



Where the Season Starts

The Wolves of Court Street

Snapshot of Dick's



Ticker: DKS

Industry: Specialty Retail

Market Cap: \$5.9 Billion

Shares Outstanding: 121.8 Million

52 Week Range: \$41.30 – \$58.87

Our beginning



Started in 1948

Dick Stack built his own bait and tackle shop in Binghamton, New York

By 1958 inventory expanded to most of the products found there now

What we do:



What we do:

DICK'S

SPORTING GOODS®

GOLF GALAXY

[Help](#) | [My Account](#) | [Find a Store](#) | [Weekly Ad](#)

 The Holidays Have Arrived
Unwrap The Savings

BUY ONLINE
PICK UP IN STORE [Details](#)

EVERY SEASON STARTS AT
DICK'S
SPORTING GOODS.



[TEAM SPORTS](#)

[EXERCISE](#)

[FOOTWEAR](#)

[APPAREL](#)

[GOLF](#)

[OUTDOORS](#)

[FAN SHOP](#)

[CLEARANCE](#)

Free Shipping With No Minimum Purchase

+ Free Shipping & Free Returns on Apparel & Footwear Online Only. Excludes PING. [Details](#)

Home : [Team Sports](#) : [Basketball](#) : [Basketballs](#)

Basketballs

Basketballs

- [Official](#)
- [Women's/Intermediate](#)
- [Youth](#)
- [Mini \(7"\)](#)
- [Signature NBA Player Balls](#)
- [NBA Team Balls](#)
- [Basketball Training Balls](#)
- [All Basketballs](#)



Official



Women's/Intermediate



Youth



Mini (7")

Where are we located?



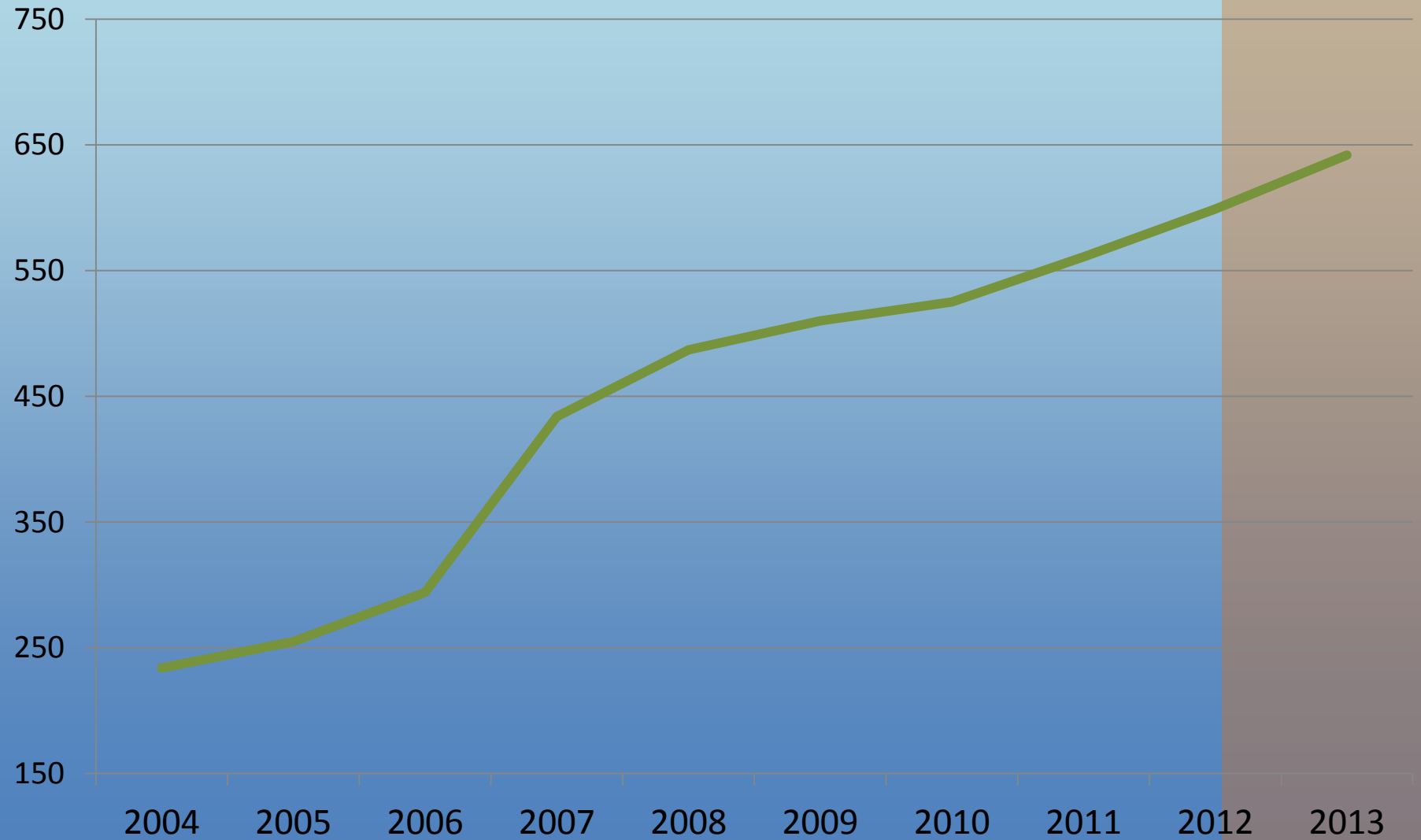
574

DICK'S Stores in 46 States

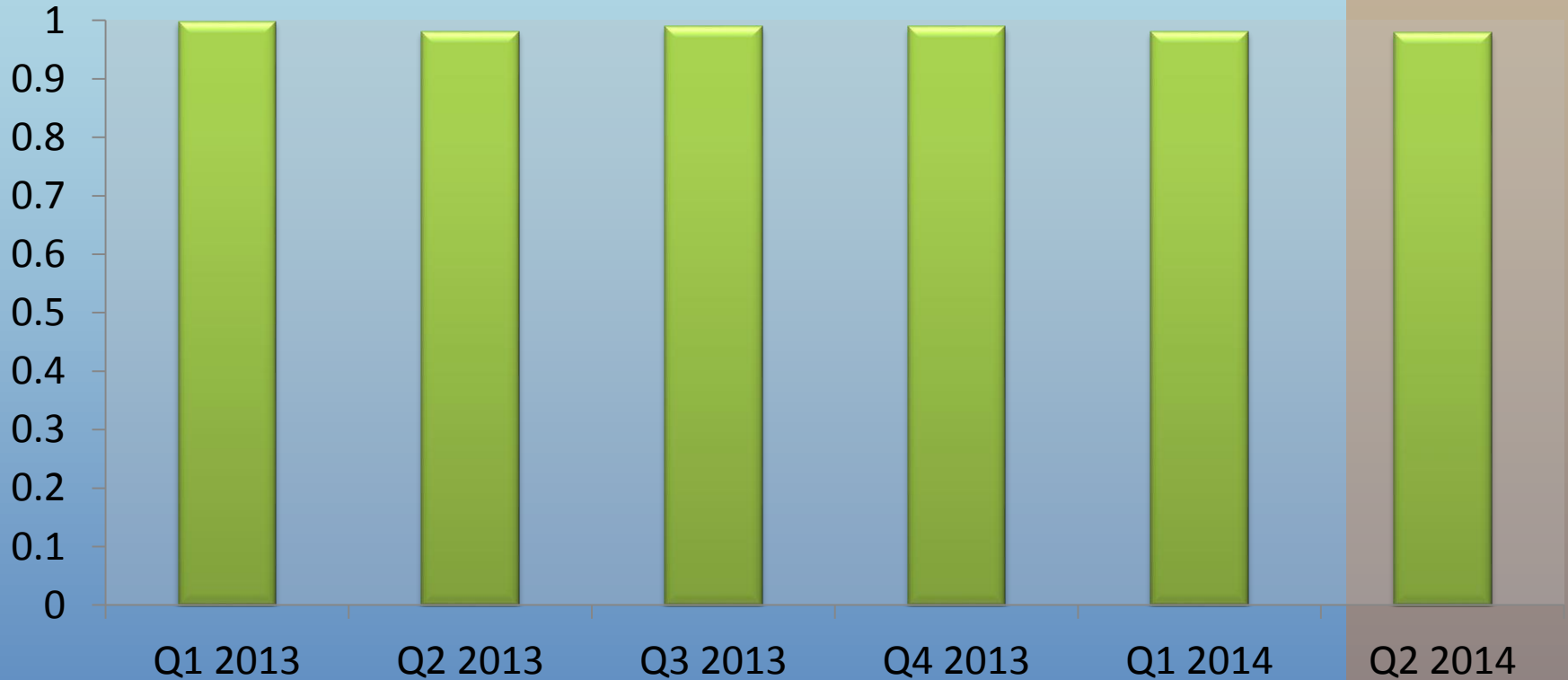
As of August 2, 2014



Store Growth



New Store Integration



New Stores Sales per Square Foot over trailing twelve months vs existing stores sales per square foot over same time frame

Growth through Volume



Company feels 1,000 stores is obtainable
(no finite timeline)

Take advantage of economies of scale

What we sell



Sports Gear

Footwear

Exercise Equipment

Outdoors

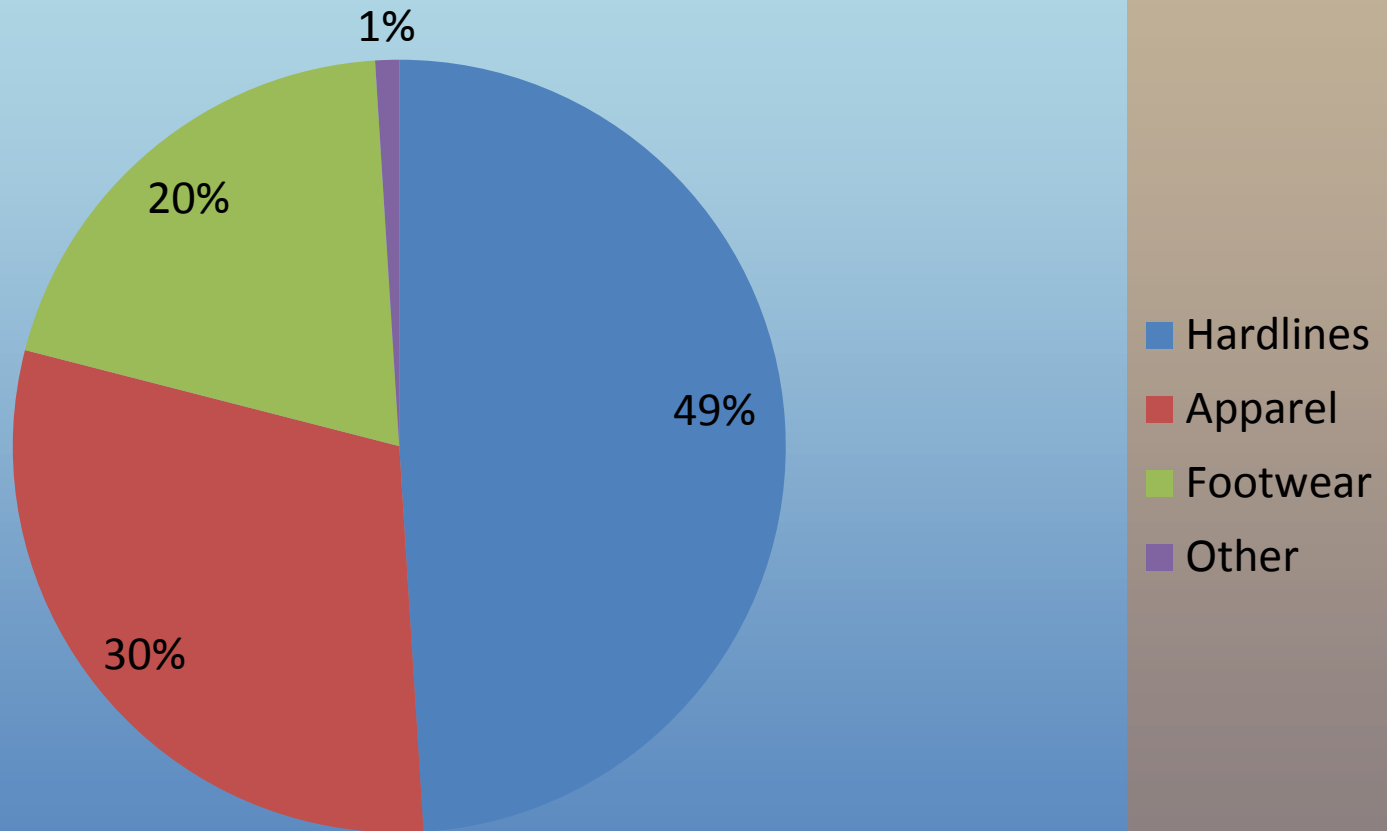
Apparel

Fan Shop

Golf

Ability to special order

Revenue Breakdown



Total Revenue totals \$6.2 billion



Growth through Profit

Expand Store Network

Enrich eCommerce merchandise assortment, content, and capabilities

Leverage store base by integrating online presence with store

Develop multi-faceted marketing campaigns that drive omni-channel loyalty

Omni-Channel platform



Expanding on strengths as innovative company

Goal is to be a seamless distribution network

Shopping experience at every point of contact,
whether online or in-store

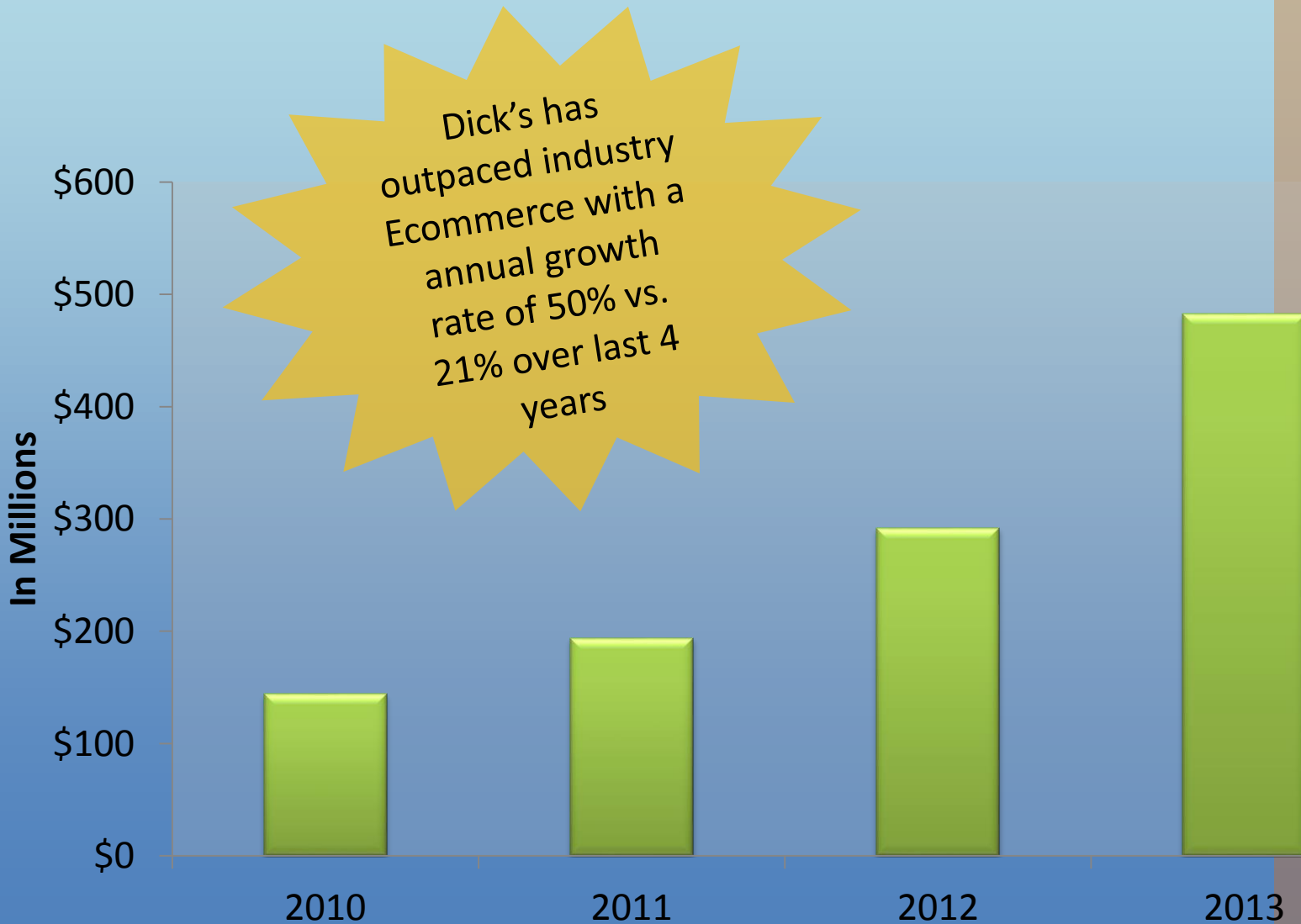
Online Presence



Nearly 75% of online orders are shipped to a customer within 15 miles of a store

For every \$1 a customer would spend online, they will spend nearly \$5 in store

Online Growth



Competitive Advantage



Unique in-store experience

- Store within a store- 5 specialty stores within one store: Footwear, Team Sports, Outdoor Lodge, Golf, Fitness and Athletic Apparel

Omni-Channel

- Customers can research the products online and come to the store to test them out

Competitive Advantage



Hires Professionals to assist customers in purchasing decisions and repairs

- Club fittings and guidance from a team of PGA and LPGA pros, on-site golf simulators, launch monitors and putting greens
- Re-gripping and club repair provided by Certified Club Technicians
- Archery range for testing potential purchases
- Custom fittings, safety inspections, repairs, tune-ups and assembly provided by a team of Certified Bike Technicians
- Steam baseball gloves, string tennis racquets and lacrosse sticks, and sharpen ice skates
- Provide home delivery and assembly of fitness equipment

Competitive Advantage



Owns Golf Galaxy

- designed to create an exciting and interactive shopping environment
- 81 stores total

High Quality Specialty Merchandise

Competitive Advantage



Brands Exclusive to Dick's

- Adidas baseball, DBX, Fitness Gear, Maxfli, Nickent, Nishiki, Primed, Quest
- Field & Stream
- Reebok (performance apparel)
- Slazenger (golf and racquets)
- Top-Flite
- Umbro (performance equipment, footwear and apparel)
- Walter Hagen

Comparison to Academy



Dick's Sporting Goods

480 stores in 43 states and 81
Golf Galaxy stores

Upscale brands

Service by *sports professionals*

Publically owned

Academy Sports and Outdoors

185 stores in 15 states

Common brands

Service by *normal people*

Privately owned

Comparison to Sports Authority



Dick's Sporting Goods

480 stores in 43 states

Expanded mainly on its own

Publically owned

Much wider selection in certain brands

- Patagonia- full line in clothing and shoes
- Nikes women's running shoes- 116
- Puma Golf apparel- has both men, women, and children's golf apparel

Sports Authority

450 stores in 45 states

Expanded through acquisitions

Privately owned

Limited selection in certain brands

- Patagonia- Only 5 types of shoes
- Nikes women's running shoes- 36
- Puma Golf Apparel- only offers men's golf apparel



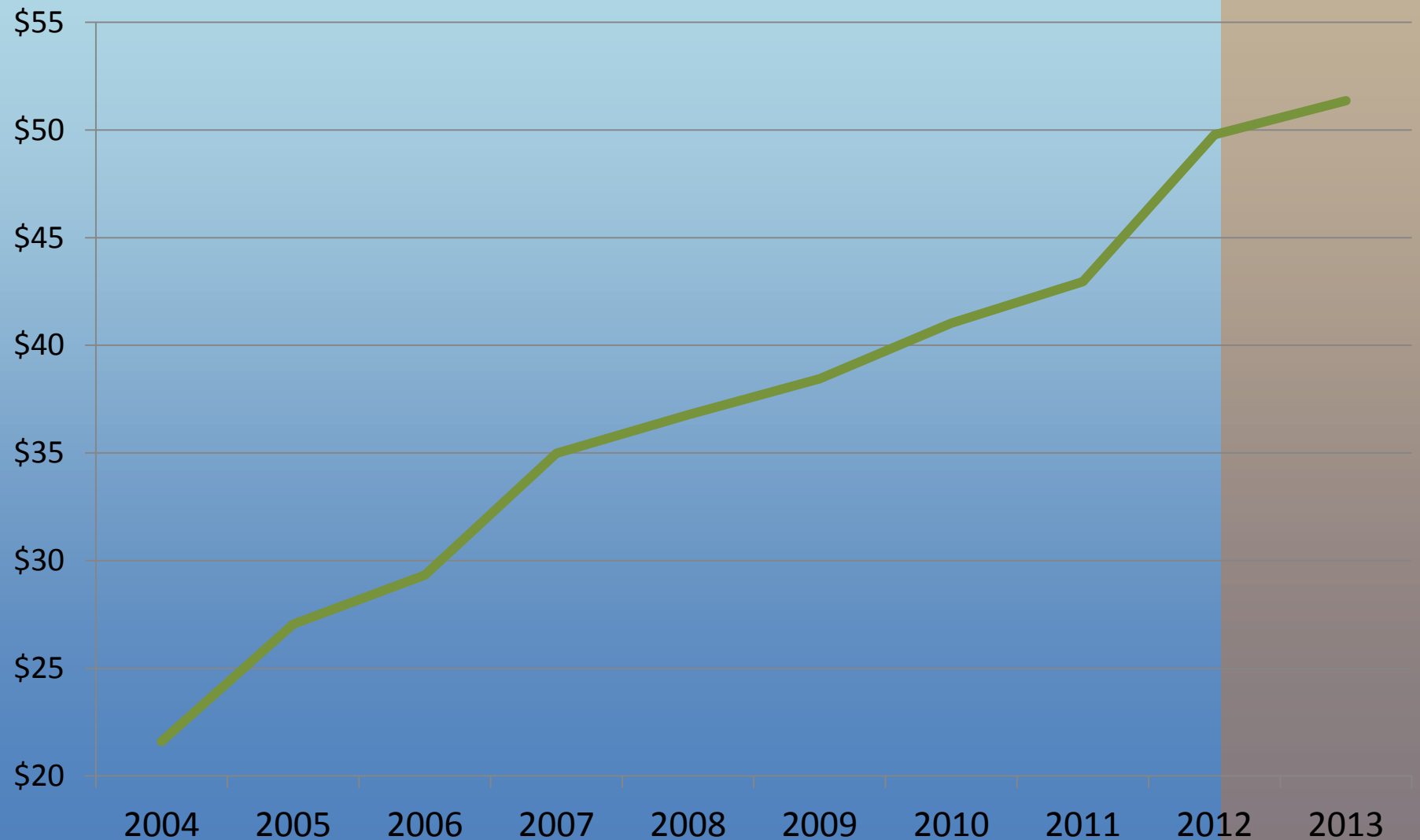
Interpretation of Financial Statements

Interpretation of Financial Statements

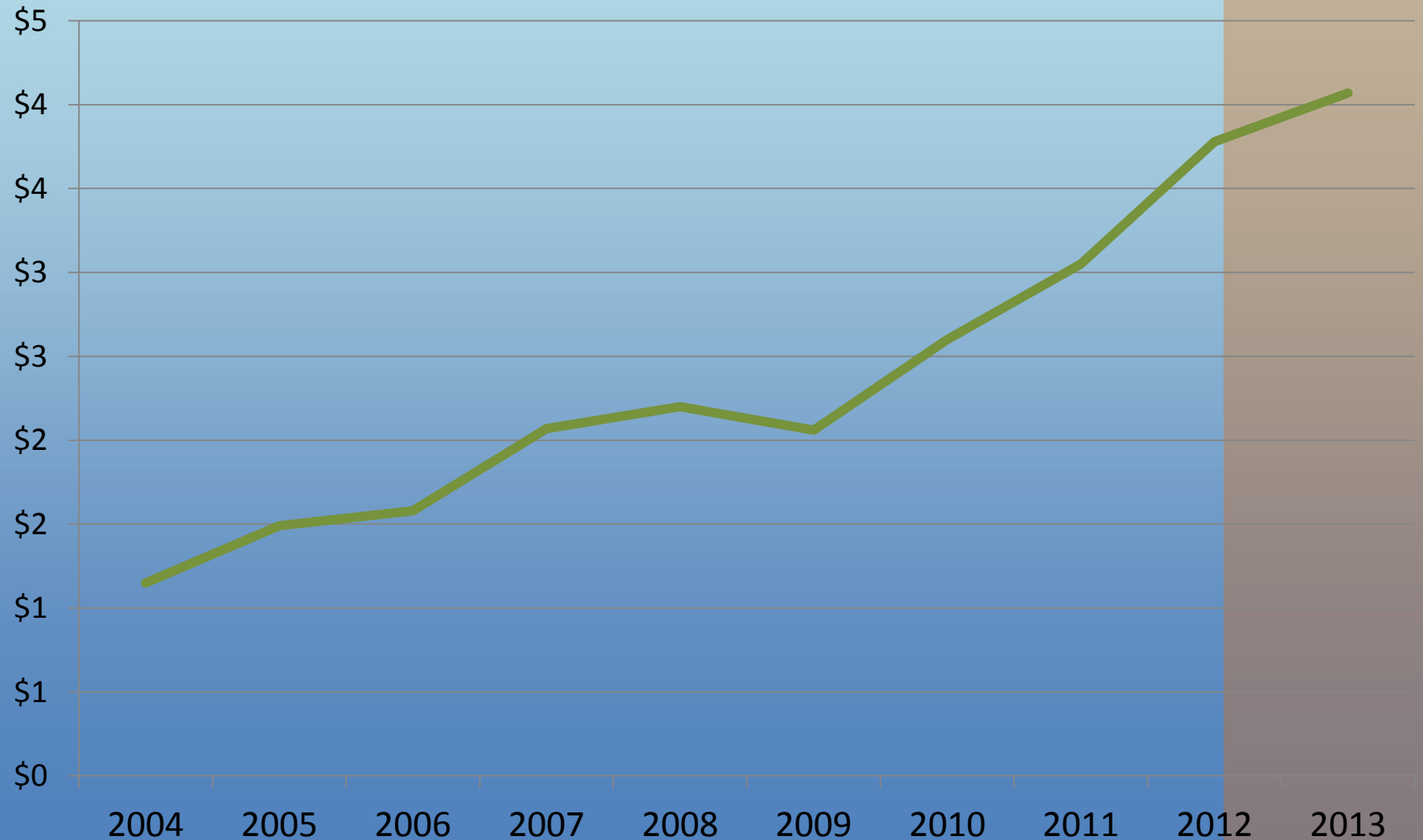


Trend	Increasing?
Sales per Share	Yes
Cashflows per share	Yes
Earnings per Share	Yes
Dividends Declared per share	Stable
Book Value per Share	Yes
Revenues (Sales)	Yes
Gross Profit Margin	Stable

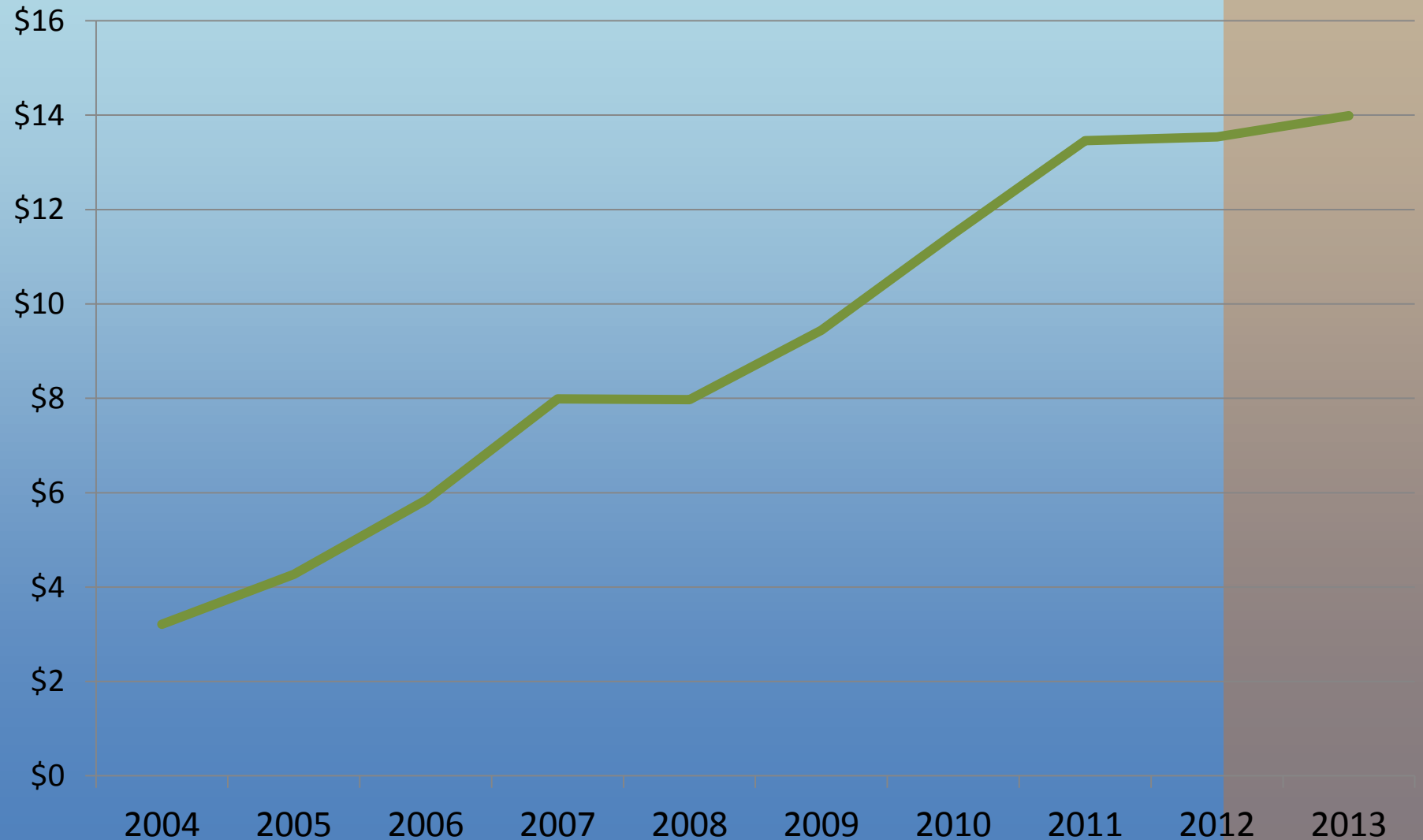
Sales per share



Cashflow per share



Book Value per share



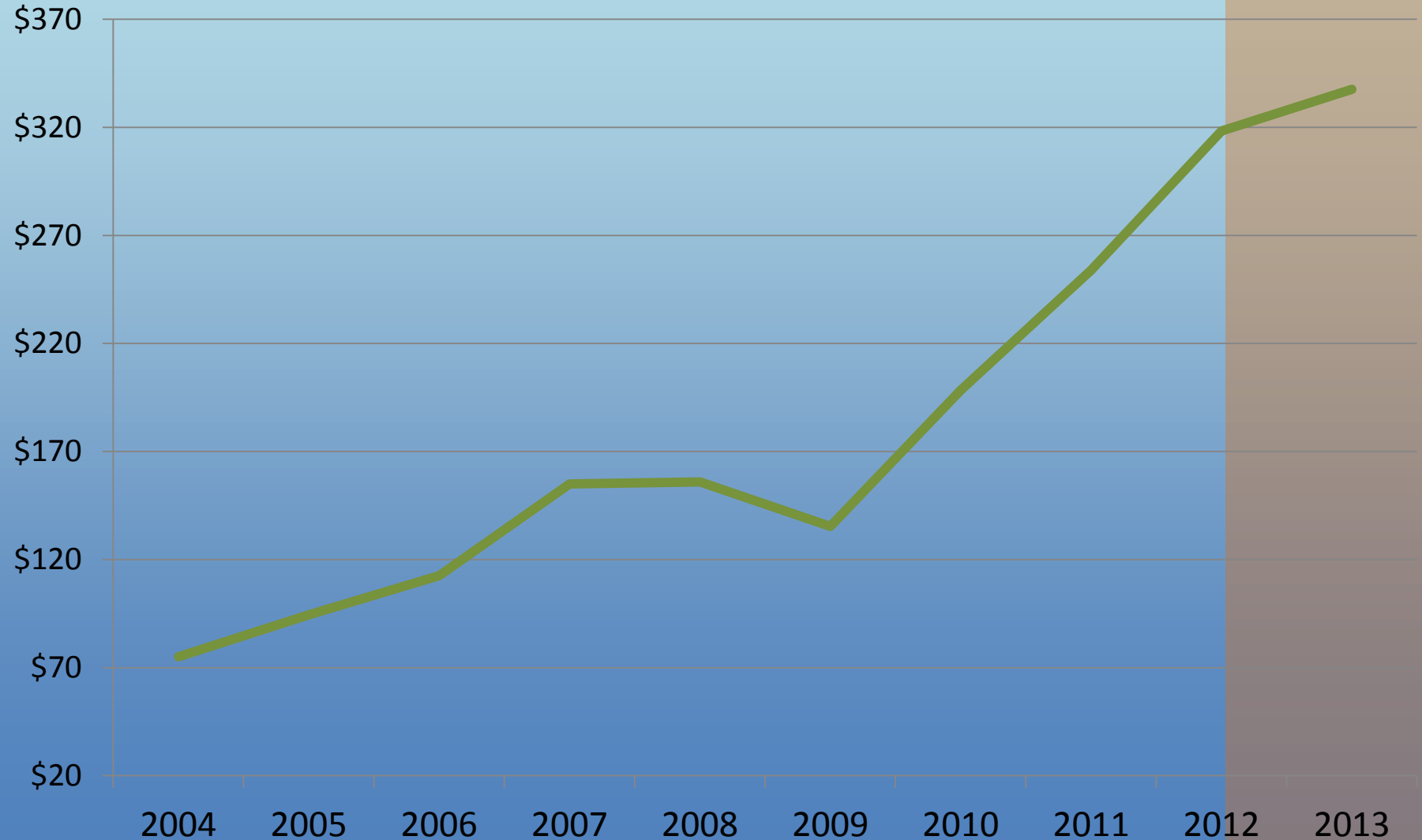
Interpretation of Financial Statements



Trend	Increasing
Operating Profit Margin	Stable
Number of Stores	Yes
Net Profit	Yes
Net Profit Margin	Yes
Working Capital	Yes
Shareholder's Equity	Stable



Net Profit (in Millions)

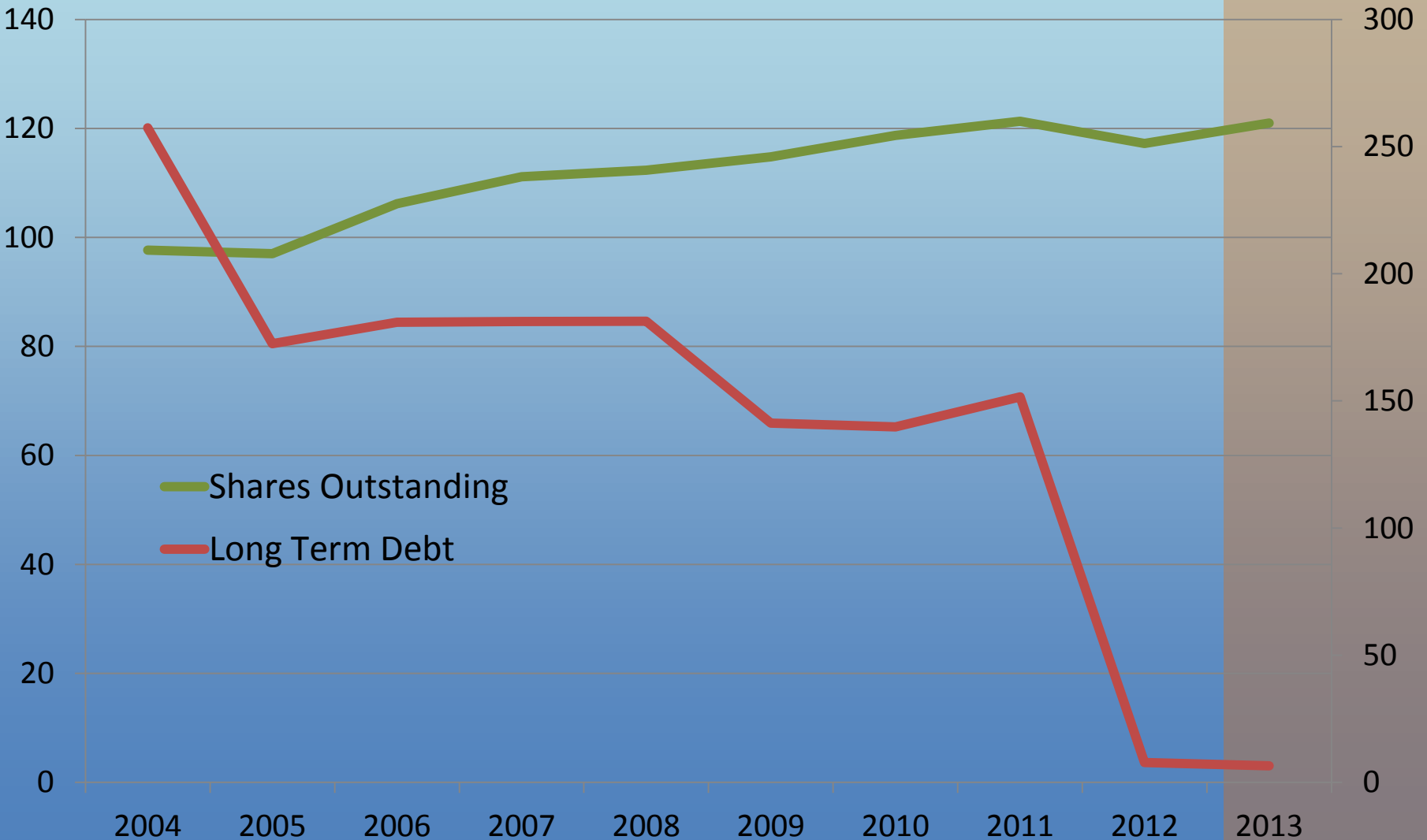


Interpretation of Financial Statements



Trend	Increasing?
Return on Total Capital	Stable
Return on Shareholder's Equity	Stable
Long-Term Debt	No
All Dividends to Net Profit Under 60%	Yes
Annual Growth Rate Analysis	Yes
Common Shares Outstanding	Yes

Debt Vs. Shares



Shares Outstanding



2013: \$255 Million in
Share Repurchases

2014 YTD: \$125 Million in
Share Repurchases

\$620 Million remain
authorized directly for
share repurchase

\$1 Billion in share
repurchases authorized

(\$5.9 Market Cap)

Long term debt



Dick's Sporting Goods Inc DKS | ★★★★★

TD Ameritrade >

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trade FREE for 60 days.

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[Quote](#) [Chart](#) [Stock Analysis](#) [Performance](#) [Key Ratios](#) [Financials](#) [Valuation](#) [Insiders](#) [Ownership](#) [Transcripts](#) **NEW** [Filings](#) **Bonds**

Dick's Sporting Goods Inc has no bond data available.

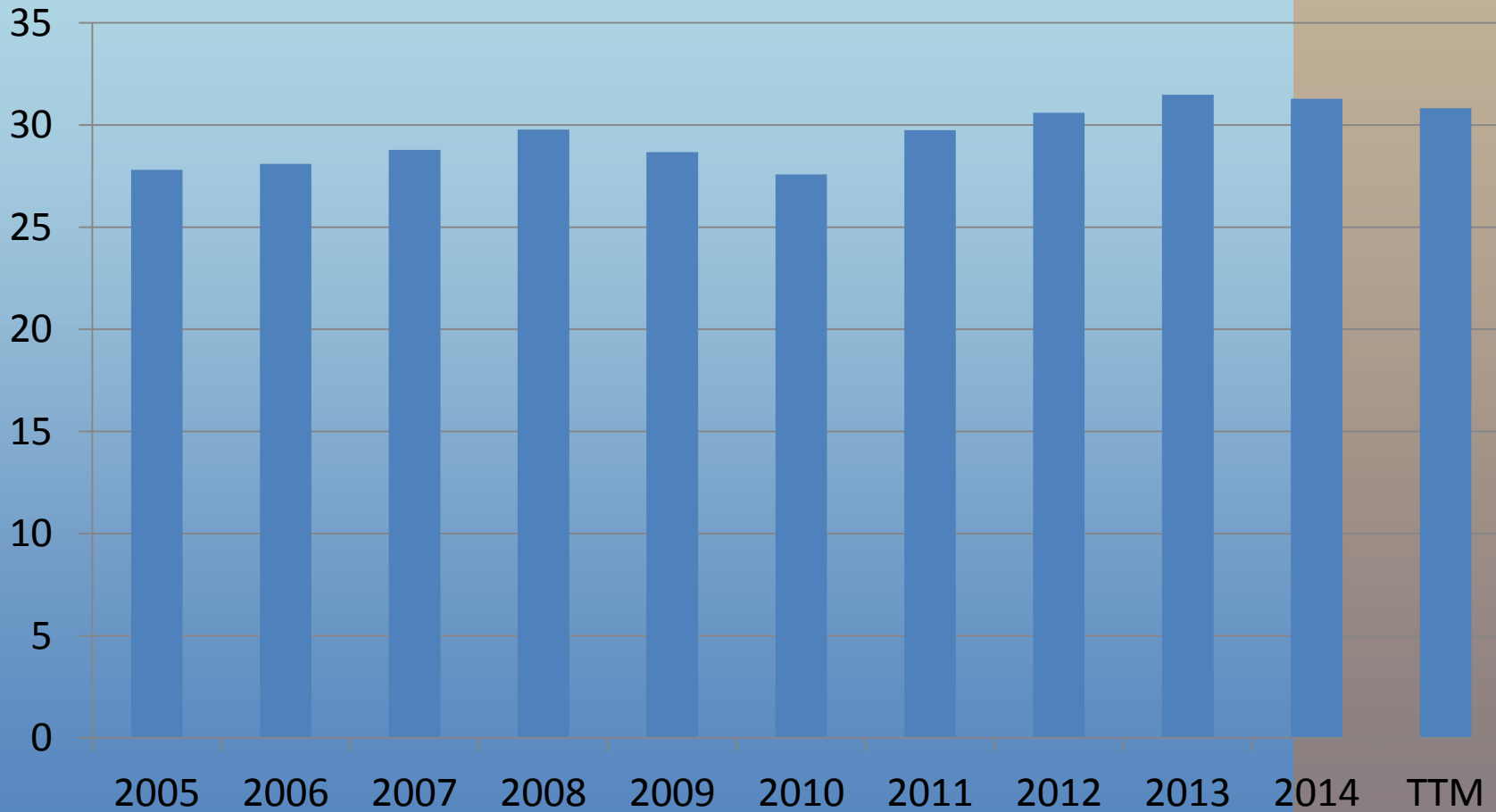


Buffettology



Metric	DKS	Buffet's Standard	Satisfied?
Gross Profit Margin	30.83%	< 20%	Yes
Net Profit Margin	5.07%	> 10%	No
SG&A Expenditures/ Gross Profit	73%	≤ 80%	Yes
Depreciation/ Gross Profit	8%	≤ 10%	Yes
Interest/ Operating Income	0.0%	≤ 15%	Yes
Current Ratio	1.7	≥ 1	Yes

Gross Profit Margin

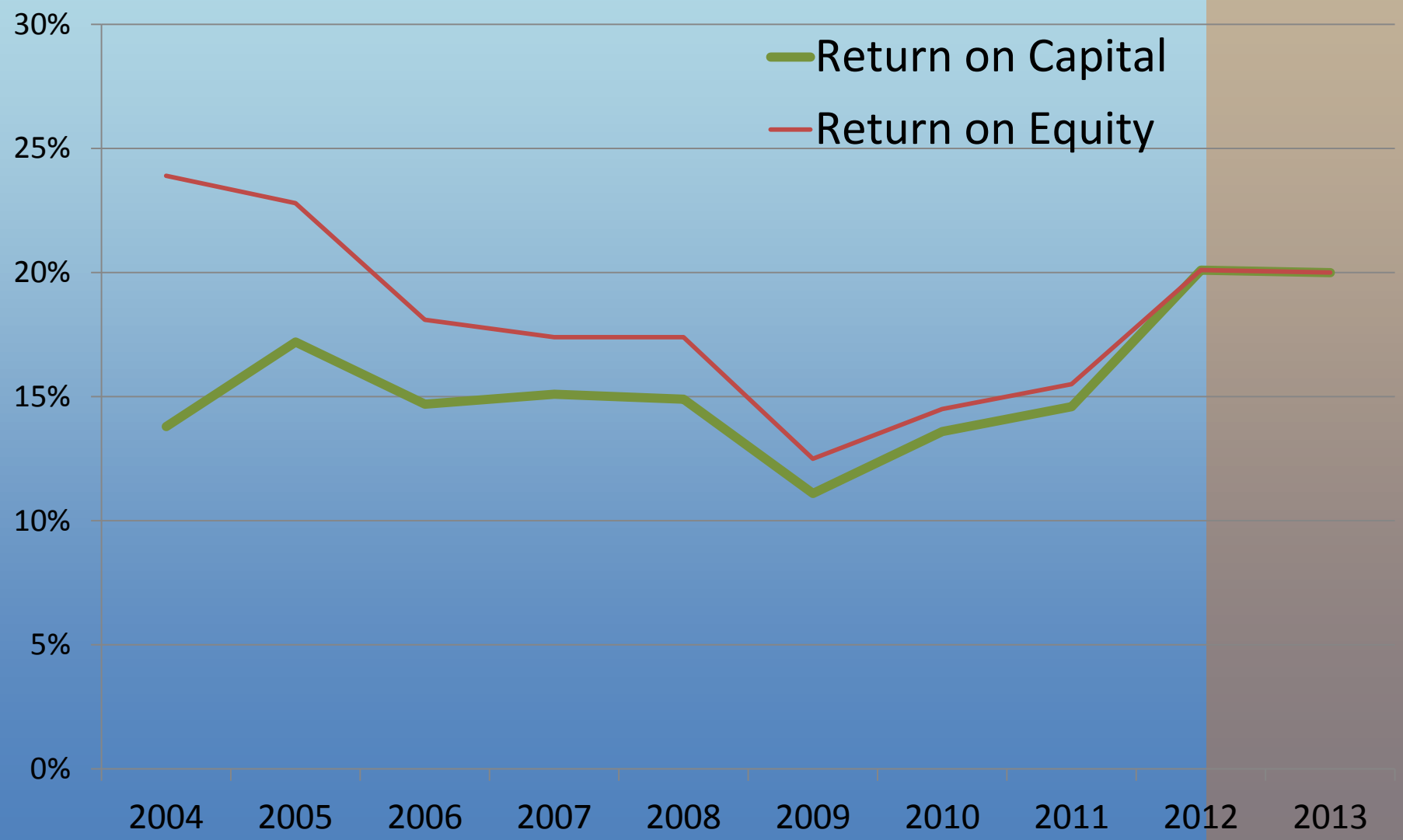




Metric	DKS	Buffet's Standard	Satisfied?
Long Term Debt/ Net Earnings	8.73*	< 5 years	No* Just based on leases
Return on Equity	17.44%	$\geq 15\%$	Yes
Return on Capital	17.44%	$\geq 15\%$	Yes
Dividend Payout Ratio	19%	$\leq 60\%$	Yes
Adj. Debt/ Shareholders' Equity	0.03	< 0.80	Yes



Return to Shareholders



DuPont Analysis



Metric	
Net Profit Margin	5.07%
Total Asset Turnover	2.03
Financial Leverage Multiplier	1.695
Return on Equity	17.44%

Qualitative Analysis



	Sustained Competitive Adv.
What type of business is this: commodity or sustained competitive advantage?	
Can you easily explain what the business does?	Yes
Is it heavily unionized?	No
Does it require heavy capital infusion?	No
Does it require lots of research and development?	No
Can inventory become obsolete?	No
Are there chronic "one time" write offs?	Yes
Is the company able to raise its prices to offset inflation?	Yes
Will the company be able to sell more in the future?	Yes

Insider Ownership



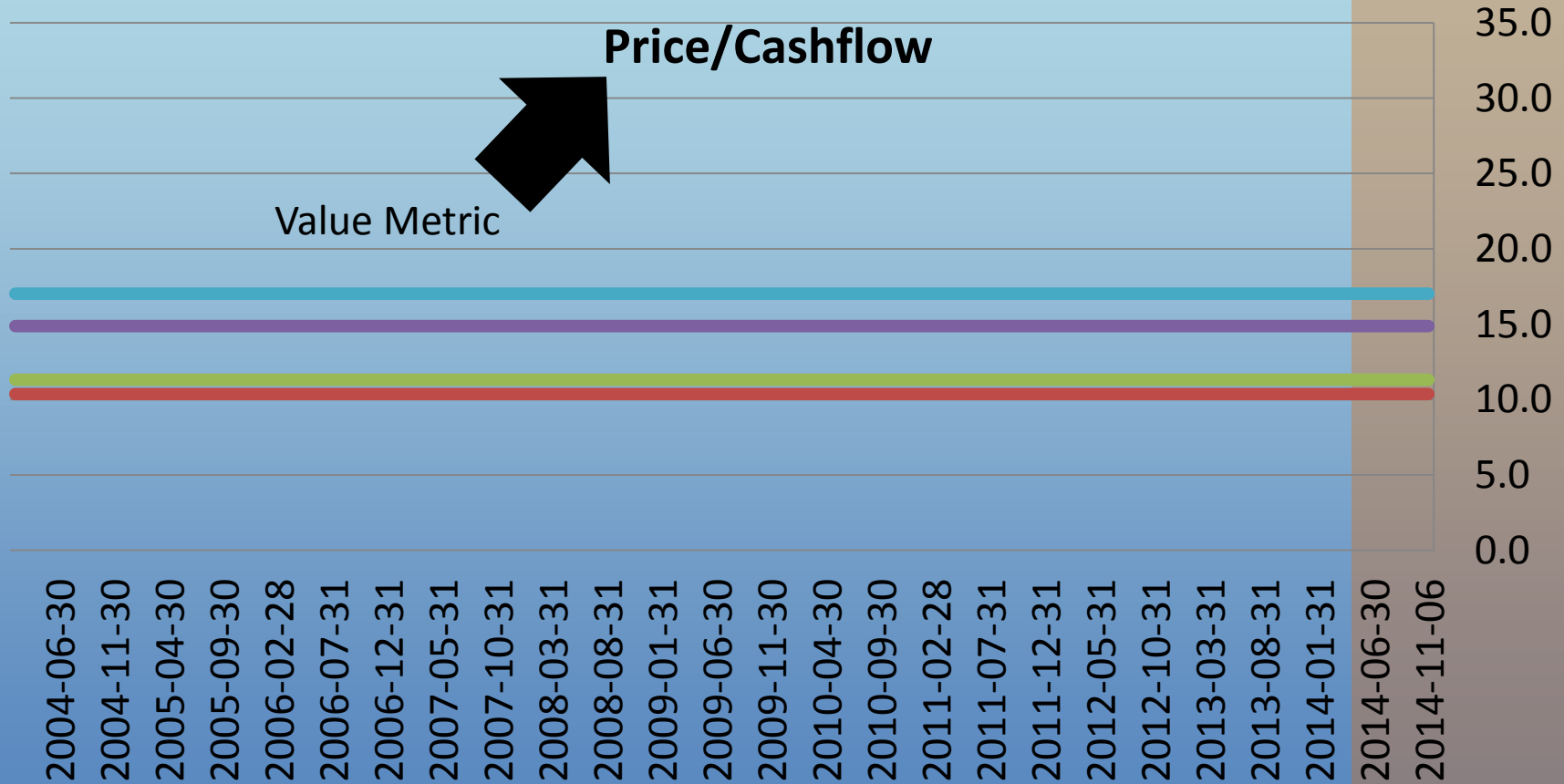
Officers and Directors own:

4% of common shares

84.6% of class B shares

- Class B shares carry 10 votes

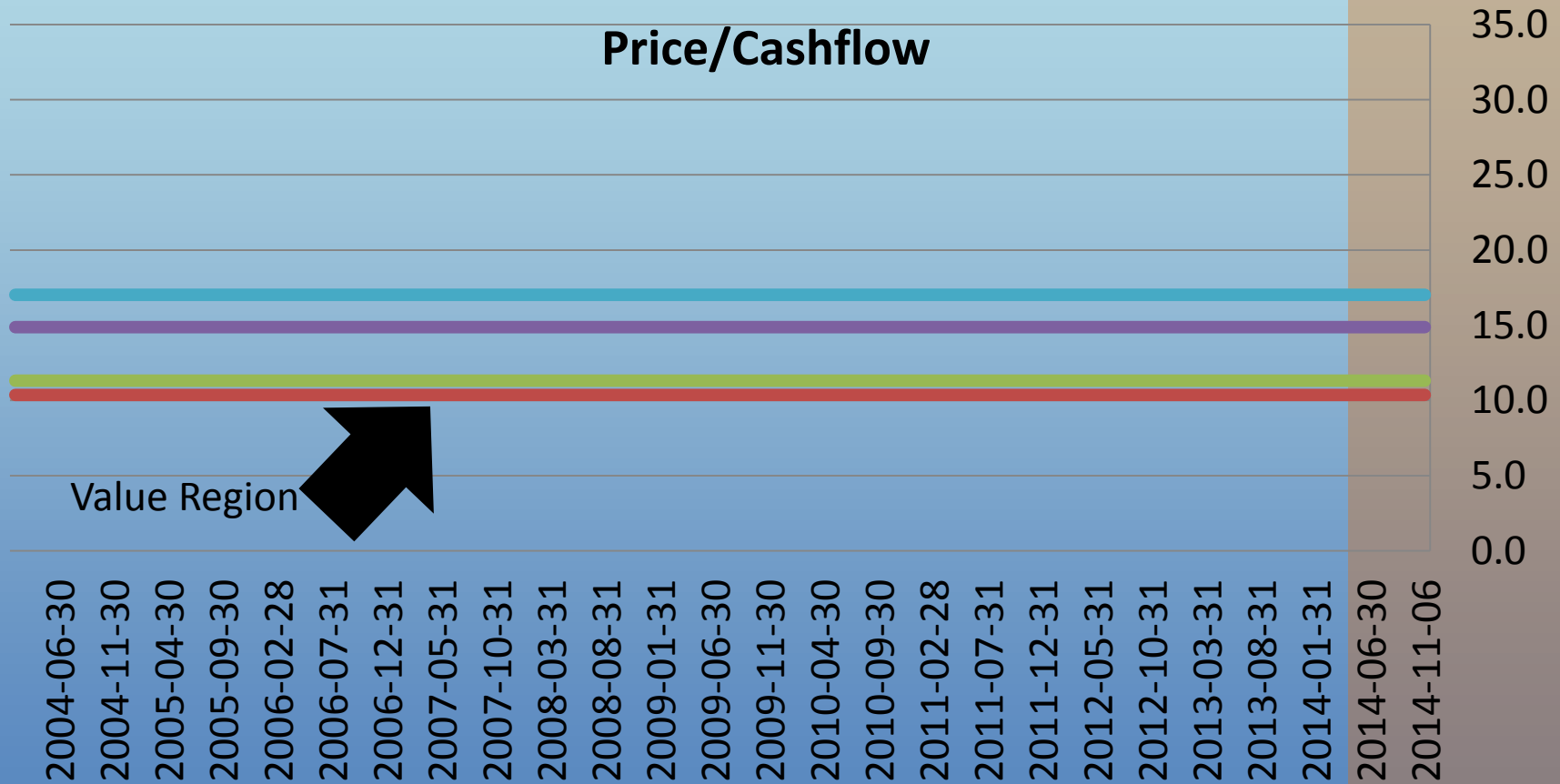
Van Den Berg's



Van Den Berg's



Price/Cashflow

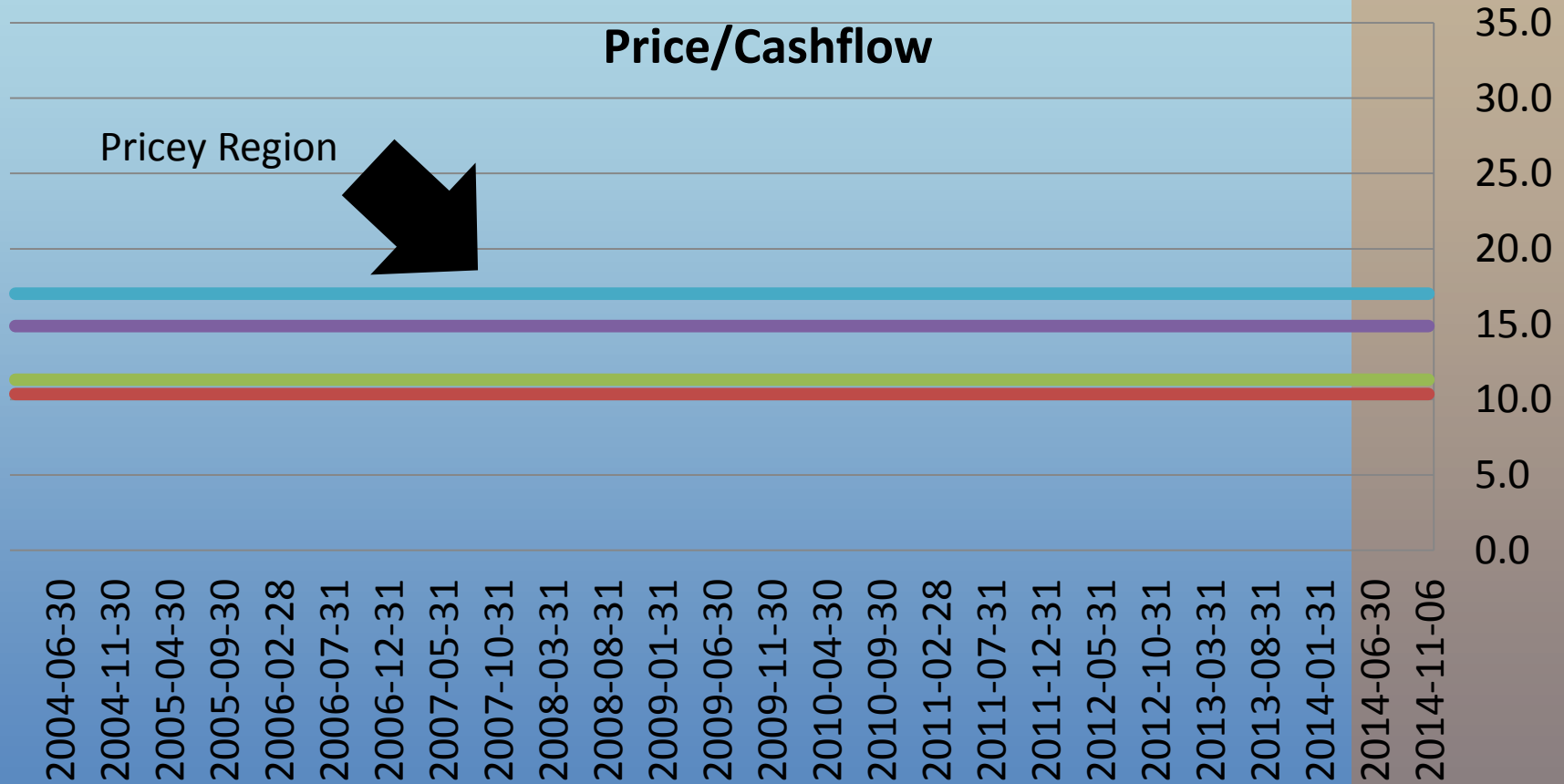
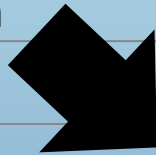


Van Den Berg's

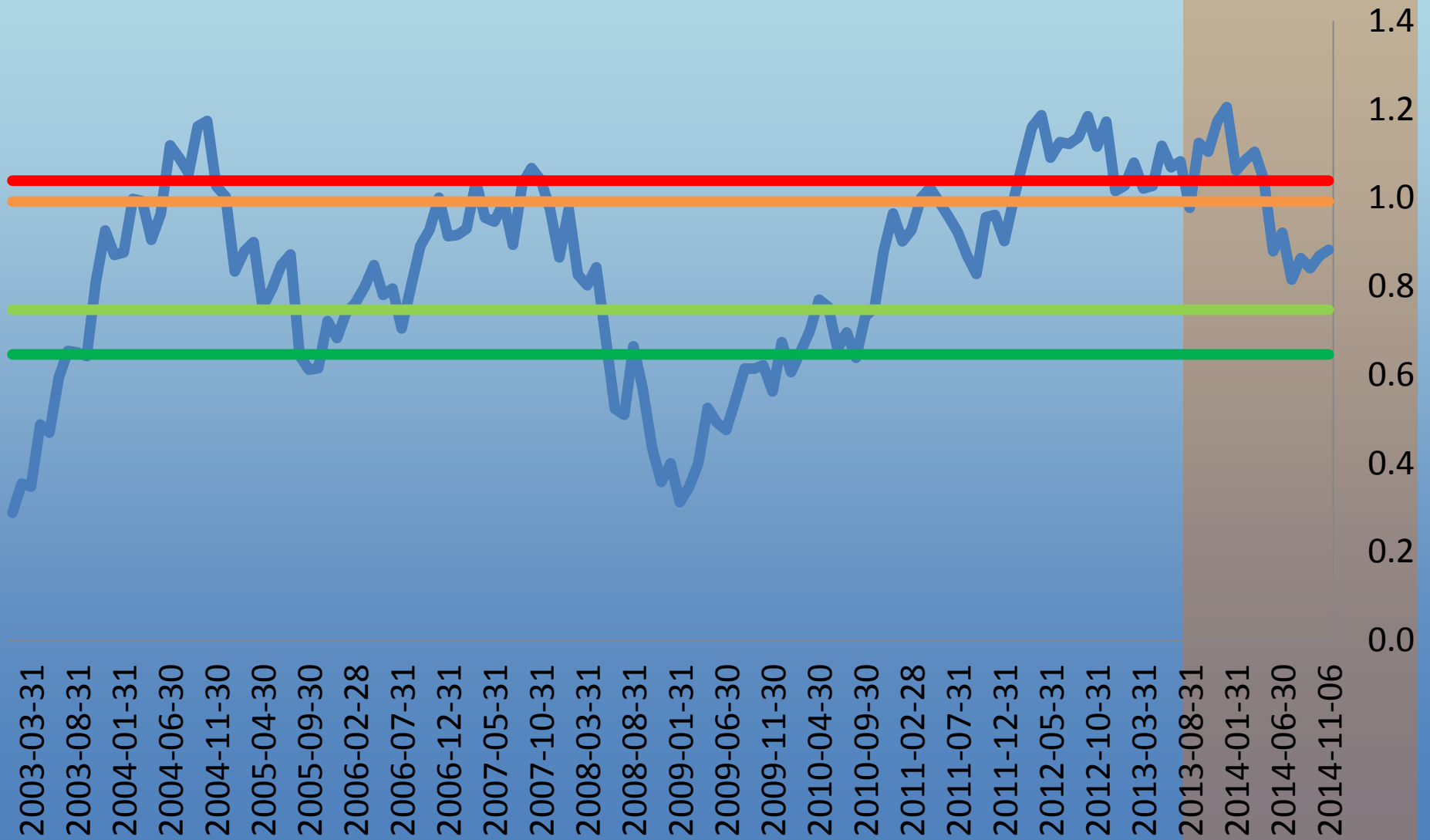


Price/Cashflow

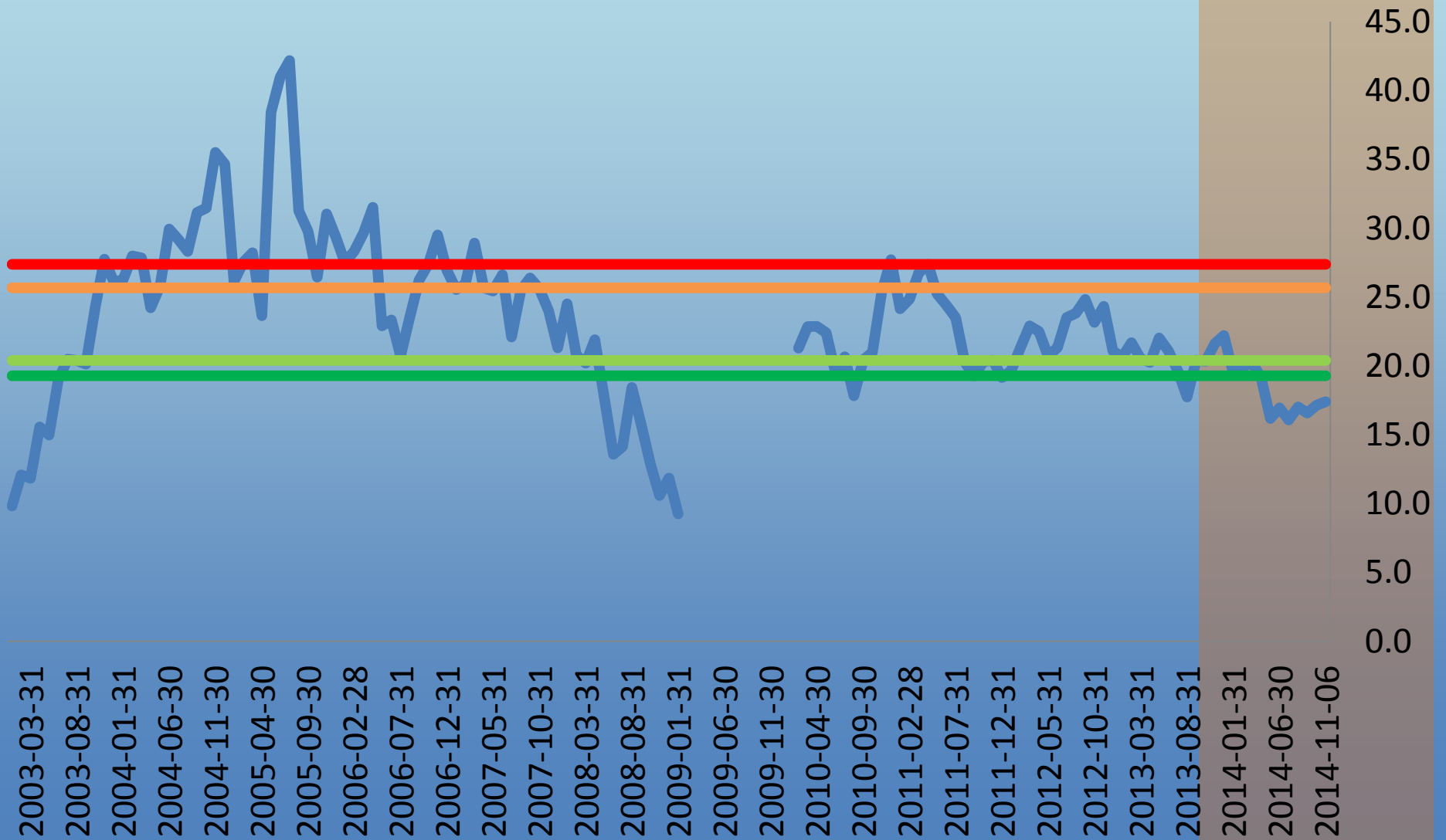
Pricey Region



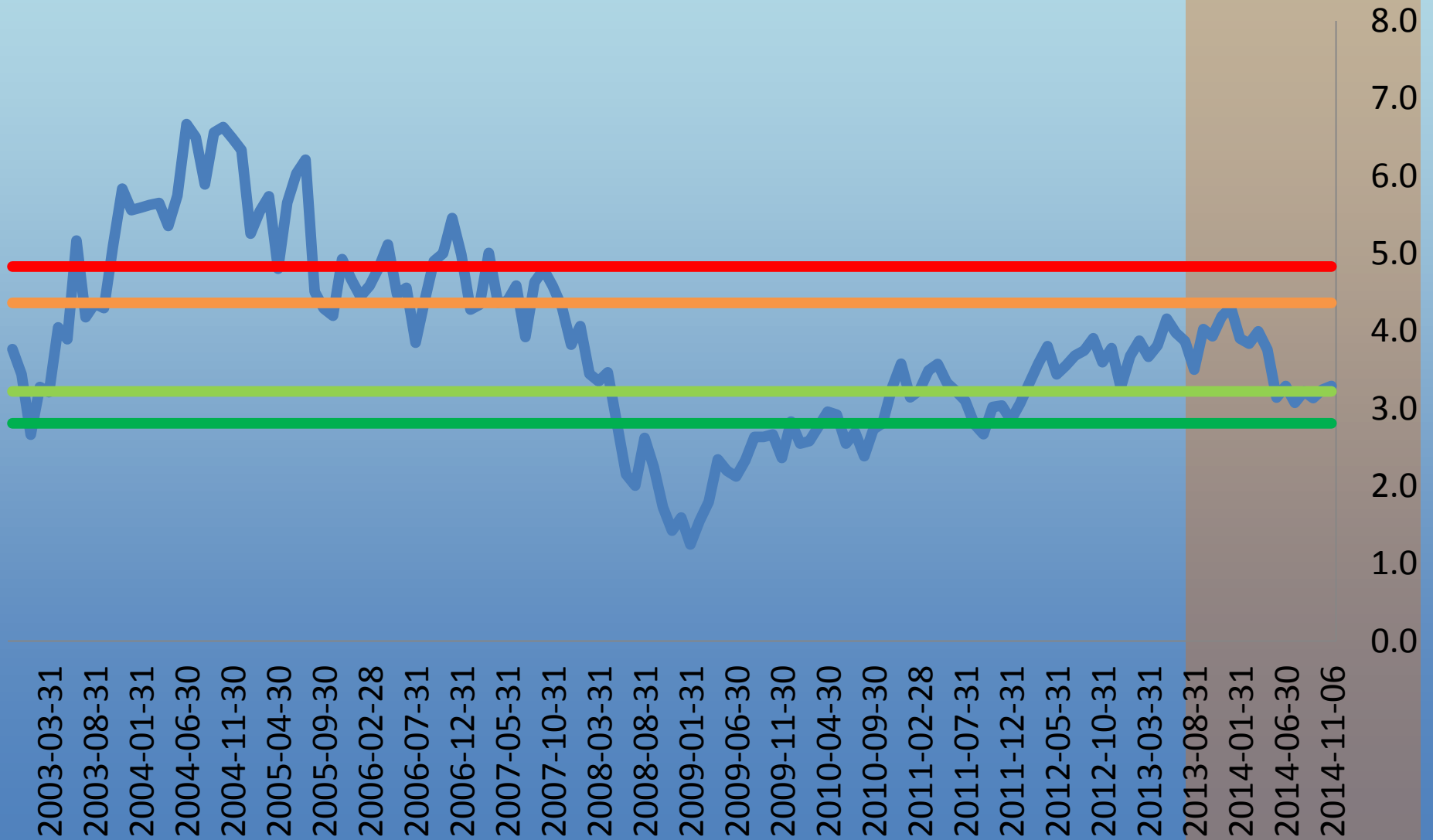
Price to Sales



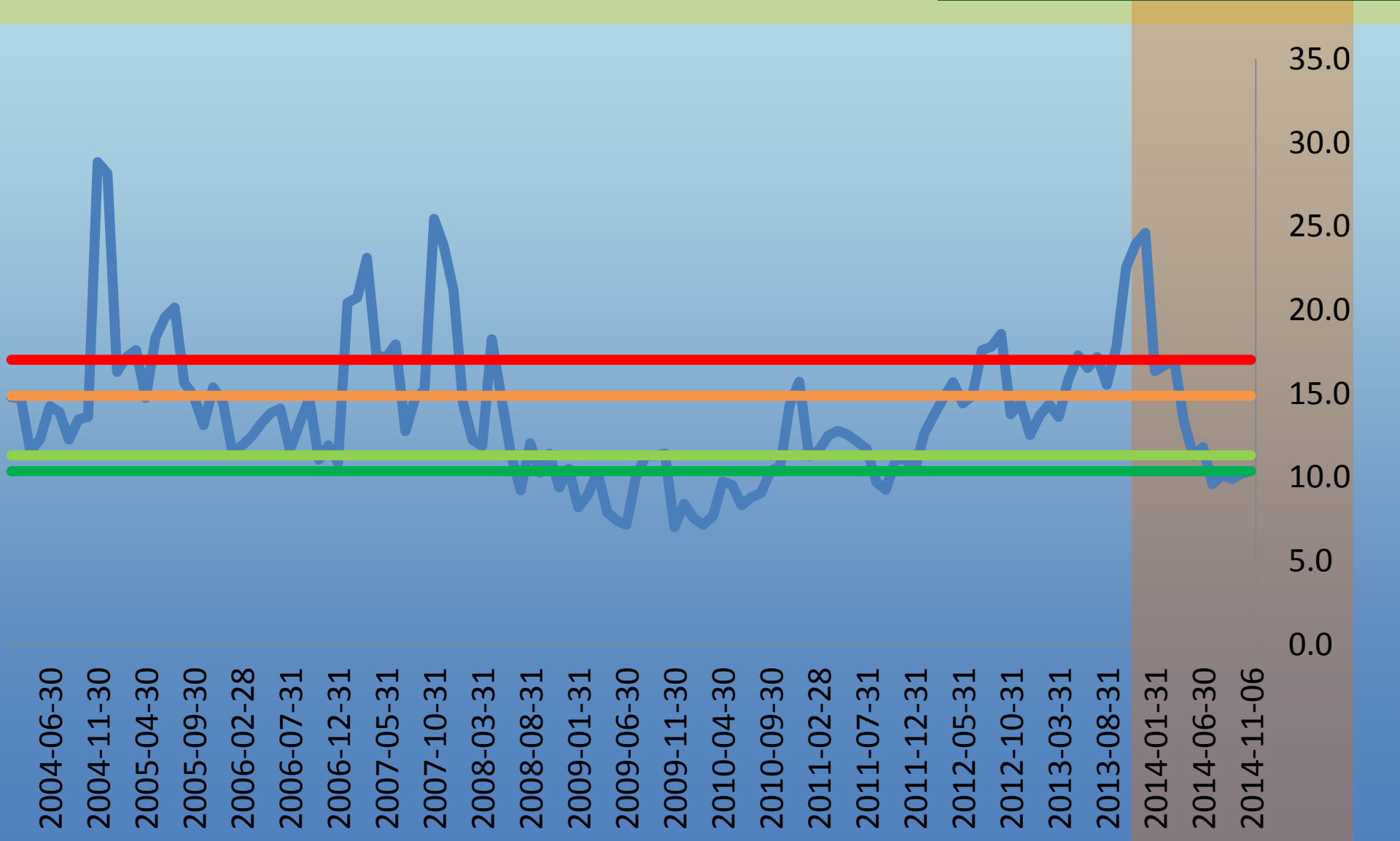
Price to Earnings



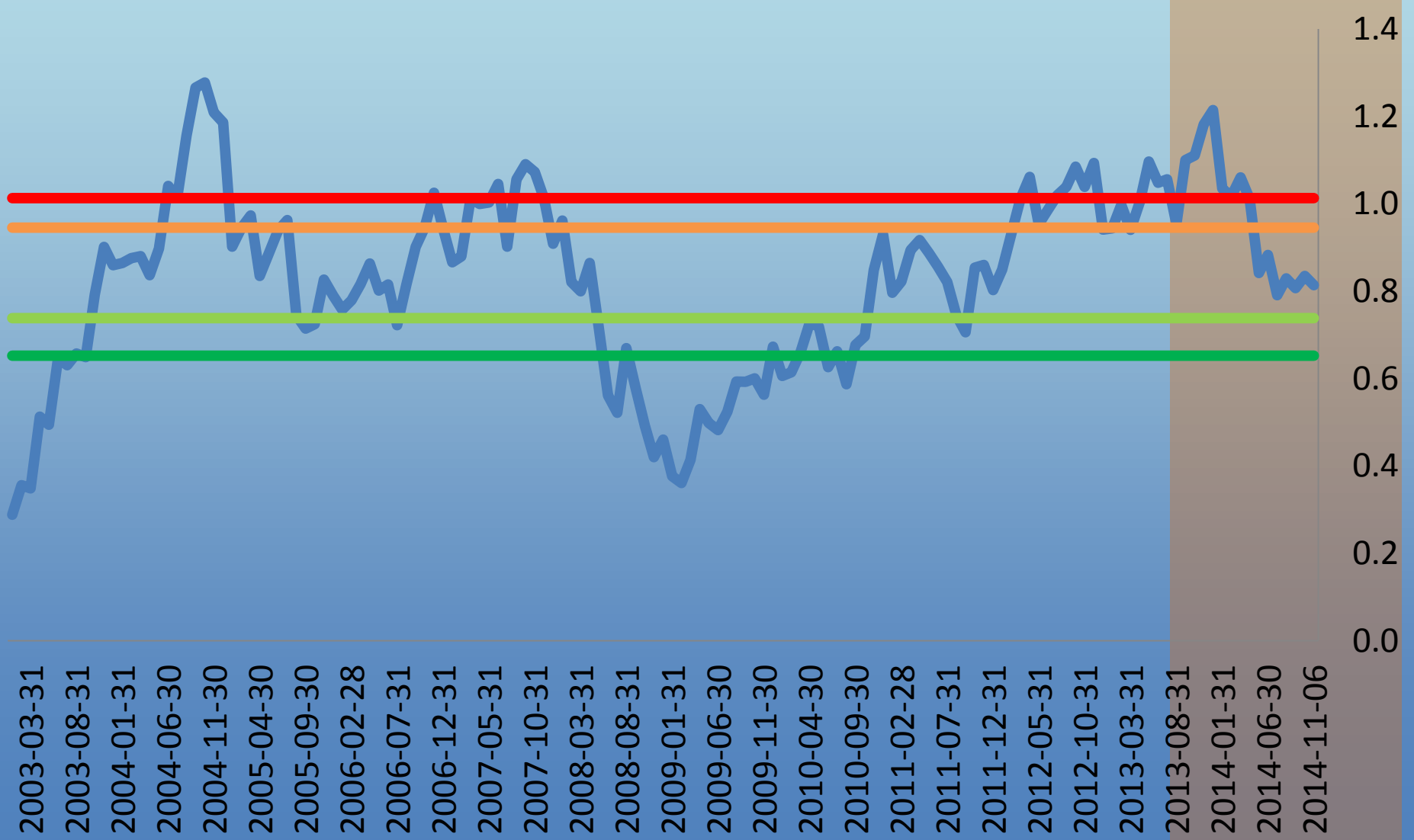
Price to Book



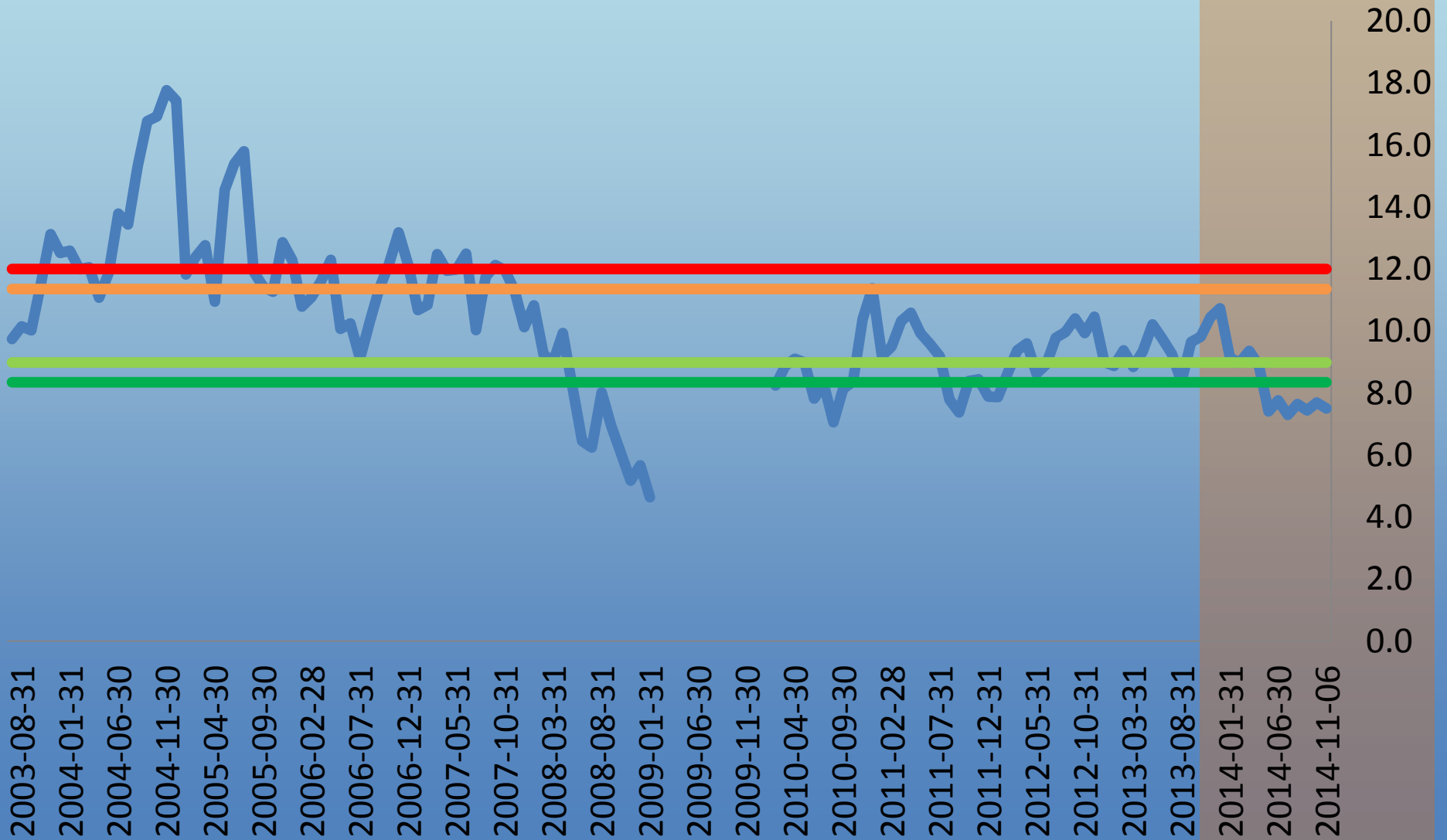
Price to Cashflow



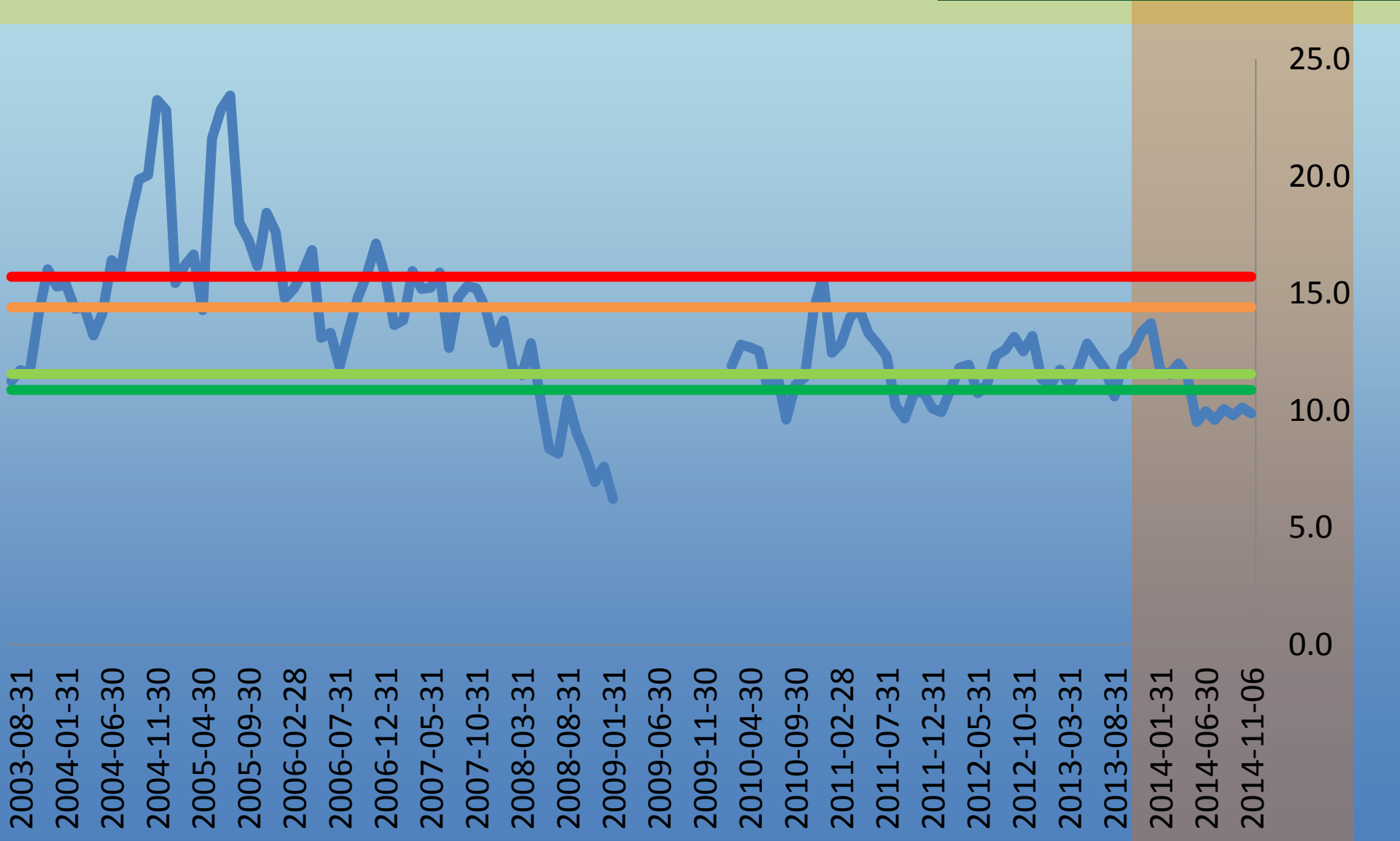
Enterprise Value / Revenue



Enterprise Value / EBIT



Enterprise Value / EBITDA



Discounted Cash Flow



Earnings Per Share : \$?

Growth Rate In the Next: Years : % ?

Business Predictability ?

Terminal Growth Rate: % ?

Years of Terminal Growth: ?

Discount Rate: % ?

Financial Data of Dick's Sporting Goods Inc

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	9.60	7.30	9.90
EBITDA Growth (%)	15.60	19.10	4.80
EBIT Growth (%)	17.60	23.40	1.20
Earning Growth (%)	0.00	23.80	1.10
Free Cash Flow Growth (%)		-16.50	36.30
Book Value Growth (%)	18.30	8.40	5.60

Discounted Cash Flow



Earnings Per Share : \$



Growth Rate In the Next: Years : %



Business Predictability

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Years of Terminal Growth:



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Book Value Growth (%)	18.30	8.40	5.60

Discounted Cash Flow



DCF Reverse DCF ^{NEW}

= Growth Rate: 12.50% ?

Revenue Growth Rate: 9.60%(10y) 7.30%(5y) 9.90%(1y) ?

EBITDA Growth Rate: 15.60%(10y) 19.10%(5y) 4.80%(1y) ?

Earnings Growth Rate: 0.00%(10y) 23.80%(5y) 1.10%(1y) ?

Free Cash Flow Growth Rate: 0.00%(10y) -16.50%(5y) 36.30%(1y) ?

Book Value Growth Rate: 18.30%(10y) 8.40%(5y) 5.60%(1y) ?

← Tangible Book NOT added

Tangible Book added →

DCF Reverse DCF ^{NEW}

= Growth Rate: 8.00% ?

Revenue Growth Rate: 9.60%(10y) 7.30%(5y) 9.90%(1y) ?

EBITDA Growth Rate: 15.60%(10y) 19.10%(5y) 4.80%(1y) ?

Earnings Growth Rate: 0.00%(10y) 23.80%(5y) 1.10%(1y) ?

Free Cash Flow Growth Rate: 0.00%(10y) -16.50%(5y) 36.30%(1y) ?

Book Value Growth Rate: 18.30%(10y) 8.40%(5y) 5.60%(1y) ?

Discounted Cash Flow



Earnings Per Share : \$?

Growth Rate In the Next: Years : % ?

Business Predictability  ?

Terminal Growth Rate: % ?

Years of Terminal Growth: ?

Discount Rate: % ?

DCF Reverse DCF NEW

Tangible Book Value: \$ Add to Fair Value ?

Growth Value: \$ 29.83 ?

Terminal Value: \$ 22.29 ?

= Fair Value: \$ 63.76 ?

Margin Of Safety: 28%

Conscious Investor



DKS:US Dick's Sporting Goods Inc 

Sporting Goods Stores

Last trade 2014-10-31

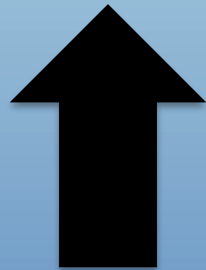
Return Analysis

	1/05	1/06	1/07	1/08	1/09	1/10	1/11	1/12	1/13	1/14	EPSttm	Years	HGROWTH	STAAGR [®]
EPS (\$)	0.650	0.680	1.020	1.330	-0.310	1.150	1.500	2.100	2.310	2.690	\$2.640	10	17.67%	51.60% 
SPS (\$)	21.599	26.106	29.332	34.985	36.765	38.436	41.030	42.872	47.446	51.363		10	9.00%	95.29% 

Conscious Investor



DKS:US Dick's Sporting Goods Inc											Sporting Goods Stores		Last trade 2014-10-31		Return Analysis	
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Includes
Nonrecurring loss of
\$1.50

Conscious Investor







DKS:US Dick's Sporting Goods Inc 

Sporting Goods Stores

Last trade 2014-10-31

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	1/05	1/06	1/07	1/08	1/09	1/10	1/11	1/12	1/13	1/14	Current
NPM (%)	3.3	2.8	3.6	4.0	NC	3.1	3.7	5.1	5.0	5.4	5.4% 
ROE (%)	22.0	17.6	18.1	17.4	NC	12.5	13.4	16.2	18.3	20.0	20.0% 
Payout (%)	0.0	0.0	0.0	0.0	NC	0.0	0.0	24.0	108.0	19.0	19.0% 
Debt/Eq. (%)	87.0	45.0	29.0	20.0	20.0	0.0	0.0	9.0	0.0	0.0	0.0% 

Conscious Investor



DKS:US Dick's Sporting Goods Inc

Sporting Goods Stores

Last trade 2014-10-31

Return Analysis

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NPM (%)	3.3	2.8	3.6	4.0	NC	3.1	3.7	5.1	5.0	5.4		5.4%
ROE (%)	22.0	17.6	18.1	17.4	NC	12.5	13.4	16.2	18.3	20.0		20.0%
Payout (%)	0.0	0.0	0.0	0.0	NC	0.0	0.0	24.0	108.0	19.0		19.0%
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	1/05	1/06	1/07	1/08	1/09	1/10	1/11	1/12	1/13	1/14	High/Low	Current
P/E High	29.50	29.70	27.60	27.70	NC	22.90	25.40	20.50	23.50	21.90	22.30	17.19
P/E Low	19.00	19.80	17.10	18.20	NC	8.90	14.70	13.90	17.70	16.70	15.64	
Price High	19.20	20.21	28.15	36.78	33.86	26.28	38.10	42.97	54.24	58.87	\$58.87	\$45.37
Price Low	12.33	13.48	17.45	24.14	9.21	10.26	22.08	29.10	40.93	45.00	\$41.30	

3 Year outlook



DKS:US Dick's Sporting Goods Inc  Sporting Goods Stores Last trade 2014-10-31 Return Analysis

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EPS (\$)	0.650	0.680	1.020	1.330	-0.310	1.150	1.500	2.100	2.310	2.690	\$2.640	3	13.18%	99.16% 
SPS (\$)	21.599	26.106	29.332	34.985	36.765	38.436	41.030	42.872	47.446	51.363		3	9.46%	99.73% 

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRETD®
Default	\$45.37	\$2.640	20.20	13.18%	34.0%	13.38%

Margin of Safety



DKS:US Dick's Sporting Goods Inc											Sporting Goods Stores		Last trade 2014-10-31		Return Analysis	
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	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRETD®
Default	\$45.37	\$2.640	20.20	17.67%	34.0%	17.09%
Safety	\$45.37	\$2.640	14.54	7.46%	19.0%	3.41%
Saved	\$45.37	\$2.640	13.00	7.00%	19.0%	1.62%

‘Safety’ = P/E Dropped by 28%
Earnings growth dropped by over 10 points

‘Kill’ = P/E Dropped by 35.6%
Earnings growth dropped by over 10 points

Further Margin



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Safety	\$45.37	\$2.640	14.54	7.46%	19.0%	3.41%
Saved	\$45.37	\$2.640	12.00	6.00%	19.0%	-0.01%

‘Safety’ = P/E Dropped by 28%
Earnings growth dropped by over 10 points

‘Kill it again’ = P/E Dropped by over 40%
Earnings growth dropped by over 11 points

Industry



Company	Dick's Sporting Goods Inc (DKS)	Hibbett Sports Inc (HIBB)	Amazon.com Inc (AMZN)	Foot Locker Inc (FL)
Number of Guru Buys:Sells (6 months)	7 : 1	1 : 0	7 : 3	3 : 4
Number of Guru Buys:Sells (12 months)	9 : 2	2 : 1	16 : 15	6 : 8
Revenue (mil)	\$6,213	\$851.97	\$74,452	\$6,505
P/S	0.90	1.30	1.60	1.10
P/B	3.20	3.70	13.30	2.90
EV/EBIT	10.02	9.19	1,376	9.08
EV/Sales	0.81	1.19	1.57	0.98
ROA (%)	10.28	16.77	-0.58	13.42
ROE (%)	19.33	23.71	-2.15	19.06
Operating Margin (%)	8.12	12.92	0.11	10.75
Net Margin (%)	5.07	8.04	-0.25	6.92
Ability to make jokes off name	1	0	0	0

Intra portfolio



Ticker	52-wk Range
IBM	\$160.05 - \$199.21
WRLD	\$63.25 - \$103.62
DKS <small>ⓧ</small>	\$41.30 - \$58.87
NSRGY	\$65.79 - \$80.65
WAG	\$54.86 - \$76.39
BBBY	\$54.96 - \$80.82
BBY	\$22.15 - \$44.66
ORCL	\$33.22 - \$43.19
KO	\$36.89 - \$44.87
WMT	\$72.27 - \$81.37
LO	\$46.48 - \$67.46
AIG	\$46.80 - \$56.56
BDX	\$104.94 - \$131.15
CHRW	\$50.21 - \$74.95
AAP	\$96.58 - \$149.84
PEP	\$77.01 - \$97.86
MDT	\$53.33 - \$69.10
MSFT	\$34.63 - \$48.86
BRK.B	\$108.12 - \$143.48
Summary	

Valuation



Ticker	Price / Cash Flow
WRLD	3.2
BBY	8.0
IBM	9.6
BBBY	9.8
DKS	10.5
WMT	10.7
BDX	11.8
ORCL	11.9
MSFT	12.5
AIG	12.6
BRK.B	12.7
NSRGY	13.7
PEP	15.2
MDT	16.1
WAG	16.6
KO	17.5
AAP	19.1
LO	19.2
CHRW	25.8

Ticker	Price / Sales
BBY	0.3
WMT	0.5
CHRW	0.8
WAG	0.8
DKS	0.9
AIG	1.2
BBBY	1.2
AAP	1.3
WRLD	1.4
IBM	1.7
BRK.B	1.8
PEP	2.2
NSRGY	2.2
BDX	3.0
LO	3.2
MDT	4.0
KO	4.1
MSFT	4.4
ORCL	4.7

Price to Earnings Growth



Ticker	PEG Forward
BRK.B	-
BBY	0.9
AAP	1.1
WAG	1.2
AIG	1.2
DKS ⓘ	1.3
ORCL	1.4
BBBY	1.6
IBM	1.7
LO	2.0
CHRW	2.2
BDX	2.6
MDT	2.6
PEP	2.7
WRLD	2.8
MSFT	2.8
WMT	2.8
KO	5.4
NSRGY	5.6

Financial Strength



Ticker	▲ Debt Per Share
NSRGY	\$0.00
DKS	\$0.06
MSFT	\$2.88
BBY	\$4.68
WAG	\$4.72
CHRW	\$6.09
ORCL	\$7.32
BBBY	\$7.91
KO	\$9.54
LO	\$9.91
MDT	\$12.90
WMT	\$16.77
BDX	\$20.58
PEP	\$21.73
AIG	\$25.52
AAP	\$25.62
BRK.B	\$31.54
IBM	\$46.07
WRLD	\$54.81

Ticker	▼ ROIC
LO	81.5%
BBBY	22.1%
CHRW	21.6%
IBM	21.2%
DKS	19.3%
MSFT	18.8%
BBY	15.5%
ORCL	13.7%
WRLD	12.7%
PEP	12.4%
WMT	12.0%
AAP	12.0%
NSRGY	11.7%
KO	10.7%
BDX	10.4%
MDT	9.3%
WAG	7.7%
BRK.B	6.9%
AIG	6.1%

Warren Buffett's 7-Point Checklist:



1. Simple Business: It must be easy to understand
2. Favorable Long-Term Prospects
3. Able and Honest Management
4. Consistent Earnings: How do we measure?
5. Good Return on Equity: What is Our Threshold?
6. Little Debt: What is Debt? How do We Measure?
7. Very Attractive Price

Recommendation



Write an out of the money put with the following conditions:

Expiration date: 12/20/2014

Premium: \$1.00

Strike Price: \$43

Effective entry point: \$42.00