

TO: Investment Committee

FROM: Francisco Rodriguez, Financial Analyst

DATE: February 2026

RE: Leveraged Buyout of Dick's Sporting Goods, Inc. (NYSE: DKS)

STRICTLY CONFIDENTIAL — FOR DISCUSSION PURPOSES ONLY

EXECUTIVE SUMMARY

We present a leveraged buyout of Dick's Sporting Goods, Inc. (DKS), the last major national big-box sporting goods retailer following the bankruptcies of Sports Authority (2016) and Modell's (2020). At an entry multiple of 9.0x LTM EBITDA, the transaction values DKS at a \$15.3B enterprise value, funded with \$9.4B of Term Loan B debt (5.5x leverage) and \$5.9B of sponsor equity. The investment thesis centers on a private label mix shift that expands EBITDA margins from 13.1% to 16.5% over a 5-year hold, supported by aggressive free cash flow sweeps that deleverage the business from 5.5x at entry to approximately 2.4x at exit. At a 10.5x exit multiple — justified by materially improved earnings quality — the transaction delivers a **3.8x MOIC and 30.4% IRR** at Year 5.

COMPANY OVERVIEW

Metric	LTM Value
Revenue	\$13,000M
EBITDA	\$1,700M
EBITDA Margin	13.1%
Stores	~850 locations
Sector	Consumer Discretionary — Big-Box Sporting Goods
HQ	Coraopolis, Pennsylvania

DKS operates the largest specialty sporting goods retail platform in the United States, with broad assortment across team sports, fitness, outdoor, and footwear. Following the exit of all major national competitors, DKS has consolidated its market position and continues to invest in differentiated retail formats (Dick's House of Sport) and proprietary brand development (DSG, Alpine Design, Calia).

INVESTMENT THESIS

• Market Consolidation

DKS is the sole surviving national big-box platform in a \$50B+ addressable market. Sports Authority (2016) and Modell's (2020) are gone with no credible replacement. Market share gains are structural and continue to accrete with each passing year.

• Private Label Margin Expansion

DSG and Alpine Design carry 500–800bps EBITDA margin premium versus national brands (Nike, Adidas, Under Armour). Growing private label penetration from ~15% toward 20%+ of revenue mix is the primary operational thesis, driving ~350bps of margin expansion across the hold period — from 13.1% at entry to 16.5% at exit.

• Experiential Retail Differentiation

The Dick's House of Sport flagship format — featuring climbing walls, batting cages, TrackMan golf simulators, and in-store services — drives materially higher average unit revenue and traffic that e-commerce competitors cannot replicate.

• Cash Flow Deleveraging

Aggressive free cash flow sweeps against the Term Loan B generate \$3.4B in cumulative debt paydown across the hold period, reducing net debt from \$9.4B to \$5.5B. Compounding equity value creation through simultaneous EBITDA growth and debt reduction justifies the exit multiple re-rating to 10.5x.

TRANSACTION STRUCTURE

Term Loan B (5.5x)	\$9,350	Equity Purchase Price	\$15,000
Revolver (drawn)	\$0	Transaction Fees (2%)	\$306
Sponsor Equity	\$5,956		
Total Sources	\$15,306	Total Uses	\$15,306
Debt Tranche	Amount	Rate	Amortization
Term Loan B	\$9,350M	SOFR + 350bps (8.0%)	1% per annum
Revolving Credit Facility	\$750M capacity	SOFR + 275bps (7.25%)	Bullet

FINANCIAL PROJECTIONS (\$M)

	LTM	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	\$13,000	\$13,520	\$14,061	\$14,764	\$15,502	\$16,277
Growth %	—	4.0%	4.0%	5.0%	5.0%	5.0%
EBITDA	\$1,700	\$1,893	\$2,109	\$2,288	\$2,480	\$2,686
Margin %	13.1%	14.0%	15.0%	15.5%	16.0%	16.5%
D&A	(\$351)	(\$365)	(\$380)	(\$399)	(\$419)	(\$440)
EBIT	\$1,349	\$1,528	\$1,729	\$1,889	\$2,061	\$2,246
Interest Exp.	—	(\$748)	(\$712)	(\$662)	(\$601)	(\$526)
Net Income	—	\$585	\$763	\$920	\$1,095	\$1,289
Levered FCF	—	\$355	\$528	\$672	\$839	\$1,025
TLB Balance	\$9,350	\$8,902	\$8,281	\$7,516	\$6,584	\$5,464

Note: Interest computed on beginning-of-period balance. Cash sweep applied annually against all available levered free cash flow.

RETURNS ANALYSIS

	Value
Exit Year EBITDA	\$2,686M
Exit EV / EBITDA Multiple	10.5x
Exit Enterprise Value	\$28,203M
Less: Net Debt at Exit	(\$5,464M)
Less: Exit Fees (1%)	(\$282M)
Equity Proceeds to Sponsor	\$22,457M
Initial Equity Investment	\$5,956M
MOIC	3.8x
IRR (5-Year Hold)	30.4%

SENSITIVITY — IRR BY EXIT MULTIPLE SCENARIO

Scenario	Exit Multiple	Exit TEV	Net Debt	Equity Proceeds	MOIC	IRR
Bull Case	11.0x	\$29,546M	\$5,464M	\$23,800M	4.0x	33.0%
Base Case ★	10.5x	\$28,203M	\$5,464M	\$22,457M	3.8x	30.4%
Conservative	9.0x	\$24,174M	\$5,464M	\$18,428M	3.1x	25.2%
Downside	7.0x	\$18,802M	\$5,464M	\$13,056M	2.2x	17.1%
Stress	6.0x	\$16,116M	\$5,464M	\$10,370M	1.7x	11.7%

★ Base case assumes entry at 9.0x, exit at 10.5x reflecting business quality improvement from private label margin expansion. Net debt held constant at Year 5 base case level.

KEY RISKS & MITIGANTS

• Private Label Thesis Failure

If DSG / Alpine Design fail to gain traction and consumers remain loyal to national brands, EBITDA margins remain flat at ~13%. At 9.0x / 9.0x with no margin expansion, IRR falls to ~21%. Mitigant: private label penetration is already tracking above 15% and accelerating; DKS controls shelf space allocation.

• Floating Rate Exposure

The \$9.4B TLB is priced at SOFR + 350bps. A 150bps SOFR increase adds ~\$141M of annual interest, reducing free cash flow and slowing debt sweeps. Mitigant: strong FCF generation provides meaningful buffer; interest rate hedges are standard practice on large TLBs.

• Consumer Discretionary Cycle

DKS is 100% consumer discretionary. A recession compresses traffic and ticket simultaneously at peak leverage. Mitigant: DKS's consolidation-driven market position means they gain share even in downturns; 5.5x leverage provides more cushion than the 7x+ that failed at Sports Authority.

• Multiple Compression

Entry at 9.0x with a 10.5x exit assumption requires some re-rating. If markets de-rate consumer retail and exit is forced at 7.0x, IRR falls to ~17%. Mitigant: EBITDA growth and cash sweeps provide substantial cushion; the deal returns equity at 7.0x exit.

RECOMMENDATION

We recommend proceeding with the leveraged buyout of Dick's Sporting Goods at an entry multiple of 9.0x LTM EBITDA. The transaction offers a differentiated thesis anchored in structural market consolidation and a clear operational playbook — private label margin expansion — that is already in motion. The deal generates meaningful returns across a wide range of exit scenarios (17%+ IRR even at a 7.0x exit multiple), and the cash sweep mechanism creates compounding equity value creation that is not dependent on financial engineering alone. We recommend authorization to proceed to exclusivity.

*This memorandum is prepared for internal discussion purposes only. All projections are illustrative and based on publicly available information.
Past performance is not indicative of future results. | Francisco Rodriguez | February 2026*