling it a 'head scratcher' yet also notes Cohen's Chewy success and supporters. A is too strong (Trap C: stronger emotion than the author actually uses). SAT Tip: Tone is rarely extreme – when in doubt, choose the more measured option, especially in business journalism, which tends to balance sources.

Q9. Which statement about the deal can most reasonably be inferred from the passage?

Answer: A

The passage names a \$16 billion gap most likely filled through additional stock issuance. B misstates TD Bank's role (Trap B: passage vocabulary in a wrong combination). SAT Tip: Quantitative inferences should always trace back to specific numbers in the passage – verify the math before picking.

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

Answer: B

Option B directly states the gap and the likely use of new stock – exact evidence for Q9. C describes the secured portion, not the gap (Trap B: relevant vocabulary, wrong target). SAT Tip: On evidence-pairing, find the line that supports your previous answer first, then match it to the option – don't pick the most 'interesting' quote.