

Retailing - Hardlines

Sporting goods spending update through January

Industry Overview

Sporting goods spending decelerated in January

Monthly spending at sporting goods stores (81% correlated with DKS same-store sales since Apr. 2014 and 89% correlated with ASO same-store sales since Apr. 2017) declined 7.7% y/y in January, compared to -6.1% y/y in December according to BAC aggregated credit and debit card data. Monthly spending was up 19.0% vs. 2019 in January, an acceleration vs. +13.0% in December. See the latest [BofA on USA](#) note for an explanation of the methodology, disclaimers and limitations related to BAC card data.

Online spending -6.9%; Brick & Mortar spending -8.3%

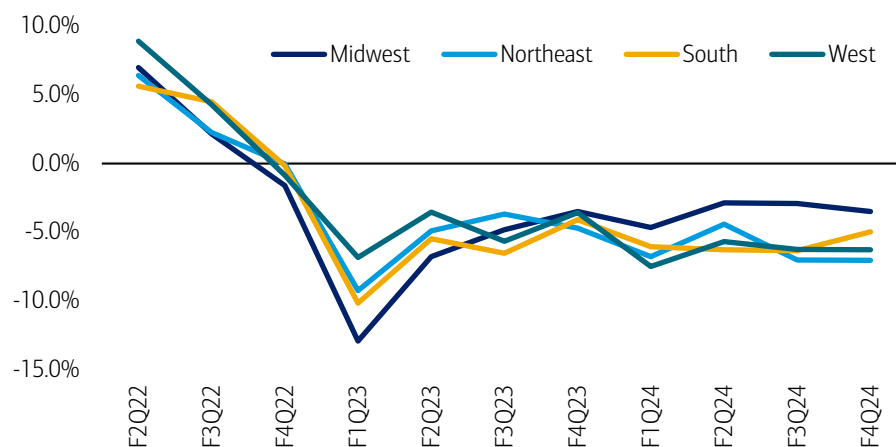
Online spending at sporting goods stores declined 6.9% y/y in January, an improvement from -8.8% y/y in December. Brick & Mortar (B&M) spending at sporting goods stores moderated to -8.3% y/y in January from -4.5% y/y in December. While winter storms disrupted retail spending during January, colder temperatures may have spurred winter apparel and outerwear purchases after a warmer December.

Spending strongest in Midwest, weakest in Northeast

Quarterly spending at sporting goods stores saw a slight sequential improvement to -5.9% y/y in F4Q (November-January) from -6.3% y/y in F3Q (August-October). Regional spending at sporting goods stores remained strongest in the Midwest (-3.5% y/y in F4Q vs. -2.9% y/y in F3Q) and weakest in the Northeast (-7.0% y/y, flat vs. F3Q). Spending in the South sequentially improved to -5.0% y/y in F4Q vs. -6.3% y/y in F3Q while spending in West was down 6.3% y/y in F4Q, flat vs. the previous quarter.

Exhibit 1: Quarterly Y/Y % change in Regional BAC card spending at sporting goods stores

Spending at sporting goods stores remained strongest in the Midwest and weakest in the Northeast



Source: BAC Internal Data

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12 February 2024

Equity
United States
Retailing-Hardlines

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DKS = Dick's Sporting Goods

ASO = Academy Sports

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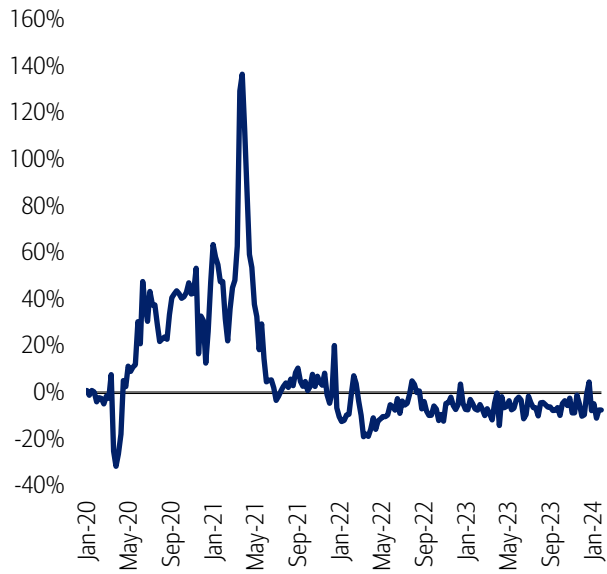
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Exhibit 2: Weekly Y/Y % change in BAC card spending at sporting goods stores

Spending at sporting goods stores declined 7.4% the week ending 2/3

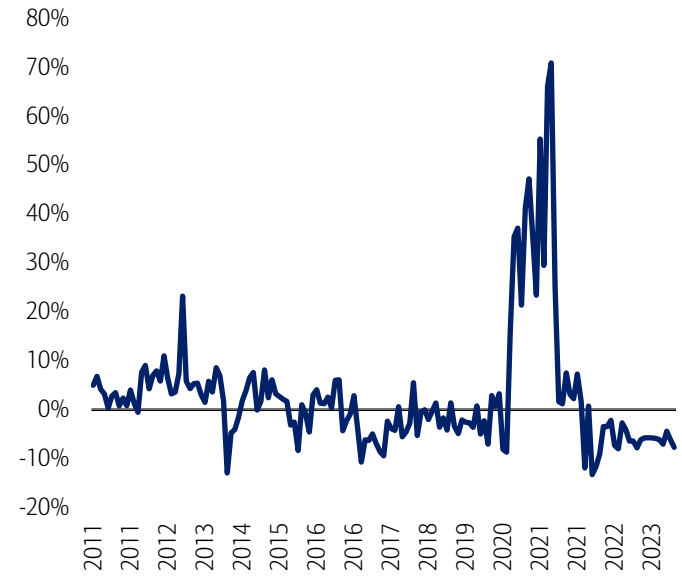


Source: BAC Internal Data

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Exhibit 3: Monthly Y/Y % change in BAC card spending at sporting goods stores

Spending in January decelerated to -7.7% vs. -6.1% in December

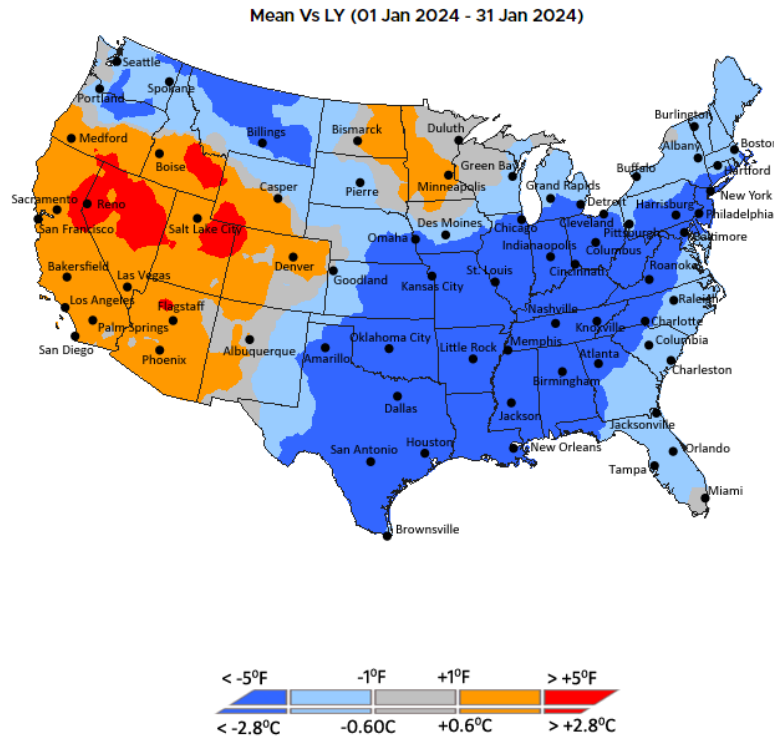


Source: BAC Internal Data

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Exhibit 4: Y/Y % change in average temperature in January

Temperatures were cooler y/y in January especially in the Midwest and the South

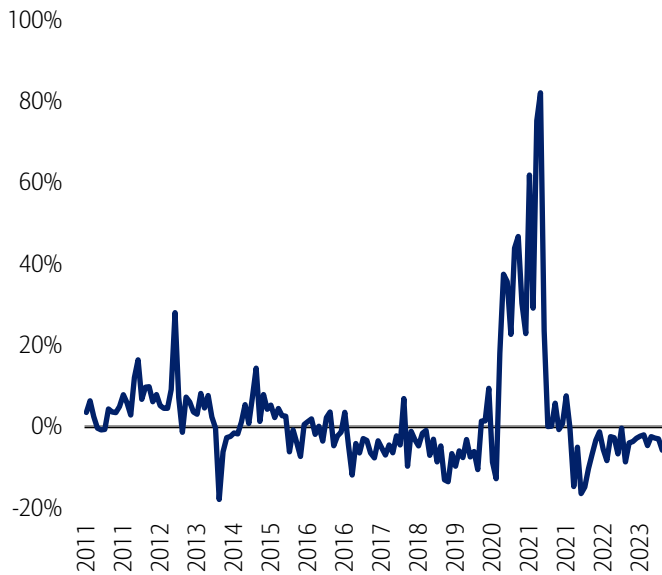


Source: WeatherTrends360

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Exhibit 5: Monthly Y/Y % change in BAC card spending at sporting goods stores in the Midwest region

Spending declined 5.7% in January vs. -2.9% in December

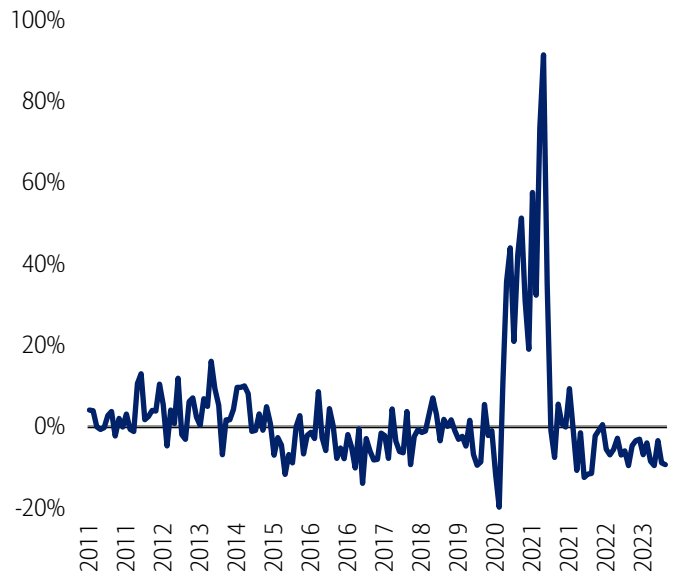


Source: BAC Internal Data

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Exhibit 6: Monthly Y/Y % change in BAC card spending at sporting goods stores in the Northwest region

Spending declined 9.3% in January vs. -8.8% in December

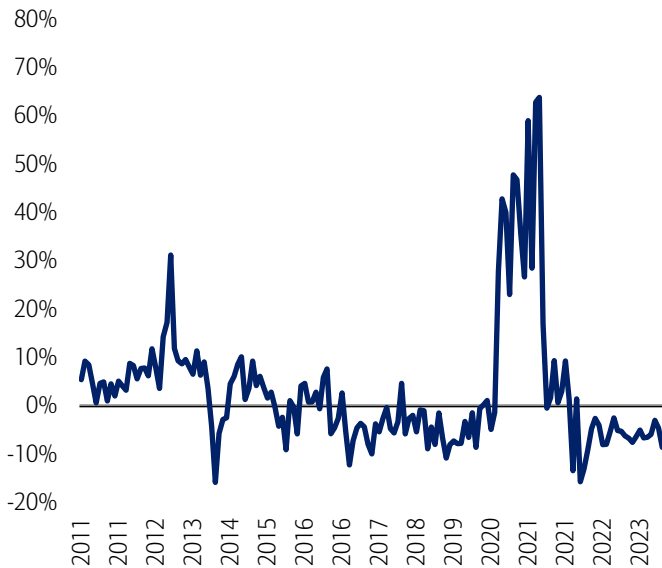


Source: BAC Internal Data

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Exhibit 7: Monthly Y/Y % change in BAC card spending at sporting goods stores in the South region

Spending declined 8.5% in January vs. -4.6% in December

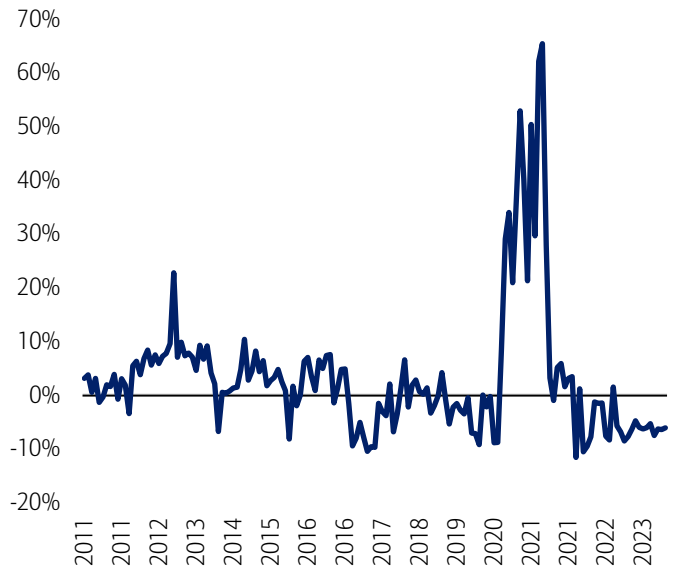


Source: BAC Internal Data

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Exhibit 8: Monthly Y/Y % change in BAC card spending at sporting goods stores in the West region

Spending declined 6.1% in January vs. -6.4% in December



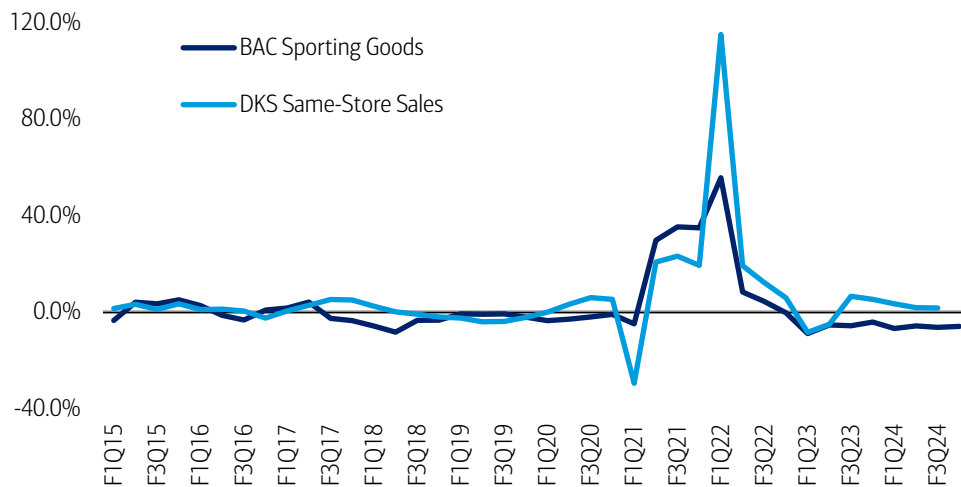
Source: BAC Internal Data

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Quarterly y/y % change in BAC card spending at sporting goods stores in the Northeast has the strongest correlation with DKS reported same-store sales (87%). Quarterly y/y spending in the South has the strongest correlation with ASO reported same-store sales (89%) according to BAC aggregated credit and debit card data.

Exhibit 9: Quarterly Y/Y % change in BAC card spending at sporting goods stores vs. DKS Same-Store Sales

81% correlation since Apr. 2014

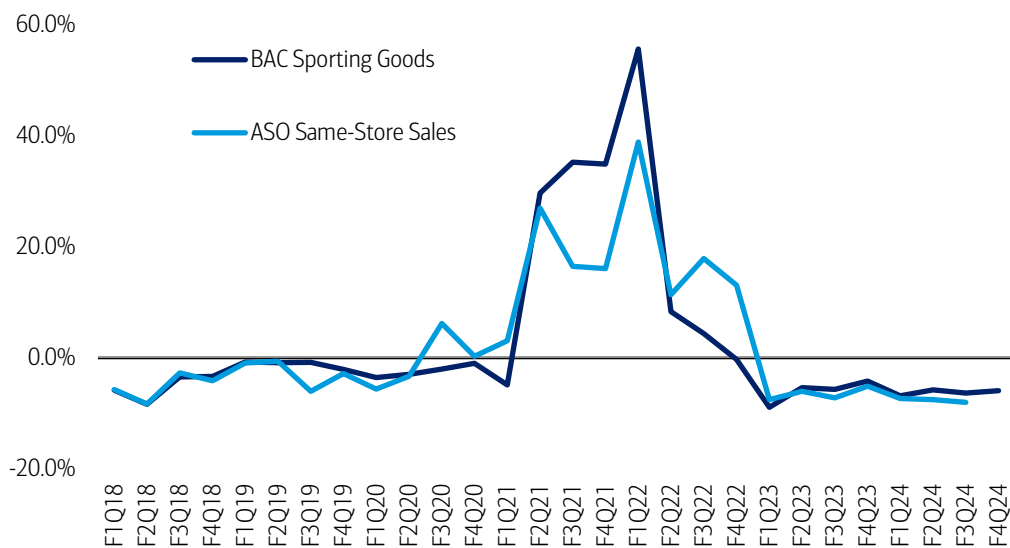


Source: BAC Internal Data, Company Filings

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Exhibit 10: Quarterly Y/Y % change in BAC card spending at sporting goods stores vs. ASO Same-Store Sales

89% correlation since Apr. 2017

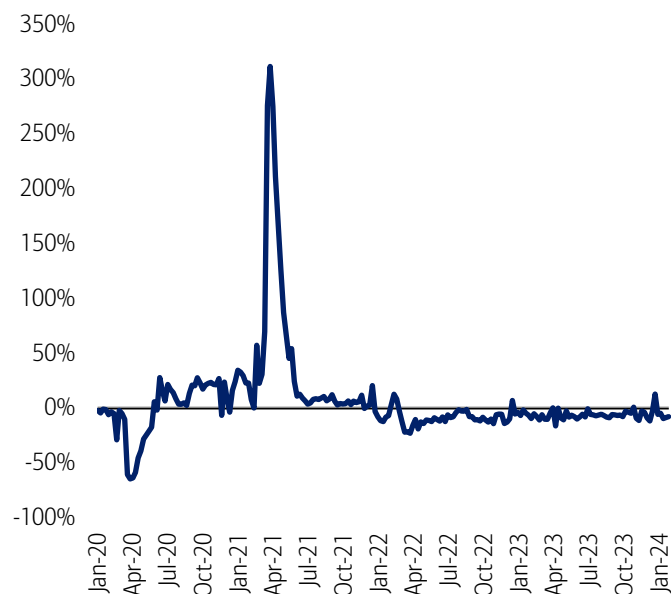


Source: BAC Internal Data, Company Filings

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Exhibit 11: Weekly Y/Y % change in Brick & Mortar spending at sporting goods stores per BAC card data

Brick & Mortar spending declined 7.8% the week ending 2/3

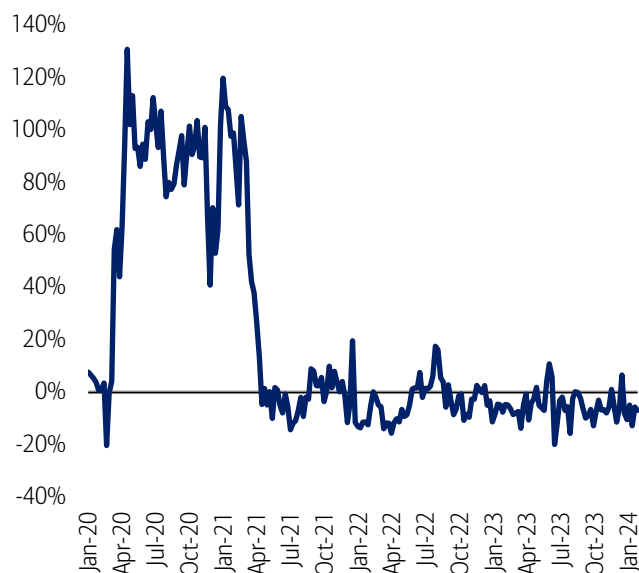


Source: BAC Internal Data

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Exhibit 12: Weekly Y/Y % change in Online (card not present) spending at sporting goods stores per BAC card data

Online spending declined 7.0% y/y the week ending 2/3



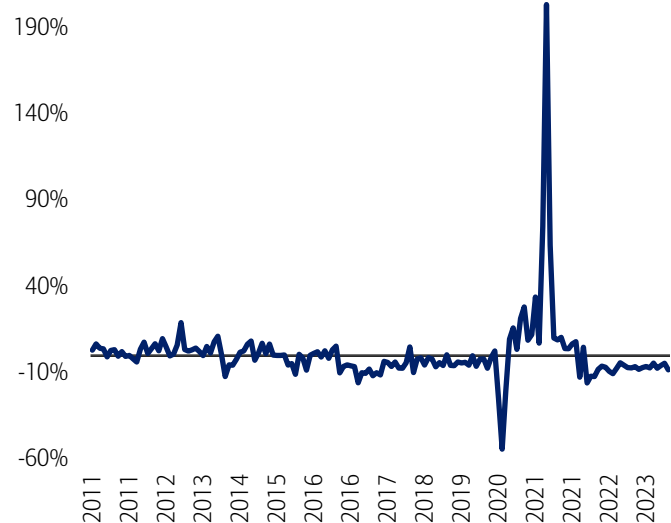
Source: BAC Internal Data

Card not present is largely online but could include purchases made over the phone

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Exhibit 13: Monthly Y/Y % change in Brick & Mortar spending at sporting goods stores per BAC card data

Brick & Mortar spending decelerated to -8.3% in January vs. -4.5% in December

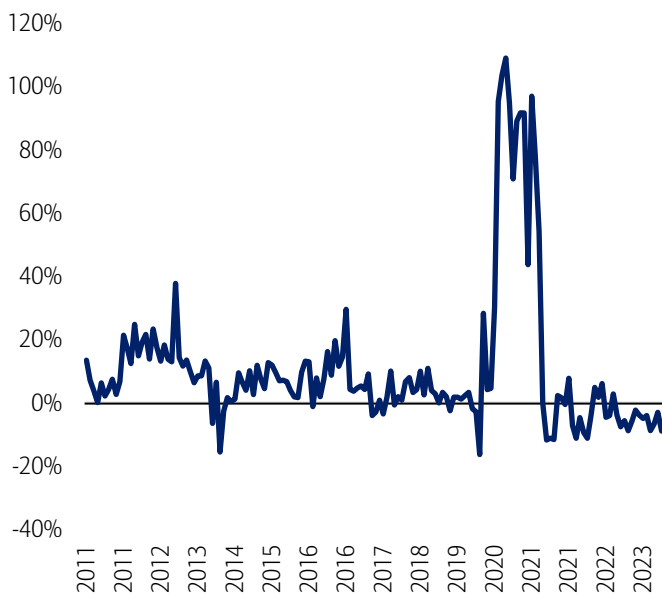


Source: BAC Internal Data

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Exhibit 14: Monthly Y/Y % change in Online (card not present) spending at sporting goods stores per BAC card data

Online spending improved to -6.9% in January vs. -8.8% in December



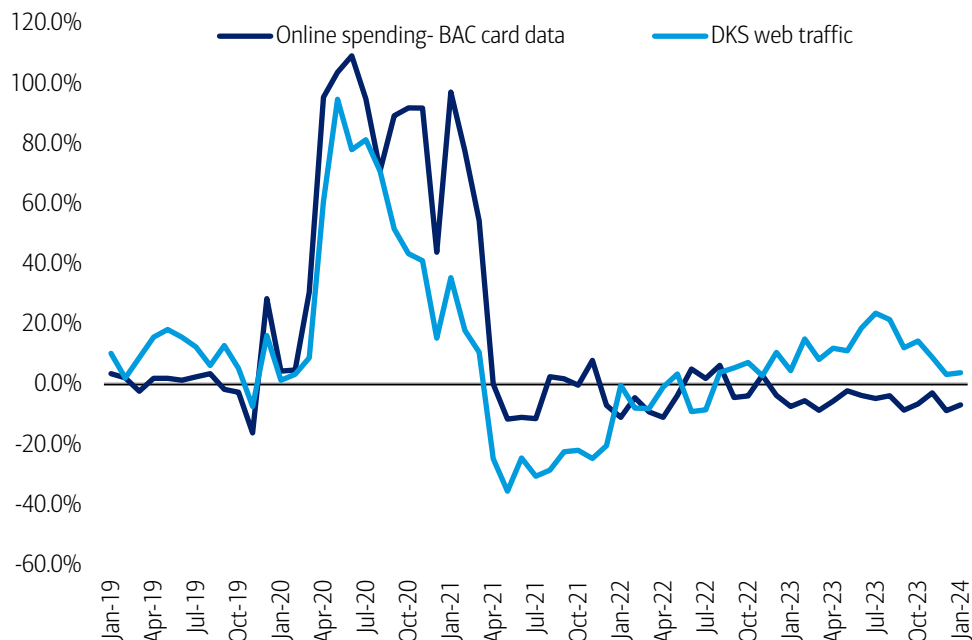
Source: BAC Internal Data

Card not present is largely online but could include purchases made over the phone

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Exhibit 15: Monthly Y/Y % in Online BAC card spending at sporting goods stores vs. DKS web traffic

Online spending and DKS web traffic accelerated in January

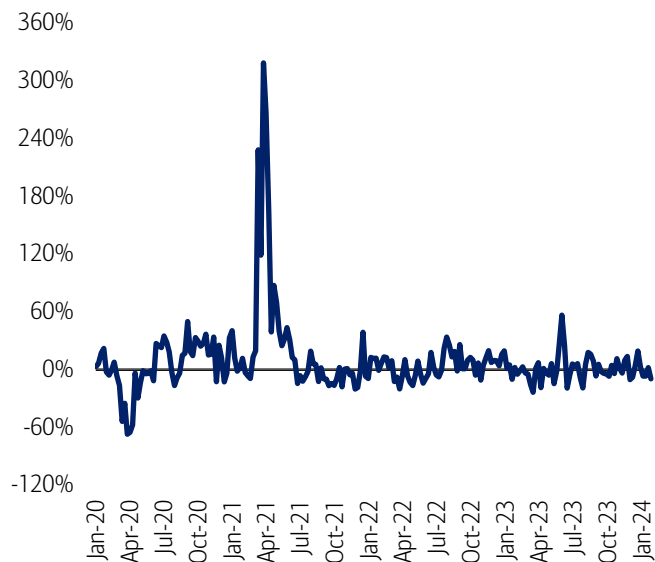


Source: BAC Internal data, SimilarWeb

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Exhibit 17: Weekly Y/Y % change in BAC card spending on athletic footwear & apparel

Spending declined 9.7% the week ending 2/3

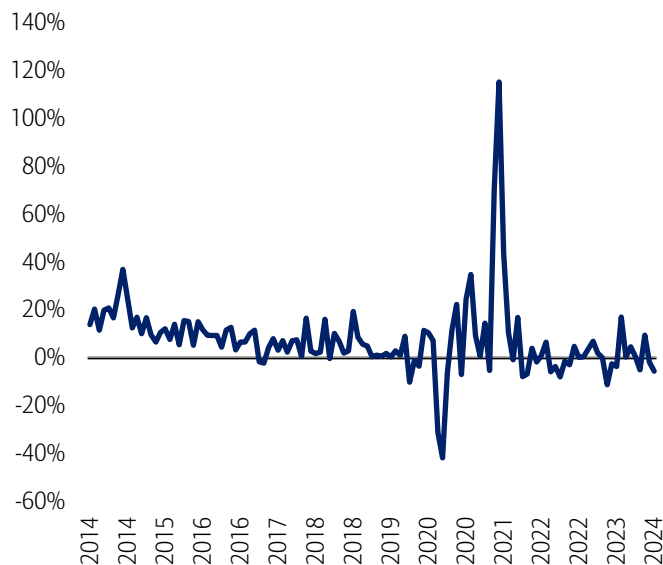


Source: BAC Internal Data

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Exhibit 18: Monthly Y/Y % change in BAC card spending on athletic footwear & apparel

Spending declined 5.5% in January vs. -1.8% in December

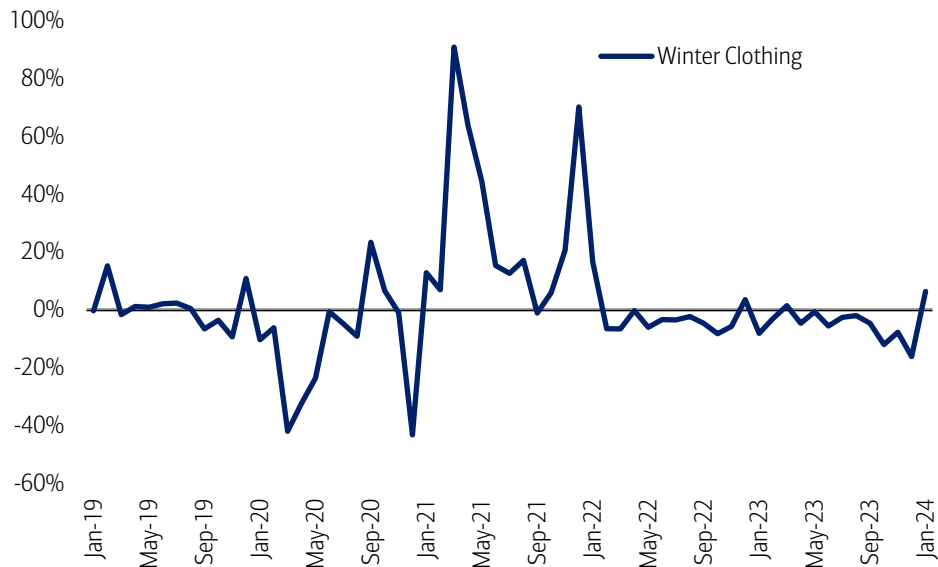


Source: BAC Internal Data

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Exhibit 19: Monthly Y/Y % change in BAC card spending at winter clothing stores

Spending at winter clothing stores accelerated significantly in Jan. on benefits from colder weather



Source: BAC Internal Data

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Price objective basis & risk

Academy Sports + Outdoors (ASO, C-1-7, \$68.01)

Our PO of \$75 is based on 8-9x our F26 GAAP EPS estimate of \$8.50, in line with the average P/E for the Athletic/Sporting Goods retail group given: (1) potential for margin uplift as ASO shifts to higher margin national brands and private label, (2) ASO success with new store growth and plans to expand the store base by 50% (120-140 stores) over the next 5 years, and (3) Academy's ability to manage SG&A.

Risks to the downside are: (1) Nike may choose to allocate product differently in the future, (2) more competitive pressures including expansion of Dick's into value-oriented apparel, and (3) increased regulation affecting the sale of firearms & ammunition.

Dick's Sporting Goods (DKS, C-2-7, \$162.17)

Our PO of \$165 is based on 12x our F2026E EPS estimate of \$13.35 (the middle of its historical multiple of 10-15X) given DKS could see continued normalization of spending on categories that outperformed during COVID-19 (incl. Outdoor apparel & equipment, bicycles, etc.).

Downside risks to our PO are weakening of the macro environment and rising gas prices, potential secular headwinds in the golf category, weaker traffic trends, higher-than-expected cost pressures and the risk of a more competitive pricing environment.

Analyst Certification

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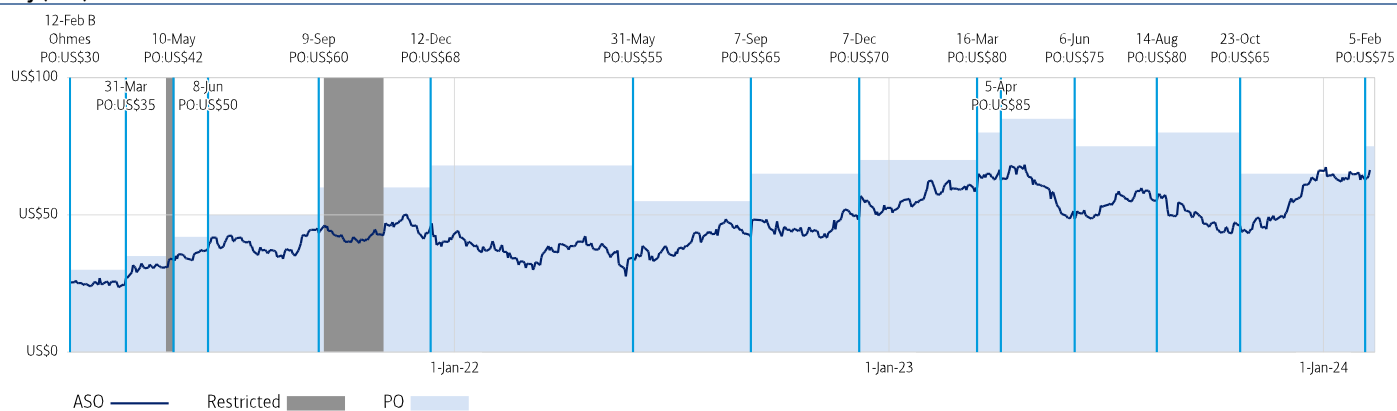
US - Broadlines, Hardlines, Food Retailers & Leisure Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Academy Sports + Outdoors	ASO	ASO US	Robert F. Ohmes, CFA
	BJ's Wholesale Club Holdings	BJ	BJ US	Robert F. Ohmes, CFA
	Costco Wholesale Corporation	COST	COST US	Robert F. Ohmes, CFA
	Fox Factory Holding Corp	FOXF	FOXF US	Alexander Perry
	Grocery Outlet Holding Corp.	GO	GO US	Robert F. Ohmes, CFA
	Harley-Davidson	HOG	HOG US	Alexander Perry
	Life Time	LTH	LTH US	Alexander Perry
	Planet Fitness, Inc.	PLNT	PLNT US	Alexander Perry
	Sysco Corporation	SY	SY US	Kendall Toscano
	Target Corp.	TGT	TGT US	Robert F. Ohmes, CFA
	The Kroger Co.	KR	KR US	Robert F. Ohmes, CFA
	Topgolf Callaway Brands Corp	MODG	MODG US	Alexander Perry
	Walmart Inc	WMT	WMT US	Robert F. Ohmes, CFA
NEUTRAL				
	Dick's Sporting Goods	DKS	DKS US	Robert F. Ohmes, CFA
	Xponential Fitness	XPOF	XPOF US	Alexander Perry
	YETI Holdings, Inc.	YETI	YETI US	Robert F. Ohmes, CFA
UNDERPERFORM				
	Canada Goose Holdings Inc	YGOOS	GOOS CN	Alexander Perry
	Canada Goose Holdings Inc	GOOS	GOOS US	Alexander Perry
	Columbia Sportswear	COLM	COLM US	Alexander Perry
	Dollar General Corporation	DG	DG US	Robert F. Ohmes, CFA
	Dollar Tree, Inc.	DLTR	DLTR US	Robert F. Ohmes, CFA
	Hibbett Sports, Inc.	HIBB	HIBB US	Alexander Perry
	National Vision	EYE	EYE US	Robert F. Ohmes, CFA
	Sprouts Farmers Market, Inc.	SFM	SFM US	Robert F. Ohmes, CFA

Disclosures

Important Disclosures

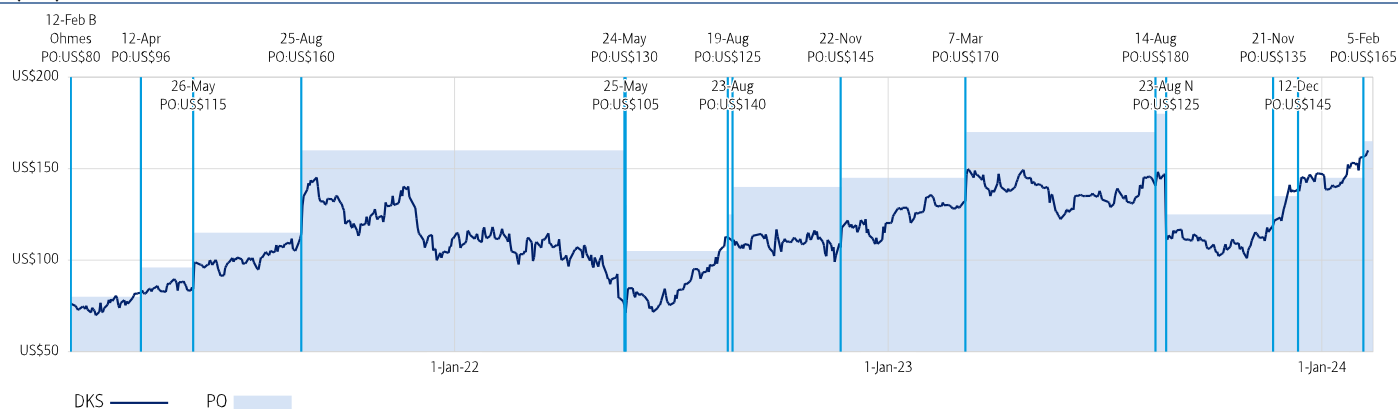
Academy (ASO) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Dick's (DKS) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Leisure Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	16	55.17%	Buy	9	56.25%
Hold	7	24.14%	Hold	5	71.43%
Sell	6	20.69%	Sell	4	66.67%

Equity Investment Rating Distribution: Retailing Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	96	57.83%	Buy	39	40.63%
Hold	32	19.28%	Hold	12	37.50%
Sell	38	22.89%	Sell	18	47.37%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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