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DICK'S Sporting Goods

(NYSE: DKS)

*A 30.7 Percent Down Day, a 52-Week Low,
and One Acquired Subsidiary*

*A practitioner case on what a single session removed,
and whether the evidence supports the reaction.*

*Lease-consistent enterprise value, the Foot Locker guidance
decomposition, free cash flow against capital returned, the all-in
acquisition cost, the goodwill question, and a stated conclusion.*

PRICED AT THE AUGUST 25, 2026 CLOSE · \$124.32

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The Baratelli Institute

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Author holds no position in DKS · Educational · Not investment advice

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THE BARATELLI INSTITUTE · EDUCATIONAL CASE STUDY

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A 30.7 percent down day, a 52-week low, and one acquired subsidiary

Prepared August 26, 2026. Prices struck at the August 25, 2026 close. Financial statements through the thirteen and twenty-six weeks ended August 1, 2026, as furnished on Form 8-K; the Form 10-Q for that quarter has not been filed.

The answer, before the reconciliations. At \$124.32 DICK'S trades at 6.86 times EBITDA on the Institute's basis and 10.8 times forward earnings, at a 52-week low, paying a 4.02 percent dividend it has raised for twelve straight years, with a repurchase authorization equal to 27 percent of the company and net financial leverage of 0.56 times. Foot Locker caused 73.1 percent of the guidance cut and the core business was guided up, not down. The market removed \$4,924 million of equity value over a \$246.5 million cut to full-year operating income, capitalizing the income it lost at roughly twice the multiple it applies to the income DICK'S keeps — for a problem sitting in a subsidiary DICK'S bought with stock worth 82 percent more than it is worth today. The Institute believes the market has overreacted to the Foot Locker reduced guidance. That is the case for the stock, and everything after this page is the work behind it.

VALUATION SUMMARY AT THE AUGUST 25, 2026 CLOSE		Figure	Measured
Dollar amounts in \$ millions except per-share prices, ratios and percentages			
Closing price, per share	\$124.32	Aug 25, 2026 — new 52-week low	
Prior close, per share / one-session decline	\$179.33 / (30.7)%	Aug 24 and Aug 25, 2026	
Prior 52-week low, per share, taken out	\$175.65	Aug 24, 2026	
Equity value removed in one session	4,924	Aug 25, 2026	
Market capitalization	11,127	\$124.32 × 89,502,537 shares (May 29, 2026 count)	
Enterprise value, ex-lease	12,120	Balance sheet Aug 1, 2026	
Enterprise value, lease-inclusive	18,176	Balance sheet Aug 1, 2026	
EV / EBITDA — Institute basis, leases excluded both sides	6.86x	12,120 ÷ 1,767, TTM to Aug 1, 2026	
TTM revenue / operating income	21,145 / 1,169	52 wks ended Aug 1, 2026	
Free cash flow, fiscal 2025	400	1,537 operating cash less 1,137 capex	
Free cash flow, fiscal 2024	509	52 wks ended Feb 1, 2025	
Forward P/E, revised guidance midpoint	10.8x	Guidance dated Aug 25, 2026	
Dividend yield / payout on guided earnings	4.02% / 43%	\$5.00 annualized rate per share	
Repurchase authorization outstanding	3,000	27% of market capitalization, at Aug 25, 2026	

The Institute's preferred multiple takes operating leases out of both the numerator and the denominator, because rent is already charged in operating expenses under ASC 842 and adding the lease liability back to enterprise value counts it twice. On the screener convention that does count it twice the same company reads 10.28x; on EBITDAR it reads 5.53x. The full reconciliation of all three is in §1. Free cash flow is operating cash less gross capital expenditure; the fiscal 2026 capital programme is guided roughly 40 percent above fiscal 2025, and is discussed in §3. Share count is the 89,502,537 shares on the Form 10-Q cover page dated May 29, 2026 — roughly three months before the price it is multiplied by. Stock was repurchased in the interval, so the true August count is modestly lower and market capitalization here is, if anything, slightly overstated. Prior close, session low of \$124.00, volume of 38,654,696 shares and the prior 52-week low are market data retrieved August 26, 2026.

DISCLOSURE. The author holds no position in DICK'S Sporting Goods, Academy Sports and Outdoors, or any company named in this case, and has no position in any related derivative. This case is educational and reflects the author's research framework. It is not investment advice and is not a recommendation to buy, sell, or hold any security. The author is a CPA and MBA publishing under the Baratelli Institute and is not a registered investment adviser.

The Case

DICK'S Sporting Goods lost 30.7 percent of its market value on August 25, 2026, closing at \$124.32 against a prior close of \$179.33. It traded as low as \$124.00 on 38.7 million shares. That close established a new 52-week low, taking out the prior low of \$175.65 — set the day before — by 29 percent. Second-quarter non-GAAP earnings of \$3.53 a share missed the consensus estimate by 22 cents, and management cut full-year guidance.

The profile this creates is the one the Institute looks for. The damage traces to a single acquired subsidiary rather than to the business that generates the cash, and it arrived in one session rather than across a run of disappointing quarters. That distinction is the whole reason this case exists: a market has to reprice an entire enterprise in an afternoon while the damage sits in one identifiable part of it, and the parts do not get weighed separately at that speed. Specific and locatable problems attached to otherwise intact companies are the ones that get repriced too far.

What cuts against it should be said with the same directness. \$1.30 billion of Foot Locker goodwill and intangibles — more than half the purchase price — sits against a segment now guided to a loss, which makes a near-term impairment a reasonable expectation. At the guided capital programme, free cash flow does not cover the dividend and the repurchase together. And on the convention its own history is measured with, DICK'S is not at a cheap multiple; it is at a middling one. Academy Sports is cheaper on every multiple, though it is a company roughly a quarter DICK'S size and \$6 takes the spread for what it is worth and no more.

What follows is the work. The reconciliation is done once, in §1, and everything after it rests on the same set of numbers: what Foot Locker actually cost the guidance, what the cash flow statement says, what DICK'S really handed over for the acquisition, what is left on the balance sheet from it, and where the multiple sits against history and against the one comparable still trading.

1. EBITDA and EBITDAR Reconciliation

Every figure in this case is built on a trailing twelve months ending August 1, 2026: fiscal 2025 full year, less the twenty-six weeks ended August 2, 2025, plus the twenty-six weeks ended August 1, 2026. That puts the income statement on the same clock as the balance sheet it is divided into, which is the only way an enterprise-value multiple means anything.

One distortion has to be stated before any of it is used. Foot Locker closed on September 8, 2025, so fiscal 2025 contains roughly twenty-one weeks of it and the trailing twelve months contain roughly forty-seven. No consolidated year-over-year comparison here — or in the company's own reporting — is like-for-like. Second-quarter revenue growth of 53.2 percent is almost entirely the acquisition, not demand. The segment disclosures carry the analysis from §2 forward.

TRAILING TWELVE MONTHS TO AUGUST 1, 2026 (\$ thousands)	FY2025 52 wks to 1/31/26	less H1 FY2025 26 wks to 8/2/25	plus H1 FY2026 26 wks to 8/1/26	TTM to 8/1/26
Net sales	17,215,120	(6,821,293)	10,751,319	21,145,146
Operating income (GAAP)	1,095,909	(818,302)	891,406	1,169,013
Depreciation and amortization	488,630	(203,522)	313,351	598,459
EBITDA — after operating lease cost	1,584,539	(1,021,824)	1,204,757	1,767,472
Cash paid for operating leases (annualized)	—	—	—	1,517,264
EBITDAR — before operating lease cost	—	—	—	3,284,736
Operating margin	6.37%	—	8.29%	5.53%

Fiscal 2025 and both interim periods from the Form 8-K earnings releases dated March 2026 and August 25, 2026. Rent is cash paid for amounts included in the measurement of operating lease liabilities for the thirteen weeks ended May 2, 2026 (\$379,316 thousand) multiplied by four — an annualization, not a filed annual figure, and it understates forward rent because Foot Locker's leases were consolidated for only part of that period. The 5.53% trailing operating margin is the GAAP-traceable figure. Data providers publish an adjusted margin of 7.02%; the two are not interchangeable and this case labels which is which every time either appears.

The balance sheet is where the screens go wrong, and it is worth being precise about why once rather than repeatedly. DICK'S carries \$6,057 million of capitalized operating lease liabilities against \$1,906 million of financial debt. Leases are 3.2 times the financial debt. Under US GAAP the lease liability sits on the balance sheet while the rent that services it stays inside operating expense, so EBITDA is struck after the lease has already been paid for. Any ratio that adds the lease liability to the numerator and leaves EBITDA in the denominator charges the same lease twice.

ENTERPRISE VALUE BRIDGE AT \$124.32	\$ thousands	Measurement date
Market capitalization — 89,502,537 shares	11,126,955	Price Aug 25, 2026; shares May 29, 2026
Plus long-term debt and finance lease obligations	1,906,348	August 1, 2026
Less cash and cash equivalents	(913,736)	August 1, 2026
Enterprise value — excluding operating leases	12,119,567	Composite
Plus operating lease liabilities, current and long-term	6,056,803	August 1, 2026
Enterprise value — including operating leases	18,176,370	Composite

The revolving credit facility was undrawn at August 1, 2026.

ENTERPRISE VALUE MULTIPLES UNDER THREE CONVENTIONS	Numerator	Denominator	Result	Internal consistency
Basis A — the convention screeners publish	EV including leases	EBITDA after rent	10.28x	No — the lease is counted twice
Basis B — leases out of both sides	EV excluding leases	EBITDA after rent	6.86x	Yes
Basis C — leases in on both sides	EV including leases	EBITDAR	5.53x	Yes

On the data provider's adjusted EBITDA of \$2,081 million rather than the filed GAAP figure, the same three bases are 8.95x, 5.82x and 5.05x. The direction of the error is the same on either denominator. Basis A is shown throughout this case only because the historical series in \$6 is struck on it and no coherent historical series could be constructed.

Two of the three are internally consistent, and the Institute prefers Basis B. Operating lease cost sits in operating expenses under ASC 842, so rent is already charged against the denominator before EBITDA is struck. Adding the lease liability back into the numerator bills the reader for the same obligation twice. Taking leases out of both sides leaves a multiple that answers the question actually being asked — what an owner pays for the profit the business earns after paying for its space. Basis C reaches a coherent answer by the opposite route and is retained as a cross-check, particularly against lease-heavy comparables, but it requires a rent figure that most companies do not disclose cleanly and it cannot be built for peers here.

Two scoping points matter. This applies to operating leases only; finance leases are already inside the \$1,906 million of debt above and belong in enterprise value. And the preference is not chosen to flatter a value case — Basis B is the more expensive of the two coherent readings, 6.86 times against 5.53 times, so the Institute is holding itself to the higher of the two defensible multiples.

LEVERAGE ON THE SAME THREE CONVENTIONS	Net debt \$ millions	Earnings measure \$ millions	Result
Financial net debt only	993	EBITDA 1,767	0.56x
Lease-inclusive, matched to EBITDAR	7,050	EBITDAR 3,285	2.15x
Lease-inclusive against EBITDA — mismatched	7,050	EBITDA 1,767	3.99x
What a common screener publishes	—	—	3.38x

Either coherent convention says the same thing: there is no balance-sheet distress here. The 3.38x figure carried on stock screens is a convention artifact, and a thesis built on it — in either direction — is built on nothing.

2. Reduced Guidance at Foot Locker

The guidance change between the May 27, 2026 outlook and the August 25, 2026 outlook decomposes cleanly, because DICK'S reports the two businesses as separate segments under ASC 280 and guides each one. The measure below is segment operating income — the company's “segment profit” line, which it defines as operating income for the segment before corporate and other activities. It is an after-depreciation figure, not EBITDA.

GUIDANCE REVISION BY SEGMENT — OPERATING INCOME, FULL-YEAR MIDPOINTS \$ millions except percentages	May 27, 2026 guide	Aug 25, 2026 guide	Change	Share of cut
DICK'S Business — segment operating income	1,640	1,570	(70)	26.9%
Foot Locker — segment operating income (loss)	130 profit	(60) loss	(190)	73.1%
Total segment operating income	1,770	1,510	(260)	100.0%
DICK'S Business comparable sales guide	+2.5% to +4.0%	+2.5% to +4.0%	maintained	—

These are operating income figures, not EBITDA. DICK'S calls the line "segment profit" and defines it in the release as operating income for the respective segment, stated before corporate and other activities — which is why the total does not tie to consolidated GAAP operating income. Depreciation and amortization has NOT been added back, so the \$1,770 million total is not comparable to the \$1,767 million of trailing EBITDA built in §1; the resemblance is coincidence. Guidance ranges from the Form 8-K earnings releases dated May 27, 2026 and August 25, 2026, with midpoints computed here: the DICK'S Business was guided to \$1.54 to \$1.60 billion in August, and Foot Locker moved from a guided profit of \$110 to \$150 million to a guided loss of \$40 to \$80 million. Consolidated GAAP operating income guidance fell from a \$1,747 million midpoint to \$1,500 million, a \$246.5 million reduction; the segment-level cut is larger because corporate and other reconciling items moved in the opposite direction.

Three-quarters of the damage came from the acquisition. The core did not deteriorate: the DICK'S Business posted proforma comparable sales of positive 4.9 percent in the quarter and positive 5.4 percent across the twenty-six weeks, and its full-year comparable-sales guide was maintained rather than lowered. Segment profit at the DICK'S Business was \$485.2 million in the quarter against a \$31.9 million loss at Foot Locker.

Set that against what the market took off. The full-year guidance cut is \$246.5 million of operating income, and the one-session decline removed \$4,924 million of equity value — 1.96 times the entire \$2,513 million purchase price of Foot Locker. The tempting way to state the relationship is that the market took off twenty times the cut, and it is the wrong way: it divides a change in equity value by a change in operating income, which is the numerator-and-denominator mismatch §1 exists to prevent. The disciplined version holds the measure constant and asks what multiple the market applied to the income DICK'S just lost against the multiple it applies to the income DICK'S keeps. On operating income that is 20.0 times the marginal dollar against 10.4 times the average, a ratio of 1.93. On earnings it is 22.0 times against a forward multiple of 10.8, a ratio of 2.04. The market capitalized the lost income at roughly twice the rate it capitalizes the income that remains. That is a smaller claim than the raw ratio suggests and a much harder one to wave away. The market did not mark down one year of profit. It marked the acquisition to a permanent loss and took something off the core as well. Whether that is right is what §4 and §5 test.

For completeness on whether this was a sector move: Academy Sports fell 5.80 percent the same session on no news of its own, closing at \$43.48. DICK'S fell 5.3 times as far. The sympathy move is real but roughly four-fifths of the decline is company-specific.

3. FCF, Dividends, Buybacks, Debt, and Liquidity

The debt is not the constraint. The cash flow is, and the company documents it.

CASH GENERATION AND CAPITAL RETURN \$ millions	FY2024 52 wks to 2/1/25	FY2025 52 wks to 1/31/26	H1 FY2026 26 wks to 8/1/26	FY2026 guided
Net cash provided by operating activities	1,311.8	1,537.3	792.3	—
Capital expenditures	(802.6)	(1,137.2)	(743.5)	~(1,600) gross
Free cash flow — operating cash less gross capex	509.3	400.2	48.8	—
Dividends paid	(361.7)	(413.9)	(224.8)	~(448)
Treasury stock purchased	(263.0)	(347.1)	(141.2)	not guided
Total capital returned	(624.7)	(761.0)	(366.0)	—
Free cash flow less capital returned	(115.4)	(360.8)	(317.2)	—

Fiscal 2024 and fiscal 2025 operating, investing and financing lines are taken from the consolidated statements of cash flows in the fiscal 2025 earnings release; the interim column is from the Form 8-K dated August 25, 2026. Free cash flow here is operating cash less gross capital expenditure; the guided net capital figure of approximately \$1.4 billion reflects construction allowances. The guided dividend is the \$5.00 annualized rate applied to the current share count, not a company forecast, and DICK'S does not guide repurchases. The first-half shortfall is not annualizable and should not be read as a run rate — see the seasonality discussion immediately below.

The filed financing lines settle the coverage question without needing an inference. In fiscal 2024, dividends of \$361.7 million and repurchases of \$263.0 million returned \$624.7 million to shareholders against \$509.3 million of free cash flow. In fiscal 2025 the same two lines returned \$761.0 million against \$400.2 million. Two consecutive years in which capital returned exceeded cash generated — by \$115.4 million and then \$360.8 million — and the gap widened because free cash flow fell while the dividend and the buyback both rose. The company's own second-quarter investor presentation says the same thing at three-year scale: approximately \$2.4 billion returned across fiscal 2023 through fiscal 2025, which it describes as over 100 percent of free cash flow. The programme has been funded partly from the balance sheet, and the company discloses that plainly.

Seasonality, and what the half-year does and does not say

DICK'S is seasonal, but not in the single-peak way most of retail is. The Form 10-K states that within the DICK'S Business the highest sales and operating income have historically occurred in the second and fourth fiscal quarters — golf, team sports and back-to-school in the second, holiday and cold weather in the fourth — and adds that the business has become increasingly less affected by seasonal fluctuations in recent years. The quarter reported on August 25 was one of the two peaks, not a placeholder before the year begins in earnest.

That matters for how the guidance cut should be read. First-half operating income of \$891.4 million is 59.4 percent of the guided full-year midpoint of \$1,500.5 million, and the second quarter alone is 29.4 percent of the guided year. More than half of fiscal 2026's operating income is already earned and reported, and the DICK'S Business is what earned it — proforma comparable sales of positive 4.9 percent in the quarter, positive 5.4 percent across the half, and a full-year comparable-sales guide held rather than lowered. Foot Locker is the part still under construction: \$515.8 million of restructuring consumed against an expected \$750 million, and a segment guided from profit to loss. One business is performing through its peak on schedule; the other is a work in progress being rebuilt inside it.

Cash is the line that genuinely is back-half weighted, and it cuts the other way. First-half free cash flow of \$48.8 million is 12.2 percent of fiscal 2025's full-year \$400.2 million, because inventory builds through the third quarter and releases in the fourth. Annualizing the half would put free cash flow near \$98 million and make the dividend look uncovered by more than four times. That is an artifact of the calendar rather than a

finding, and the coverage argument above deliberately rests on the two completed fiscal years, not on the interim column.

Against roughly \$1,035 million of guided non-GAAP net income the dividend is a 43 percent payout, comfortable on an accounting basis. Against free cash flow at a \$1.6 billion gross capital programme it is not obviously covered at all. The dividend is not at near-term risk — this is the twelfth consecutive annual increase, with \$914 million of cash and an undrawn revolver behind it — but the 4.02 percent yield is partly paid out of capital while the store-investment programme runs. It is not a free-cash-flow yield, and a case built on the yield should say so.

The repurchase record cuts against management. DICK'S bought \$141.2 million of its own stock in the first half of fiscal 2026 at an average price of approximately \$196.38. The stock closed at \$124.32 on August 25. The same team that reaffirmed a profitable Foot Locker guide in May was buying through that period. Forward, the arithmetic is better: at \$124.32 the remaining \$3.0 billion authorization would retire roughly 24 million shares, 27 percent of the company. The constraint is not willingness. It is that the capital programme, the dividend, and up to \$200 million of fiscal 2026 restructuring charges compete for the same cash in the same year. Where the third-quarter cash flow statement allocates capital will say more than anything said on the call.

The debt schedule, which the company does not file

The opening sentence of this section — that the debt is not the constraint — is an assertion until someone lays the maturities out, and DICK'S does not lay them out. There is no contractual maturity table in the Form 10-K; the long-term debt disclosure cross-references the footnotes and leaves the reader to assemble the ladder. The table below is therefore constructed from Note 10 and the three indentures rather than lifted from a filing, and it is labelled that way.

LONG-TERM DEBT — TERMS AND MATURITY SCHEDULE \$ millions except coupons, prices and rates	4.000% Notes	3.150% Notes	4.100% Notes	Financing leases
Principal outstanding	400.0	750.0	750.0	39.2
Stated coupon	4.000%	3.150%	4.100%	—
Maturity date	Oct 1, 2029	Jan 15, 2032	Jan 15, 2052	various
Fiscal year of maturity	FY2029	FY2031	FY2051	—
First par call date	Jul 1, 2029	Oct 15, 2031	Jul 15, 2051	—
Make-whole spread before par call	T + 25 bp	T + 25 bp	T + 30 bp	—
Effective interest rate	5.16%	3.28%	4.18%	—
Interest payment dates	Apr 1 / Oct 1	Jan 15 / Jul 15	Jan 15 / Jul 15	—
CUSIP	253393 AJ1	253393 AF9	253393 AG7	—

Principal and financing lease amounts are the Form 10-K Note 10 balances at January 31, 2026; the aggregate carrying value of long-term debt and financing leases on the balance sheet at August 1, 2026 is \$1,906.3 million, after a commingled \$(33.9) million line for discounts, issuance costs and the current portion of financing leases that is NOT allocable per issue as filed. Effective interest rates are the company's, and for the 2029 notes the gap between the 4.000 percent coupon and the 5.16 percent effective rate is predominantly a purchase-accounting fair value adjustment rather than issuance cost. WATCH THE FISCAL CALENDAR: a January 15 maturity falls in the PRIOR fiscal year under DICK'S year-end, so the 2032 notes mature in fiscal 2031 and the 2052 notes in fiscal 2051. The 4.000 percent notes were issued by Foot Locker on October 5, 2021 at par; \$381.9 million, or 95.48 percent, was exchanged into DICK'S notes on September 11, 2025 and recorded at \$384.0 million of fair value at the September 8, 2025 acquisition date, leaving an \$18.1 million unexchanged Foot Locker stub. No maturity ladder for the \$39.2 million of financing leases is disclosed.

Read as a ladder, this is a benign schedule. Nothing is due in fiscal 2026, fiscal 2027 or fiscal 2028. The first maturity is \$400.0 million in October 2029, more than three years out, against \$913.7 million of cash on hand today. The next is \$750.0 million in January 2032, and the last \$750.0 million does not come due until 2052. Net financial debt of \$992.6 million is 0.56 times trailing EBITDA. Whatever else is wrong at this company, the balance sheet is not asking a question that has to be answered soon, and no refinancing decision is forced by the share price. That is what “the debt is not the constraint” means, stated with dates on it.

What the bonds are actually trading at

The equity fell 30.7 percent in one session. The obvious question is whether the credit market agreed, and it is answerable, because all three issues are quoted.

SENIOR UNSECURED NOTES — FILED FAIR VALUE AND MARKET PRICING \$ millions except prices and yields	4.000% 2029	3.150% 2032	4.100% 2052	Total
Principal	400.0	750.0	750.0	1,900.0
Filed fair value, Level 2 — at Jan 31, 2026	394.1	690.7	548.3	1,633.1
Filed fair value, Level 2 — at May 2, 2026	389.8	683.7	535.6	1,609.1
Market price — retrieved Aug 27, 2026	97.21	90.01	68.75	83.13
Yield to worst at that price	4.99%	5.31%	6.67%	—
Implied market value	388.8	675.1	515.6	1,579.5
Discount to par	(2.8)%	(10.0)%	(31.3)%	(16.9)%
Change versus the May 2, 2026 filed mark	(0.3)%	(1.3)%	(3.7)%	(1.8)%

TWO CLOCKS, AND THEY ARE NOT THE SAME CLOCK. The Level 2 fair values are the company's own, measured at January 31, 2026 and May 2, 2026 and filed in the Form 10-K and the first-quarter Form 10-Q; the Form 10-Q for the quarter ended August 1, 2026 had not been filed when this case was prepared, so no filed mark exists at the balance sheet date used everywhere else in this case. The market prices were retrieved on August 27, 2026 from Public.com, whose fixed income data is powered by Moment; THE VENDOR DOES NOT PUBLISH A QUOTE TIMESTAMP, so these are recent indications rather than time-stamped last trades, and the total column is a principal-weighted blend the vendor does not itself publish. Each quoted yield was independently recomputed from its own quoted price on 30/360 semiannual math settling August 28, 2026 and reconciled to 4.98, 5.31 and 6.67 percent, which is evidence the price and yield are internally consistent but says nothing about how recent either is. The final row compares a dealer indication against a filed accounting mark measured by a different party on a different date roughly four months earlier; it is directional and is not an event study of August 25.

Two things fall out. The first is that the low-coupon long bond is a long way below face. The 4.100 percent notes of 2052 are quoted at 68.75, which is \$234.4 million less than the \$750.0 million the balance sheet carries them at. Across all three issues the market values \$1,900.0 million of principal at approximately \$1,579.5 million — a \$320.5 million discount, or 83 cents on the dollar blended. That discount is not a distress signal. It is a coupon signal: DICK'S borrowed thirty-year money at 4.100 percent in January 2022, and a 4.100 percent thirty-year obligation is worth less than par in a 6.67 percent market. Mechanically it is an economic asset to the equity that no balance sheet shows, because the company could retire face value for less than face — though the make-whole call at Treasuries plus 30 basis points, which does not step down to par until July 2051, is what would actually govern the price of doing so, and it is not the quoted market price.

The second is the more useful one. Between the May 2, 2026 filed marks and the August 27 quotes, the whole bond complex moved approximately 1.8 percent — through the quarter that contained the guidance cut, the Foot Locker segment reversal, and a one-day 30.7 percent decline in the equity. Some unknown share of even that 1.8 percent is the rate curve rather than the credit. The comparison is imperfect and the caveats under the table are real, but no reading of it supports the idea that the debt market repriced this

company. Ratings say the same: Moody's and S&P; had DICK'S at Baa3/BBB when the notes were priced in January 2022 and at Baa2/BBB as of May 2, 2026, an upgrade over the period, not a downgrade. The equity market and the credit market are looking at the same company and disagreeing about what happened, and only one of them gets paid regardless of whether Foot Locker is fixed. A reader is entitled to weight that however they like, but they should know it is there.

The line of credit

DICK'S entered a \$2.0 billion unsecured revolving credit facility on June 6, 2025, with Wells Fargo as administrative agent, replacing the \$1.6 billion facility dated January 14, 2022. It matures June 6, 2030 and carries a \$700.0 million accordion and a \$75.0 million letter of credit sublimit. Pricing opened at the alternate base rate plus 12.5 basis points or adjusted SOFR plus 112.5 basis points, on a ratings-based grid, with an unused commitment fee of 11 basis points as of January 31, 2026.

The balance drawn is the number worth stating plainly: **zero** — at February 1, 2025, May 3, 2025, January 31, 2026, May 2, 2026 and August 1, 2026, which is every date the company has disclosed. Outstanding letters of credit were \$26.7 million at both January 31, 2026 and May 2, 2026, leaving approximately \$1.97 billion of remaining capacity. The August 1, 2026 letter of credit balance and remaining capacity are not disclosed, because the Form 10-Q for that quarter had not been filed; the \$0 drawn figure at that date comes from the balance sheet furnished with the August 25 Form 8-K. Taken with \$913.7 million of cash, total liquidity is roughly \$2.89 billion against a company that generated \$1,537.3 million of operating cash flow last year.

Two qualifications belong with that. DICK'S initiated a commercial paper programme in December 2025 with a \$500.0 million maximum, backstopped by the same \$2.0 billion facility — nothing is outstanding, but any commercial paper drawn would reduce effective revolver availability rather than add to it, so the two capacities are not additive. And the facility carries a maximum lease-adjusted leverage covenant whose threshold the company does not disclose. DICK'S states it was in compliance at January 31, 2026 and May 2, 2026, which is all a reader can verify. Given that lease-inclusive net debt to EBITDAR is 2.15 times, headroom is very likely substantial, but “very likely” is the honest word and the undisclosed threshold is the reason.

4. The Foot Locker Purchase Price and All-In Cost

Why DICK'S bought it, in the company's own words

The rationale is on the record and it is not defensive. The May 15, 2025 announcement was headlined “DICK'S Sporting Goods to Acquire Foot Locker to Create a Global Leader in the Sports Retail Industry,” and Executive Chairman Ed Stack and Chief Executive Lauren Hobart described it as a transformative step to accelerate the company's global reach. The Form 10-K repeats the language in more operational terms: a transformative step towards creating a global platform serving a broader consumer base through differentiated iconic concepts and robust digital experiences, which the company believes will deepen its brand partnerships as a combined company in a way that will redefine sports retail. The goodwill note names the same three things the price was paid for — the assembled workforce of Foot Locker, growth opportunities in new markets, and post-combination synergies.

Two of those decode into something concrete. “New markets” means international: 45,400 Foot Locker employees joined the company, 11,100 of them across Europe, Asia and Australia, and DICK'S before the deal was entirely domestic. Foot Locker brought 2,410 operated stores in 26 countries plus 224 licensed

locations. “Deepen our brand partnerships” means Nike. The 10-K discloses that Nike is the largest vendor at approximately 31 percent of consolidated merchandise purchases across the DICK’S and Foot Locker businesses. Foot Locker’s dependence on Nike is heavier than that; combining the two makes the buyer materially larger at the single vendor that matters most to both. That is the strategic logic, and it is a real one.

The cost synergy number attached to it is small: \$100 million to \$125 million in the medium term, primarily from procurement and direct sourcing efficiencies. Set against that, DICK’S disclosed from the outset that it expected \$500 million to \$750 million of pre-tax charges to get there — six times the annual synergy at the top of the range, and \$390 million of it was incurred in fiscal 2025 alone. That disclosure is the most useful thing in the file, because it settles what kind of deal this was. Nobody budgets three quarters of a billion dollars of restructuring for a business they believe is working. DICK’S was not buying a bolt-on that would run itself. It underwrote a turnaround, said so in advance, and priced the repair into the plan before the ink was dry.

The EBITDA DICK’S was underwriting, and the multiple it paid

The deal was announced at an enterprise value of roughly \$2.5 billion. What that bought, on the last full year Foot Locker had reported when the agreement was signed, is a matter of filed record — and the multiple is closer to the DICK’S multiple today than most of the commentary at the time implied.

FOOT LOCKER STANDALONE EARNINGS AT ANNOUNCEMENT \$ millions except margins and multiples	FY2024 actual 52 wks to 2/1/25	FY2025 guided issued 3/5/25	Implied multiple on ~\$2,500 EV
Total revenue	7,988	7,908 – 8,028	—
Depreciation and amortization	202	200 – 210	—
Income from operations, GAAP	103	—	—
EBIT margin, company guidance	1.29%	2.6% – 3.1%	—
EBIT implied by the guided margin	—	206 – 249	—
Adjusted income before income taxes, non-GAAP	185	—	—
Net interest expense	8	~12	—
Adjusted EBITDA	395	406 – 459	6.3x actual / 5.4x – 6.2x guided
EBITDA on GAAP operating income	305	—	8.2x
Capital expenditure	—	270 (300 adjusted)	—

Two clocks. The actuals are the 52 weeks ended February 1, 2025, taken from Foot Locker’s March 5, 2025 fourth-quarter release; the guidance column is Foot Locker’s own fiscal 2025 outlook issued the same day, ten weeks before the merger agreement — it is what DICK’S was underwriting at signing, not what Foot Locker delivered. Adjusted EBITDA of \$395 million is \$185.0 million of adjusted pre-tax income plus \$8 million of net interest plus \$202 million of depreciation and amortization. The \$90 million gap between that and the GAAP figure is almost entirely impairment and other charges of \$97 million, which is a recurring line at this company rather than a one-time event, so the 8.2x GAAP reading deserves as much weight as the 6.3x adjusted one. The guided EBITDA range applies the company’s guided 2.6 to 3.1 percent EBIT margin to the guided sales range and adds back guided depreciation; it is the Institute’s arithmetic on the company’s inputs, not a company figure. Enterprise value of approximately \$2.5 billion is DICK’S own announced figure against an equity value of approximately \$2.4 billion. All multiples here are on the Institute’s Basis B — operating leases excluded from both sides — and are therefore directly comparable to the 6.86x DICK’S itself trades at today. LIMITATION: Foot Locker’s own rent and cash paid for operating leases were not obtained, so no EBITDAR multiple can be built for the acquisition and no Basis C comparison is offered.

The number that should stop a reader is the last comparison. DICK’S paid roughly 6.3 times trailing adjusted EBITDA for a business it had already told the market would need up to \$750 million of repair. Fifteen months later the market prices the entire combined company — the healthy 700-store domestic franchise included — at 6.86 times. On Foot Locker’s guided year the paid multiple was lower still, 5.4 to

6.2 times. Either the acquisition multiple was generous for what it bought, or the current multiple is punitive for what it holds, or both. Nothing in between explains a spread that narrow between a distressed asset bought at a premium to nothing and a \$21 billion revenue company at a 52-week low.

The honest caveat is that the guided year did not happen. Foot Locker's proforma comparable sales ran negative 3.4 percent in the fourth quarter and negative 3.3 percent for the 52 weeks ended January 31, 2026 — against a guide of positive 1.0 to 2.5 percent. Segment profit since acquisition was negative \$52.2 million in fiscal 2025 and the segment is now guided to a loss for fiscal 2026. The multiple DICK'S paid was struck on a forecast the asset did not meet. That is the case against the acquisition, and it is also the case that \$5 has to answer, because it is exactly the fact pattern that puts \$1.30 billion of goodwill and intangibles under an impairment test.

What it has cost, marked to the current price

The headline price was \$2,512.7 million, fixed in purchase accounting at the September 8, 2025 closing date. It is not what the transaction has cost, because DICK'S paid for it mostly in its own stock, and that stock is now worth 45 percent less than the price at which it was handed over.

ACQUISITION CONSIDERATION — COMPONENTS AND MARKED VALUE \$ millions except share count and per-share price	At closing Sept 8, 2025	At the close Aug 25, 2026	Change
DICK'S shares issued as consideration, count	9,600,000	9,600,000	—
DICK'S share price applied to those shares	\$226.88	\$124.32	(45.2)%
Value of the share consideration	2,178.1	1,193.5	(984.6)
Cash consideration	223.0	223.0	—
Pre-existing DICK'S equity ownership in Foot Locker	111.6	111.6	—
Total purchase price	2,512.7	1,528.1	(984.6)
Reduction in look-through cost	—	(39.2)%	—

Read the two columns as the same three things valued on two dates. The cash and the pre-existing stake do not move. The 9.6 million shares do: they were worth \$226.88 each on the day they were handed over and \$124.32 each at the August 25, 2026 close, so the identical block of stock that settled \$2,178.1 million of the price would settle \$1,193.5 million of it today. Components from the business combination note to the Form 10-Q for the quarter ended May 2, 2026: total purchase consideration of \$2,512,662 thousand, of which \$223.0 million cash and \$111.6 million from the pre-existing stake. The filing describes the share consideration as "\$2.1 billion ... for the issuance of 9.6 million shares"; the residual of the filed components is \$2,178.1 million, which on 9.6 million shares implies \$226.88. Both the dollar figure and the share count are rounded in the filing, so the implied issue price carries that rounding. The right-hand column is a look-through economic measure, not an accounting restatement.

Nothing about this changes the financial statements. Goodwill was struck at the closing-date share price and will not be re-measured downward because the stock fell; the only mechanism that would recognize a decline is an impairment test, which is \$5. But the accounting cost and the economic cost are different questions, and the economic one is the one an owner should ask.

The shares went out at \$226.88 and would come back at \$124.32

DICK'S settled \$2,178.1 million of the price by handing over 9.6 million of its own shares at \$226.88. Those shares trade at \$124.32 today, and the company has a \$3.0 billion repurchase authorization outstanding. Buying the identical block back in the open market would cost \$1,193.5 million and would return the share count to where it stood before the acquisition — \$984.6 million less than the shares were worth on the day they were handed over. Retiring the block would consume roughly 40 percent of the authorization already approved.

Three things keep that from being a costless gain, and a case that skips them is selling something. There is no obligation to buy anything back. If DICK'S never repurchases, nothing is realized and the 12.0 percent dilution of legacy holders simply stands — struck at \$226.88, which is the part that was already favorable. Nothing about it reaches the income statement either: transactions in a company's own equity are recorded against equity and never as gain or loss, so a repurchase at a third off the issue price is economically real and accounting-invisible. And the cash is real. \$1,193.5 million is roughly three times fiscal 2025 free cash flow, competing with the capital programme, the dividend, and up to \$200 million of fiscal 2026 restructuring charges for the same dollars — which is the constraint §3 identified.

It is worth being precise about who absorbed the decline, because the intuitive answer does not survive the filing. The shares went to Foot Locker holders as merger consideration; the Form 10-Q states that \$2.1 billion of the price was funded by the issuance of 9.6 million shares, alongside \$223.0 million of cash and the \$111.6 million pre-existing stake. DICK'S did not sell stock to the public to raise cash for the sellers — there are no proceeds from a common stock issuance anywhere in the fiscal 2025 financing activities. But once those shares entered the float they stopped being traceable. The decline fell on whoever held them between September 8, 2025 and August 25, 2026, and nothing in the filings says how many former Foot Locker holders still do. Anyone who owned DICK'S at \$226.88 bore it, whether they arrived through the merger or bought in the market. What is fixed and cannot be undone is the issuer's side: DICK'S issued 9.6 million shares at more than \$226 — 12.0 percent of the 79.9 million outstanding before the deal, and 10.7 percent of the company after it.

The argument has a limit. Part of the decline was caused by Foot Locker itself — the acquisition drove 73.1 percent of the guidance cut — so crediting the buyer with a discount the asset created by underperforming is circular. The defensible version is narrower and still worth stating: DICK'S underwrote a \$2.5 billion acquisition and transferred about \$1.5 billion of value for it. That does not make the acquisition a good one. It means the currency the company spent was expensive at the moment it spent it, and the block it handed over could be bought back for \$984.6 million less than the value ascribed to it at closing.

The price was never the price — the all-in cost

Everything above treats \$2,512.7 million as the amount paid. It is not. DICK'S told the market at announcement that it expected to spend \$500 million to \$750 million of pre-tax charges integrating and restructuring the business it was buying. Those dollars were part of the plan before the deal closed, which means the acquisition cost is the consideration plus the repair budget, and any multiple struck on consideration alone understates what was committed by roughly thirty percent.

ALL-IN ACQUISITION COST \$ millions except multiples and percentages	Low case \$500 M charges	High case \$750 M charges	Marked to Aug 25 high case
Consideration recorded in purchase accounting	2,512.7	2,512.7	1,528.1
Planned post-merger restructuring, pre-tax	500.0	750.0	750.0
All-in committed cost	3,012.7	3,262.7	2,278.1
Uplift over the headline consideration	19.9%	29.8%	—
On FY2024 adjusted EBITDA of 395	7.6x	8.3x	5.8x
On FY2024 GAAP EBITDA of 305	9.9x	10.7x	7.5x
On the guided FY2025 EBITDA range, 406 – 459	6.6x – 7.4x	7.1x – 8.0x	5.0x – 5.6x
Charges incurred through Aug 1, 2026	515.8	515.8	515.8
Annual cost synergy targeted, medium term	100 – 125	100 – 125	100 – 125
Years of full synergy to repay the charges	4.0 – 5.0	6.0 – 7.5	6.0 – 7.5

The charge range and the \$100 million to \$125 million medium-term cost synergy target are the company's own, disclosed with the transaction and repeated in the Form 10-K; \$390 million was incurred in fiscal 2025 and \$515.8 million cumulatively through the quarter ended August 1, 2026, with up to \$200 million more guided for fiscal 2026. The EBITDA denominators are the Foot Locker figures established in the table above and carry the same measurement dates — the 52 weeks ended February 1, 2025 for the actuals and the March 5, 2025 guidance for the range. The right-hand column marks only the share consideration to the August 25, 2026 close and leaves the charges at face, because the charges are cash and stock-price movement does not change them. The charges are stated pre-tax and are not all cash — asset impairments sit inside the total — so the after-tax cash outlay is lower than the figures shown; neither the tax effect nor the cash-versus-non-cash split has been disclosed in enough detail to quantify, and no estimate is offered here. The synergy-payback rows divide the charge case by the annual synergy target and are the Institute's arithmetic on the company's inputs; they measure repayment of the integration spend only and take no account of the purchase price itself.

Two readings come out of that table and they point in opposite directions, which is why the case prints both. On the committed basis DICK'S paid 8.3 times trailing adjusted EBITDA — 10.7 times on GAAP — for a business that had just guided to a 2.6 to 3.1 percent operating margin. That is not a distressed price. It is a full price for a turnaround, and the integration spend alone takes six to seven and a half years of the targeted synergy to earn back before a dollar of the purchase price is recovered. On the look-through basis, where the currency handed over has fallen 45 percent, the all-in cost is \$2,278.1 million and the same asset carries 5.8 times — below where DICK'S itself trades. The first number is what was committed. The second is what it has actually cost so far. An owner should hold both.

5. Goodwill and Intangibles Exposure

More than half of what DICK'S paid for Foot Locker is sitting on the balance sheet as goodwill and intangible assets, against a segment that is now guided to lose money. That combination is what an impairment test is for.

FOOT LOCKER CARRYING VALUE	\$ thousands	Measurement date
Consolidated goodwill	837,019	August 1, 2026
Less: DICK'S segment goodwill, unchanged since before the acquisition	(245,857)	August 1, 2026
Goodwill allocated to the Foot Locker segment	591,162	August 1, 2026
<i>Memo: goodwill at acquisition, net of the Q1 FY2026 adjustment</i>	526,818	Sept 8, 2025 and May 2, 2026
Identifiable intangible assets recognized at acquisition	710,000	September 8, 2025
Estimated Foot Locker intangibles, net	704,654	August 1, 2026 (estimate)
Goodwill and intangibles attributable to Foot Locker	1,295,816	August 1, 2026
As a share of the \$2,512.7 M purchase price	51.6%	—
As a share of the \$1,528.1 M look-through cost in \$4	84.8%	August 25, 2026

The memo row is measured on the acquisition clock and does not roll forward to the August 1, 2026 segment balance: goodwill of \$572,829 thousand recognized at closing, less the \$46,011 thousand measurement-period adjustment recorded in the first quarter of fiscal 2026, is \$526,818 thousand — \$64,344 thousand below the \$591,162 thousand derived from the segment disclosure. DICK'S does not publish a goodwill roll-forward for the reporting unit, so the difference cannot be reconciled from the filings and the two figures are shown on their own clocks rather than netted. The intangibles figure is an ESTIMATE: consolidated intangibles net of \$763,252 thousand at August 1, 2026 less the \$58,598 thousand consolidated balance at May 3, 2025, which predates the acquisition. DICK'S does not disclose intangibles by segment, so this attributes the entire increase to Foot Locker and is a reasonable but unverified allocation.

Four facts sit behind the impairment question, and none of them is speculative.

Purchase accounting is not final. Management states that the allocation is preliminary, that the measurement period runs up to twelve months from closing, that litigation contingencies and income taxes are the most significant areas not yet resolved, and that the impact of further revision may be material. A \$46.0 million reduction to goodwill has already been taken in the first quarter of fiscal 2026.

Foot Locker was impairing its own goodwill before DICK'S bought it. The proforma disclosures in the acquisition note back out a \$110 million goodwill impairment charge that Foot Locker recorded in the thirteen weeks ended May 3, 2025 — four months before the transaction closed. The asset had a documented history of not supporting its carrying value under its previous owner.

The segment has swung from guided profit to guided loss. In May the Foot Locker segment was guided to \$110 to \$150 million of profit for fiscal 2026. In August it was guided to a \$40 to \$80 million loss. Under ASC 350 goodwill is tested at least annually and between annual tests whenever events or circumstances indicate the carrying value may not be recoverable. A guided-profit-to-guided-loss reversal inside a reporting unit, accompanied by a 30.7 percent single-session decline in the parent's equity value, is the textbook description of a triggering event.

The cleanup is running at scale. Foot Locker has consumed \$515.8 million of restructuring charges against an expected total of up to \$750 million — roughly 30 percent of the purchase price spent on fixing what was bought.

The conclusion is not that an impairment is certain. It is that a Foot Locker goodwill impairment in the next several quarters should be an expectation rather than a surprise, and a case that ignores the possibility is not being honest about the balance sheet. Two things follow. An impairment is non-cash and does not touch the enterprise-value multiples in §1, the cash generation in §3, the dividend, or the debt covenants — it would not change what the business earns. But it would be the accounting confirming what the price already says, and anyone underwriting the core on GAAP net income should expect a year in which that line is distorted by a charge that says nothing about operations.

6. Historical and Comparable Multiples

The two multiple tests — where DICK'S has traded, and what the survivors trade at — point the same direction, and it is not the direction the opening setup implies.

HISTORICAL VALUATION AT FISCAL YEAR-END (BASIS A)	Year-end	Close	EV incl. leases \$ millions	EV/EBITDA	P/E	EV/Sales	ROIC
Fiscal 2021	Jan 29, 2022	\$107.24	10,650	4.87x	6.45x	0.93x	41.5%
Fiscal 2022	Jan 28, 2023	\$134.29	15,067	7.36x	10.09x	1.24x	28.5%
Fiscal 2023	Feb 3, 2024	\$174.03	18,832	9.02x	12.18x	1.45x	24.4%
Fiscal 2024	Feb 1, 2025	\$230.13	22,589	12.05x	16.10x	1.71x	22.5%
Fiscal 2025	Jan 31, 2026	\$220.24	23,313	12.65x	18.02x	1.35x	14.1%
Current — filed GAAP EBITDA	Aug 25, 2026	\$124.32	18,176	10.28x	—	0.86x	—
Current — provider adjusted EBITDA	Aug 25, 2026	\$124.32	18,631	8.95x	13.29x	0.88x	8.5%

Historical marks from stockanalysis.com, retrieved August 26, 2026, on that provider's conventions. The fiscal 2025 mark already contains approximately twenty-one weeks of Foot Locker and is therefore not a standalone DICK'S multiple. The provider labels the year ended January 31, 2026 as "FY 2026"; DICK'S and this case call it fiscal 2025, which is why every row carries its period-end date rather than a year label.

On this basis today's 10.28 times sits at roughly the seventieth percentile of the observed range, and 8.95 times on the more generous denominator sits mid-band. Neither says cheap. But Basis A is the incoherent convention from §1, and its error is not constant across the series. The double-count scales with rent relative to EBITDA, and Foot Locker added \$2,320 million of lease liabilities alongside negative segment profit, pushing that ratio to 86 percent — unprecedented in this company's history. Today's Basis A multiple is inflated more than the historical marks are, so the seventieth-percentile reading is an upper bound on where DICK'S sits in its own range, not a point estimate.

Only one prior year can be converted to a coherent basis, because cash paid for operating leases was sourced from a primary document for only one earlier period. It is worth printing because it points the other way.

FISCAL 2024 VERSUS TODAY ON BASIS C \$ millions	Fiscal 2024 year-end February 1, 2025	Today August 25, 2026
Lease-inclusive enterprise value	22,589	18,631
EBITDA — provider adjusted basis	1,875	2,081
Cash paid for operating leases, annualized	709	1,517
EBITDAR	2,584	3,598
EV / EBITDAR — Basis C	8.74x	5.18x
Basis A on the same denominators	12.05x	8.95x

Fiscal 2024 EBITDA is implied by dividing the provider's \$22,589 million enterprise value by its reported 12.05x, so both columns rest on the same adjusted denominator. Fiscal 2024 rent is cash paid for amounts included in the measurement of operating lease liabilities for the 52 weeks ended February 1, 2025. On the GAAP denominator from §1, today's Basis C is 5.53x; no GAAP-basis historical equivalent could be constructed. This is one prior year and it is the most expensive of the five, so it establishes that today is materially cheaper than the top of the range — not where today sits within it.

Against the fiscal 2024 peak, DICK'S is roughly forty percent cheaper on the coherent lease-inclusive basis. That single comparison does more for the value case than anything else here. It does not establish that the stock is cheap against its full history; it establishes that the screener convention overstates how expensive it looks. On forward earnings the reading is cleaner: at \$124.32 against revised non-GAAP guidance of \$11.00

to \$12.00, DICK'S trades at 10.8 times the midpoint, inside its own historical band of 6.45, 10.09 and 12.18 times rather than below it. A reasonable price, not a distressed one.

The comparable set no longer exists, and its disappearance is itself the finding.

PURE-PLAY COMPARABLES — TRANSACTION HISTORY	Status	Date	Terms
Foot Locker (NYSE: FL)	Acquired by DKS	Sep 8, 2025	\$2,513 M total consideration
Hibbett (NASDAQ: HIBB)	Acquired by JD Sports	Jul 25, 2024	\$87.50 per share; approximately \$1.1 B enterprise value
Big 5 Sporting Goods (BGFV)	Taken private	Oct 2, 2025	\$1.45 per share; approximately \$112.7 M enterprise value
Academy Sports (NASDAQ: ASO)	Public	—	Only surviving direct public comparable; ~1/4 the size

Three of the four public sporting-goods retailers that existed in mid-2024 have been removed from the market within roughly fourteen months. Two of the three were struck at prices that would be regarded as distressed. When two of three exits are rescues, the surviving multiple should not be read as a normal-times multiple.

The comp set collapsed, but the competition did not

It would be a mistake to read the table above as evidence that DICK’S has the field to itself. What disappeared was the measurable competition, not the competition. The Form 10-K describes the field as highly fragmented, intensely competitive and continually evolving, and names six formats the company competes against: large-format sporting goods stores, traditional sporting goods stores, specialty stores, mass merchants and department stores, online retailers, and vendors selling directly to consumers through retail stores and online. Only the first two contain anything resembling a public pure-play comparable, and between them they now hold one company.

PRINCIPAL U.S. COMPETITORS BY CHANNEL	Principal names	Publicly traded
Large-format and traditional sporting goods	Academy Sports and Outdoors; Scheels; Dunham's Sports	ASO only
Athletic footwear specialty — the Foot Locker Business	JD Sports (Finish Line, Hibbett); Snipes; Shoe Palace	JD Sports, London-listed
Outdoor and hunting specialty	Bass Pro Shops and Cabela's; REI; Sportsman's Warehouse	SPWH only
Golf specialty — Golf Galaxy competes here	PGA Tour Superstore; Worldwide Golf	No
Mass merchants and warehouse clubs	Walmart; Target; Costco	Yes, none comparable
Online retailers	Amazon	Yes, not comparable
Vendors selling direct to consumers	Nike; adidas; Under Armour; Lululemon; On; Hoka	Yes, not comparable

Format categories are the Form 10-K's own; the named companies within each are the Institute's identification of the principal United States operators in that format and are not drawn from a company disclosure — DICK'S does not name competitors in its filings. Big 5 Sporting Goods and Hibbett appeared in the first two rows until 2025 and 2024 respectively and are now inside private and foreign owners. Sportsman's Warehouse is public but at roughly \$40 million of market capitalization and a negative operating margin it functions as a distress reference rather than a valuation comparable.

The last row is the one that should hold a reader’s attention, because it is not really a competitor row. Nike is approximately 31 percent of consolidated merchandise purchases across the DICK’S and Foot Locker businesses — simultaneously the largest supplier and, through its own direct-to-consumer channel, a direct competitor for the same customer. DICK’S itself lists “vendors selling directly to consumers” as a

competitive format in the same filing that discloses the concentration. The Foot Locker acquisition raised the stake on both sides of that relationship at once: it made DICK'S a materially larger account at the vendor that matters most, which is the "deepen our brand partnerships" language decoded in §4, and it also concentrated more of the combined company's inventory in a single supplier that sells against it. Whether that reads as leverage or as exposure depends entirely on which way Nike's channel strategy moves, and no filing settles it.

For valuation purposes the practical consequence is narrow and worth stating plainly. Rows five through seven contain some of the largest and best-capitalized retailers in the country, and none of them is a comparable — sporting goods is a line of business inside each of them, not the business. Rows one through four contain the real operating rivals, and after the consolidation of the last two years, exactly two of them are public and only one is comparable. The multiple in the next table therefore rests on a single peer. That is a thin foundation, and the case does not pretend otherwise.

COMPARABLE COMPANY ANALYSIS — DKS VERSUS ASO	Market cap \$ billions	Enterprise value \$ billions	EV/EBITDA	P/E trailing	Operating margin
DICK'S Sporting Goods (DKS)	11.62	18.63	8.95x	13.29x	7.02%
Academy Sports and Outdoors (ASO)	2.70	4.31	6.93x	7.67x	8.17%
Sportsman's Warehouse (SPWH)	0.04	0.55	21.52x	—	(1.03)%
Best Buy (BBY)	18.44	20.68	7.88x	15.79x	4.31%
Ulta Beauty (ULTA)	23.09	25.18	13.32x	20.15x	12.43%
Tractor Supply (TSCO)	18.30	24.61	12.81x	18.43x	9.03%

Source: *stockanalysis.com*, retrieved August 26, 2026, on that provider's conventions, so the row-to-row comparison is internally consistent but the DICK'S figures differ from this case's own build. The 7.02% margin shown for DKS is an ADJUSTED margin; the GAAP-traceable trailing operating margin from \$1 is 5.53%. MATERIAL LIMITATION: operating lease liabilities were not obtained for any company in this table, so every EV/EBITDA figure rests on the provider's convention, which appears to be Basis A. For a comp set in which leases are the largest balance-sheet item, this comparison is directional only. Best Buy, Ulta and Tractor Supply are adjacent big-box specialty retailers, not direct comparables.

Academy Sports is cheaper than DICK'S on every multiple in the table, with a better operating margin on the same adjusted convention and roughly half the leverage. It is also a much smaller company — \$2.70 billion of market capitalization against \$11.62 billion, and no comparable national footprint — so it is a measuring stick rather than a rival, and it does not set what DICK'S is worth. Struck on the same measure at both ends, the gap is 73 percent on trailing earnings — 13.29 times against 7.67 — and 29 percent on EV/EBITDA. Comparing DICK'S forward multiple against Academy's trailing one would put the earnings gap at 41 percent, and that is the mismatch §1 exists to prevent; correcting it widens the spread rather than narrowing it. This case takes no view on Academy as a security and does not run a regression on a comparable set of one. What the spread is good for is measurement: it is the clearest available read on what the market is charging DICK'S for the things Academy does not carry. §8 uses it that way.

7. Key Assumptions and Risks

The value case does not rest on DICK'S being cheap on a screen. It is not. It rests on four things being true at once: that the core business is undamaged, that the market repriced the whole company for a problem confined to one segment, that the cost of that segment has already been substantially transferred to the sellers, and that the balance sheet can carry the dividend and the repurchase while the segment is fixed. Three of those four are supported by the filings. The fourth is the one to watch.

SUMMARY OF FINDINGS AND SUPPORT		Finding	Source
Core comparable sales guidance	Maintained at +2.5% to +4.0%		Q2 FY2026 release, Aug 25, 2026
Share of the guidance cut caused by Foot Locker		73.1%	Segment guidance decomposition, §2
Value removed versus the guidance cut	20x the annual reduction		One-session decline, §2
Look-through reduction in the Foot Locker price	(39.2)%		Consideration analysis, §4
Net financial leverage excluding leases	0.56x EBITDA		EV bridge, §1
EV / EBITDAR versus the fiscal 2024 peak	5.18x versus 8.74x		Basis C conversion, §6
Foot Locker goodwill and intangibles carried	\$1,295.8 M, 51.6% of price paid		Balance sheet, §5
Cost to retire the 9.6 M shares issued, versus issue value	\$984.6 M below		Consideration analysis, §4
Capital returned versus free cash flow, FY2024 and FY2025	Exceeded in both years		Cash generation, §3
Academy Sports — ~1/4 the size — on the same convention	Cheaper on every multiple		Comparables, §6
Position in the company's own historical range	Middling, upper bound only		Historical marks, §6

The first seven rows support the value reading; the last four cut against it. The ordering carries no weighting; the weighing is done in §8.

Four things would break the case, and each is observable rather than a matter of judgment. If core DICK'S comparable sales come in negative in the third quarter, the premise that the damage is confined to Foot Locker fails, and the whole structure of this case goes with it. If the company suspends or slows the repurchase to preserve liquidity, the capital-return leg is gone and the balance-sheet argument weakens materially. If Foot Locker restructuring costs run beyond the \$750 million management has guided to, the acquisition stops being a fixable subsidiary problem and becomes an ongoing cash drain. And if free cash flow does not recover to cover the dividend once the integration spend rolls off, the 4.02 percent yield is a warning rather than a payment.

A goodwill impairment is not on that list. It is the most likely near-term headline out of this company and it would be economically empty — a non-cash write-down of a number that purchase accounting fixed on a day when DICK'S stock was worth \$226.88. The write-down would say what the share price said on August 25. Anyone underwriting the core on reported net income should expect a year in which that line is unreadable, and should read the cash flow statement instead.

What this case does not do is set a price target, run a discounted cash flow, or fit a regression. Purchase accounting on Foot Locker is not final, the comparable set has one member in it, and peer lease liabilities could not be obtained. Each of those is a reason a precise answer here would be false precision. What the work does support is narrower than a target and more useful than a shrug, and it is the section that follows.

8. The Conclusion

The case opened on the premise that the market repriced an entire company for a problem confined to one subsidiary, and that premise survives. Foot Locker caused 73.1 percent of the guidance cut, core comparable sales were guided up rather than down, and \$4,924 million of equity value came off against a \$246.5 million reduction in full-year operating income — the market capitalizing the income it lost at roughly twice the multiple it applies to the income DICK'S keeps. But the work produced a second finding the opening framing did not have. The acquisition was expensive on its own terms: committed cost of \$3,262.7 million is 8.3 times the trailing adjusted EBITDA Foot Locker was earning when the deal was signed and 10.7 times the GAAP figure, paid for a business guiding to a 2.6 to 3.1 percent operating margin that then missed the guide with comparable sales of negative 3.3 percent.

Those findings are not contradictory. The decline is disproportionate to the earnings news and roughly proportionate to the acquisition news, and they are different news. What was repriced on August 25 was not the year; it was the judgment — which is what a market does when a \$3.3 billion commitment produces a segment guided from profit to loss inside twelve months. Two readings support that. The credit market did not join: the three senior unsecured issues moved approximately 1.8 percent between the May 2, 2026 filed fair values and dealer indications retrieved August 27, 2026 — through the same quarter that took 30.7 percent off the equity in a session — and the rating went from Baa3/BBB at issuance to Baa2/BBB. And the spread to Academy Sports — 29 percent on EV/EBITDA, 73 percent on trailing earnings — is a rough market estimate of the Foot Locker penalty.

Run that spread the other way and it settles a question the case has been circling. Value the DICK'S core at Academy's 6.93 times on the \$2,050 million midpoint of guided EBITDA and the core comes to \$14,206 million against a lease-inclusive enterprise value of \$18,176 million — which would leave the market carrying Foot Locker at a positive \$3,970 million, roughly \$1.5 billion more than DICK'S paid for it, for a segment guided from profit to loss. Nobody believes that. What the arithmetic refutes is its own premise: that the DICK'S core is worth no more than Academy. It is worth more — \$11.62 billion of market capitalization against \$2.70 billion, returns on invested capital of 22 to 41 percent in the four fiscal years before the acquisition, and twelve consecutive years of dividend increases. The concession the comparable table forces is that Academy carries the better adjusted operating margin this year and roughly half the leverage, so the premium is earned on scale, returns and durability rather than on current margin. Academy is a benchmark, not an alternative; this case takes no view on any other security.

The conclusion the evidence earns is this. DICK'S is a sound retailer whose operating business is being discounted for a capital-allocation decision that is already two-thirds paid for: \$515.8 million of the \$750 million was incurred through August 1, 2026, and the look-through cost of the acquisition has fallen to \$2,278.1 million all-in. Whether Foot Locker was a mistake is not really open — on the numbers to date it was expensive and it missed its underwriting year. The narrower question is whether a company at 6.86 times EBITDA and 10.8 times forward earnings, at a 52-week low, paying a 4.02 percent dividend it has raised for twelve years, should have the income it lost capitalized at twice the multiple applied to the income it kept. On the work assembled here it should not. The Institute believes the market has overreacted to the Foot Locker reduced guidance. That view is confined to the guidance reduction and does not extend to the acquisition itself — a \$3.3 billion commitment that produced a segment guided from profit to loss inside twelve months is a defensible reason to reprice a company, and the market was entitled to do it. A \$246.5 million cut to full-year operating income, against a core guided up, was not worth \$4,924 million. That the multiple is middling rather than cheap is not a contradiction of that: the question §6 asks is whether DICK'S

was mispriced against its own history before August 25, and the question this section answers is whether the news of that single day was worth what the market took out for it. They are different questions and they have different answers.

The impairment is not the thing to watch. A Foot Locker write-down is the most likely near-term headline this company produces and it would be economically empty — a non-cash reduction of a number purchase accounting fixed on a day the stock was worth \$226.88. Cash is what to follow, and the balance sheet gives it room to work with: \$913.7 million on hand, nothing drawn on the \$2.0 billion revolver and \$1,973.3 million of it available, against net financial leverage of 0.56 times. The pressure is real but it is not a solvency question. Capital returned exceeded free cash flow by \$115.4 million in fiscal 2024 and \$360.8 million in fiscal 2025, the fiscal 2026 capital programme is guided roughly 40 percent above fiscal 2025, and up to \$200 million of further restructuring lands in the same year. But two of those three claims are discretionary. The authorization carries no deadline and nothing obliges the company to retire a single share; the capital programme is management's to phase. The dividend, at roughly \$447.5 million a year, is the only one that has to be paid, and it is the one the balance sheet covers most comfortably. The author holds no position. What the case is watching is third-quarter operating cash flow against that dividend, and whether Foot Locker's losses narrow on the schedule management has guided to.

Appendix — Sources, Measurement Dates, and Limitations

Every figure carries two clocks — when the case was prepared, and when the figure itself was measured. Where they diverge materially, the gap is stated.

FIGURE	MEASUREMENT DATE	SOURCE
Share price, volume, session low, prior close	Aug 25, 2026 session	Market data, retrieved Aug 26, 2026
52-week low prior to the crash — \$175.65	Aug 24, 2026	Market data, retrieved Aug 26, 2026
Q2 results, revised guidance, segment detail	13 wks ended Aug 1, 2026	Q2 FY2026 earnings release, Aug 25, 2026
Balance sheet, goodwill, intangibles, leases	Aug 1, 2026	Q2 FY2026 earnings release, Aug 25, 2026
Foot Locker purchase accounting	Sept 8, 2025 closing	Q1 FY2026 Form 10-Q
Foot Locker's own goodwill impairment	13 wks ended May 3, 2025	Q1 FY2026 Form 10-Q, proforma note
Fiscal 2025 full-year income statement	52 wks ended Jan 31, 2026	FY2025 earnings release
Debt principal, coupons, maturities	Jan 31, 2026	FY2025 Form 10-K, Note 10
Senior notes fair value, Level 2 — filed	Jan 31 and May 2, 2026	FY2025 Form 10-K and Q1 FY2026 Form 10-Q
Senior notes dealer prices and yields	Retrieved Aug 27, 2026; no vendor timestamp	Public.com, fixed income data via Moment
Revolver size, maturity, availability	June 6, 2025; balances May 2, 2026	Credit agreement and Q1 FY2026 Form 10-Q
Senior unsecured ratings — Baa2 / BBB	May 2, 2026	Q1 FY2026 Form 10-Q
Historical multiples, peer multiples	Aug 26, 2026 retrieval	stockanalysis.com provider conventions
Shares outstanding used throughout	May 29, 2026	Q1 FY2026 Form 10-Q cover page

Two figures are estimates rather than filed values and are labelled as such where they appear: Foot Locker segment intangibles of \$704.7 million, derived by subtracting pre-acquisition consolidated intangibles from the current balance, and fiscal 2024 adjusted EBITDA, implied from the provider's enterprise value and reported multiple. The debt maturity schedule in §3 is CONSTRUCTED rather than filed — DICK'S publishes no contractual maturity table — and the bond prices in that section are dealer indications carrying no vendor quote timestamp, compared against filed accounting marks measured by a different party on an earlier date.

Five limitations are material enough to state plainly. Operating lease liabilities were not obtained for any company in the comparable table, so every peer EV/EBITDA figure rests on the provider's convention — apparently the incoherent Basis A — for a comp set in which leases are the largest balance-sheet item. Trailing figures contain roughly forty-seven weeks of Foot Locker against fiscal 2025's twenty-one, so no consolidated year-over-year comparison here is like-for-like. Purchase accounting remains within its measurement period and one \$46.0 million adjustment is already recorded, so goodwill and intangible allocations may change. Peer operating margins are provider-adjusted; the GAAP-traceable trailing margin built in §1 is 5.53 percent, not 7.02 percent, and the two are never interchangeable. And the debt section rests in part on the Form 10-K and first-quarter Form 10-Q, because the Form 10-Q for the quarter ended August 1, 2026 had not been filed — letters of credit, revolver capacity and refreshed fair values at that date are unavailable, and the lease-adjusted leverage covenant threshold is not disclosed.

The author held no position in any security named in this case at the time of preparation. The Baratelli Institute publishes educational material and does not provide personalized investment advice.