



FEATURED OPTIONS RADAR REPORT



Bull Sticks with Leading Sporting Goods Retail into Seasonally Strong Period

Ticker/Price: DKS (\$109.75)

Analysis:

Dicks Sporting Goods (DKS) with 7,000 April \$120 calls bought today for \$3.80 as the March \$115 calls adjust out from 2/16 buys and stick with the name after earnings this week. DKS has recently seen sellers in the January 2024 \$100 puts for \$2.65M and buys in the June \$110 calls for \$625K. Shares have been in a narrow base since mid-December and a push back above the 50- and 200-MA at \$113.50 could kickstart a trend shift back towards recent highs at \$130-\$140. DKS has been in a strong longer-term trend and the continuation targets upside above \$165. The \$9B company trades 9X earnings, 0.75X sales, and 8.75X FCF with a 1.72% yield. DKS is coming off of a strong two-year run adding nearly \$3B in sales and over 800 bps of profitability with growth across multiple categories like apparel, footwear, team sports and golf. The company was early to the ecommerce push with investments back in 2016 and they capitalized on the shifting channel assortment in 2020 which has helped them become a true market share leader among sporting goods retailers. DKS has been focused on building out their in-store offerings now to become a 'destination shopping center' and boost foot traffic including more experiential displays and enhanced service, especially around their Golf Galaxy stores. The company should continue to benefit from a full Summer of youth team sports in 2022. Analysts have an average target for shares of \$132 with a Street High \$180. Citi raising estimates this morning as they like the risk/reward as the company becomes a category leader. Cowen with a \$165 PT citing the improved omni-channel execution, normalization of promos, category health, vendor relationships, private label, and an installed base of 20MM Scorecard members that creates a structurally higher gross margin/ROIC business that appears undervalued. Hedge fund ownership fell 15% last quarter. Lone Pine Capital adding a new 3.35M share position. Samlyn Capital with call options equal to about 950K shares. Short interest is 22%.

Hawk Vision:



Hawk's Perspective: DKS looks good on the longer-term timeframe and continue to like the positioning within some bigger retail/consumer trends but currently has some work to do back above the 200-MA

Confidence Ranking: \$\$