



FEATURED OPTIONS RADAR REPORT



Call Buyers Expect Dick's Sporting Goods to Breakout with Strong Outdoor Slaes

Ticker/Price: DKS (\$46.50)

Analysis:

Dick's Sporting Goods (DKS) with buyers early in the September \$48 calls and volumes now running near 4,000X with action up to \$2.90 to open. DKS had buyers yesterday in the September \$49 calls, over 2500X as well. Shares are trading in a narrow flag under \$48 after a strong and steady run the March lows. DKS is coiled just below the early 2020 range and new multi-year highs with a run over \$49.50 targeting \$55. The \$4.12B company trades 13.29X earnings, 0.50X sales, and 13.8X FCF with over \$16.50/share in cash on hand and virtually no debt. DKS is in an optimal spot for the current environment with an emphasis on both the outdoor theme we've discussed a lot recently but also the huge upswing in home fitness. The company has shifted much of their operations to curbside/BOPIS which is up 1,000% Y/Y and accounting for around 40% of their overall e-commerce sales which is helping margins as they rely less on shipping/packaging costs. They also expect to see some margin improvement as physical stores re-open more gradually in the US. DKS has some concerns on the 2H from the lack of team sports into the Fall but has seen tailwinds from some Summer sports resuming like baseball and soccer. Analysts have an average target for shares of \$43.75, Susquehanna a Street High \$59 noting recently the company's reinstatement of its dividend and share buyback program is evidence they are emerging from the crisis in a position of strength. They were out on 8-11 noting that Q2 results likely very strong given demand for high-ticket items like bikes, exercise equipment, and golf/fishing equipment. Barclays positive on 8-11 citing checks and recent positive read-throughs from HIBB, FL and others showing pent-up demand. Today, TAG raised their PT to \$56 and noting that they'll benefit from store locations during COVID with more large stores in suburban areas which will amplify curbside pickups and take share from malls where traffic has been sluggish. Short interest is 17.2% but down from near 25% in September. Hedge fund ownership fell 10% in Q1. In March, a director bought 10,000 shares at \$22.50.

Hawk Vision:



Hawk's Perspective: DKS continues to thrive in this environment and is financially strong, an unexpected winner like WSM, BBY in brick and mortar.

Confidence Ranking: \$\$