

4Q13/FY13 results: Dick's Sporting Goods

Dick's Sporting Goods reported results for 4Q13 and FY13 yesterday. 4Q13 profit rose 6.9%, driven by a jump in sales and despite one less trading week in the period vs the previous year's comparable period. For the quarter, Dick's posted a profit of \$138.6mn, or \$1.11/share, compared with a profit of \$129.7mn, or \$1.03/share, in 4Q12. Revenue rose 7.9% YoY to \$1.95bn, while the gross margin fell to 32.3% from 32.6%.

For FY13, Dick's reported consolidated net income of \$337.6mn, or earnings of \$2.69/share - in line with consensus, and our, expectations. Net sales for the full-year increased 6.5% YoY to \$6.2bn primarily due to the opening of new stores and a 1.9% increase in consolidated same store sales on a 52-week to 52-week comparable basis. Net sales increased 7.8% YoY, while same store sales for Dick's Sporting Goods increased 2.4% and for Golf Galaxy decreased 7.1%. eCommerce penetration for the year was 7.9% of total sales. Looking ahead the group is guiding EPS growth in the early teens this coming year (FY14). In a press release the company said that based on an estimated 124mn diluted shares outstanding, it anticipates reporting consolidated earnings per diluted share of approximately \$3.03-\$3.08. Dick's noted that consolidated same store sales are currently expected to increase approximately 3%-4%, compared with a 1.9% increase in FY13. The group also expects to open c. 50 new stores, relocate six stores and remodel five stores in 2014. It also envisages opening c. eight Field & Stream stores, relocating two Golf Galaxy stores and opening one Golf Galaxy store this year.

We believe this was a pretty solid earnings announcement, with initial fears of a slowdown in 4Q13 trading due to adverse US weather conditions not materialising. For FY14, Dick's is also guiding stronger same store sales growth than what was achieved during this past year. The share trades at a 12-month forward P/E multiple of 17.5x, which is relatively attractive, in our view, given the high double-digit earnings growth profile. We currently have a c. 3% weighting in Dick's for our offshore portfolios and although the share price has done very little since its inclusion in our portfolio (at a price of \$53.3/share), we nevertheless believe it represents a great long-term investment.

Dick's share price was up 4.3% yesterday closing at \$56.67 following the release of its results.

Dick's Sporting Goods share price performance (US\$):



Source: TimBukOne, Anchor Capital

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