The Aggie Investment Club

Recommendation: Strong Buy
Price Target: $75
Academy Sports and Outdoors
NYSE: ASO

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Company Overview

Business Overview

Company Overview

Academy is a leading full-line sporting goods and outdoor recreation retailer in the United States. Originally founded in 1938 as a family business in Texas, Academy has grown to 282 stores across 18 states. Academy's mission is to provide "Fun for All" and Academy fulfills this mission with a localized merchandising strategy and value proposition that strongly connects with a broad range of consumers. Academy's product assortment focuses on key categories of outdoor, apparel, sports & recreation and footwear through both leading national brands and a portfolio of private label brands and recreation.

Value Proposition

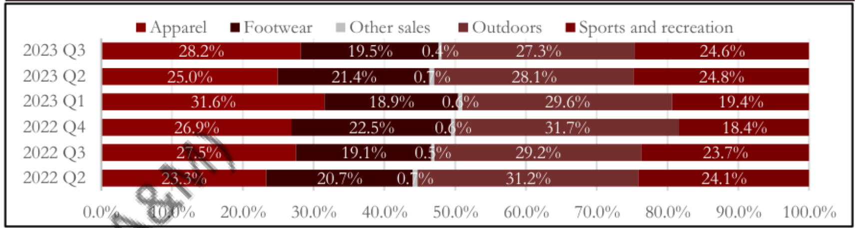
Given the competition from the space, Walmart is pulling away, and due to their limited lack of assortment, they cannot provide what ASO does. Dicks has a lot more sporting goods; however, they are always charging more of a premium for their products and are not able to compete with the Value that ASO has to offer. Given this, the academy is in a great position in which they have more brands, great products, and amazing prices, which leads to their sticky customer base. Given that only 20% of the brands makes up 40% of sales proves that ASO has a competitive identity for value.

Brands

Leading National Brands (80% of products)

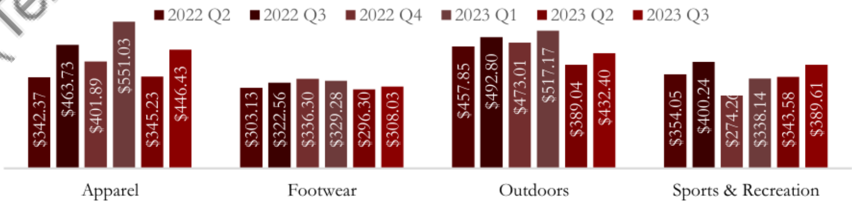
Private Label Brands (20% of products)

Sales Mix %



Private Label Brands	40%	NIKE	10%	Hunting	6%	Other	44%

Segments



History

- First Store Opens

1938

- First Box Store
- (35-40k SQ FT

1988

- Expands Outside of Texas

1994-95

- First Florida Location

1998

- KKR Buys ASO
- Sales ~$3bn

2011-12

- $1.1bn IPO

2020

- Enters Fortune 500

2021

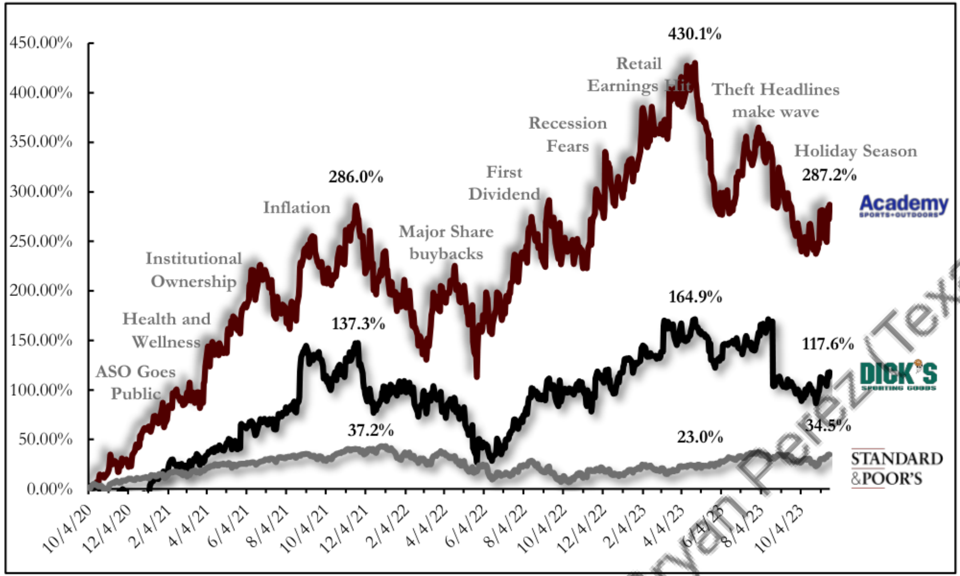
- $6.2bn
- 275 Stores

Today

Capital IQ, Investor Relations Website, ASO 10Q & 10ks, Bofa Equity Research, Refintiv

Market Overview

Stock Price



Story

ASO Goes Public

ASO went public for around a billion dollars at the time KKR still owned around 50%+ of the outstanding shares and eventually does 2 secondary offers to completely exit at around $30 and $40 a share respectively

Heath and Wellness Trends drive FCF

When the health and wellness trend started, ASO was able to generate over $1bn of free cash flow and as result helped drive down debt significantly while also having over $1bn of cash on the balance allowed the company to reduce a lot of the debt that KKR had for their LBO

Institutional Ownership

There was very little coverage on ASO and as a result little institutional ownership, around 30 dollars a share, Blackrock and Fidelity started to acquire massive stakes helping to bring the stock to around 40 dollars

Sharebuys Backs, Dividends, and consistent Earnings

During this time ASO had announced a significant amount of buy backs that essentially to helping the stock recover, during this time they were able to reduce outstanding shares significantly and announced their first dividend of $0.20 a share which drove confidence for the shareholders. Also, consistent earnings and FCF generations helped the stock recover.

Recession Fear, weaker general earnings, and theft headlines make wave

During this Recession, fears were glooming across the industry, impacting retailers' earnings, and news of theft makes way into impacting margins, and dicks stock dropped 20% in a day.

Now - Holiday Earnings are coming up and are bullish in a recover

Given total new store openings were done just in time before the holiday season, ASO is predicted to have an incredible earnings beat for the 2023 Q4. Included in this earnings cycle is the Texas Rangers victory, which drove massive attention toward ASO for Jerseys and fan gear. Also, given the new partnership with LL Bean and Fanatics, it will be interesting to see how the stores review successes with these brands. There's also hunting season mode that will make pave a way to help the store grow significantly.

Multiples

	LTM EV/Revenue	LTM EV/EBITDA	LTM EV/EBIT	LTM P/E	PEG Ratio	LTM Sales / SQ Ft.	LTM Sales/Store
Academy Sports+Outdoors	0.8x	5.0x	7.1x	7.3x	0.56x	$340	$24mm
Dick's Sporting Goods	1.0x	5.2x	9.5x	10.5x	1.25x	$290	$14mm

Capital IQ, Investor Relations Website, ASO 10Q & 10ks, Yahoo Finance, JPM Equity Research

Investment Thesis

Details		
Company Name:	Name	Academy Sports + Outdoors
Ticker:	Name	ASO
Valuation Date:	Date	17-Nov
Current Share Price	$/Share	$49.90
Share Price High/Low	$/Share	$50.09/ $48.34
Beta 5Y	X	1.29
Diluated Shares Outstanding	$M	74.5
		LTM
Revenue	$M	$6,207.10
Revenue Growth %	%	-5.30%
2024 Street Revenue Forecast	$M	$6,244.95
Gross Profit	$M	$2,125.60
Gross Margin %	%	34.20%
EBITDA	$M	$828.40
EBITDA Margin %	%	13.3%
Net Income	$M	$540.40
Net Income Margin%	%	8.70%
Current Capitalization		
Current Share Price		$49.90
Diluated Shares Outstanding		74.5
Current Equity Value	**$M**	**$3,719.29**
(-) Cash	$M	$311.34
(+) Short & Long Term Debt	$M	$586.73
(+) Short & Long Term Finance & Operating Leases	$M	$1,072.29
Current Enterprise Value	**$M**	**$5,066.97**

Investment Thesis

120-140 New Stores projected to open in 2023, possibly an 800 store expansion within the next 10 years

Very Simple put Academy Sports currently has around 275 stores as of Nov 11, 2023. Management has expressed strongly that they are looking to expand the store count to 120-140 within 2027. This represents an increase to store count from 43.6% to a 50.9% increase to the store count. Academy Sports is only in 18 states in which they have expressed that they are willing to expand to new markets and take significant market share. Given the popularity of the brand, I feel confident that they will be willing to continue to expand, and considering if these 120 to 140 store openings go well, management has expressed that they are willing to open up 800+ stores within the next 10 years, presenting a huge possible increase to revenues.

The Great Moat of Texas & Southern Companies

Walk into an academy sports, and outdoors, I can promise you that the parking lot is usually full. Academy Sports as developed itself to be on the named brands of southern hospitality and is something that we believe represents something similar to Buccess, Whataburger, or even Apple. The point is people are willing to drive out their way to enter the store, this is the artisitic part to the thesis in which this is more of a physiological feel to it rather than a quantitative view to the business.

Wall Street does not understand the value of ASO compared to Dicks

Considering that majority of the stores are located within the southern states, we believe wall street doesn't have a clue to which of what this company is about and is efficiently undervaluing the business significantly. Currently Dicks is operating with about 804 stores in 48 states producing about $12.6 bn in sales, academy is in 18 states with a store base of 275 stores producing around $6.2bn in sales. Dicks current is trading at a market capitalization of around $10bn and Academy was given a value of $3.7bn. Although this doesn't paint the full picture yet, we significantly don't agree with the market value for what is believed to be a better and more efficient store.

Increase Online Demand, Strong Private Label Brands, and Proven resilient in the Covid Crisis

During the COVID crisis, many retailers were forced to shut down, which presented the opportunity for academies to invest in their in-store pick. Currently they have invested ~ $200mm in their omnichannel incentives to increase online sales from ~7% of sales to about 10%. We believe this will increase margins and help reduce overhead as the company's and private-label brands continue to grow. Currently ASO's private label brands represent about 40% of all sales and Nike represents 10% which shows how sticky the customer base is and how they are planning to continue to increase sales in the future.

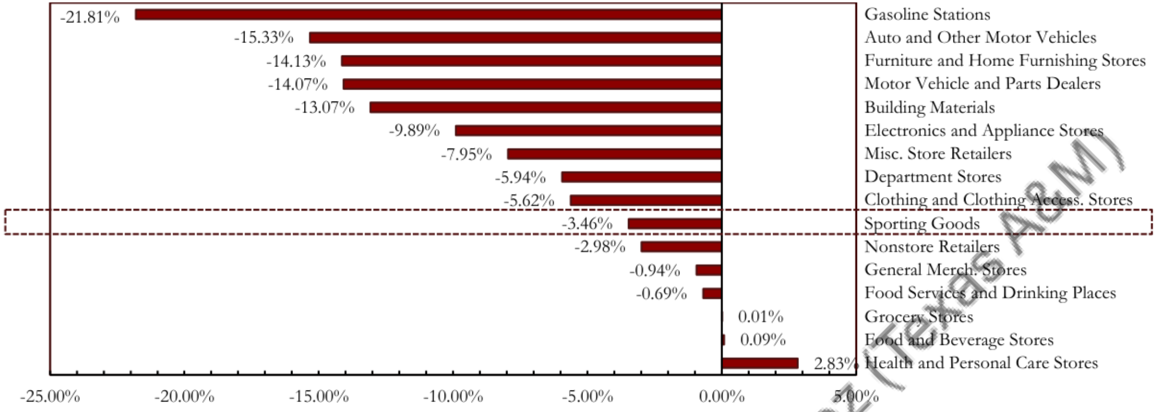
People love their sports, and the market for sporting goods is something that is essential.

Considering the current market for sporting goods, people are always going to follow sports more so than anything else. The current sporting goods market is comprised of about $175bn each year and is something that is growing with the shift toward outdoor activities, in-home health and wellness, and increased wanted past times.

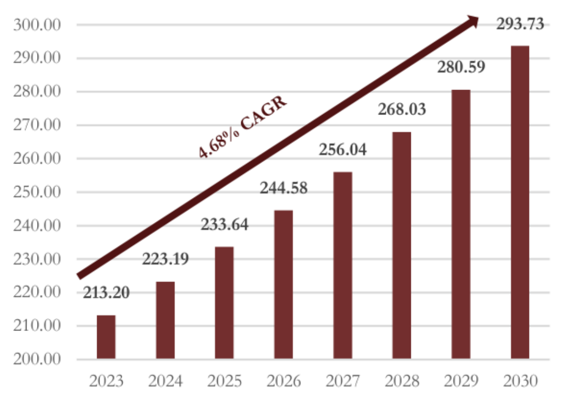
Recommendation		
Entry	Buy	Under $50.0 Dollars a share
2030 Price Target	Hold	$250.0
Implied 7 Year IRR	%	25.9%
Hold Period	Years	**7+ years**

Market Overview

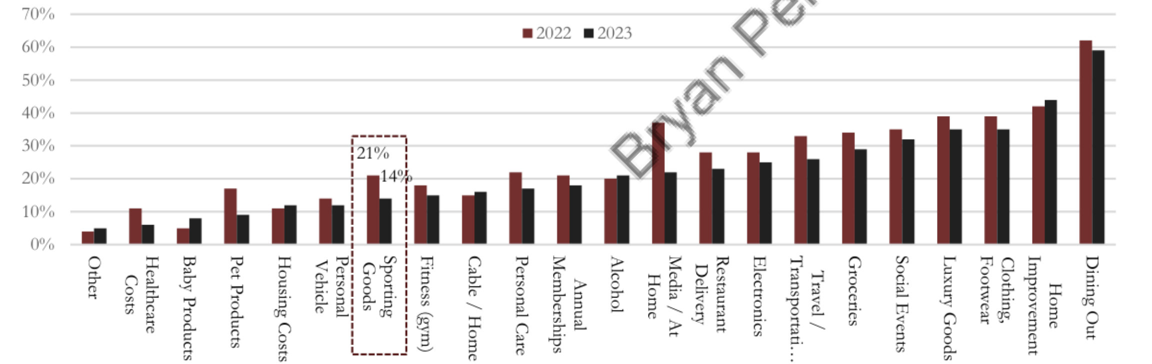
Sporting + Outdoor Proven Resilient in last recession (2009)



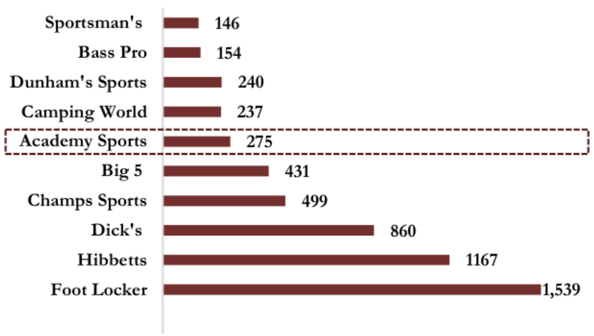
Total Addressable Market ($Bn)



What Area of your Budget are you cutting or plan on cutting spending?



Store Count Currently



Thesis

Academy
SPORTS+OUTDOORS

Value Proposition

	Product Range	Brand Image and Market Position	Customer Experience	Pricing Strategy	Store Locations and Accessibility
Academy Sports	Extensive and diverse range of affordable outdoor gear, catering to a wider audience.	Family-oriented and accessible, appealing to a broad customer base with a focus on outdoor lifestyles.	Simple and efficient shopping experience, making it easy and convenient for all customers.	Consistently competitive pricing with regular deals, appealing to budget-conscious customers.	Strong Southern U.S. presence, with stores known for their community involvement and accessibility.
Dicks Sporting Goods	Focused on specialized sports gear, potentially limiting in variety.	More niche, targeting sports enthusiasts with a premium image.	More sophisticated, can be overwhelming for casual shoppers.	Generally higher pricing, less accessible for those on a tight budget.	Broad national presence but less focused on local community engagement.
Hibbett Sports	Good variety, but less extensive in outdoor and camping gear.	Strong regional presence but less recognized nationally compared to Academy.	Personalized but lacks the streamlined efficiency of Academy.	Competitive but less frequent deals compared to Academy.	Regional focus limits accessibility outside the Southeast, Southwest, and lower Midwest.

Management

Management

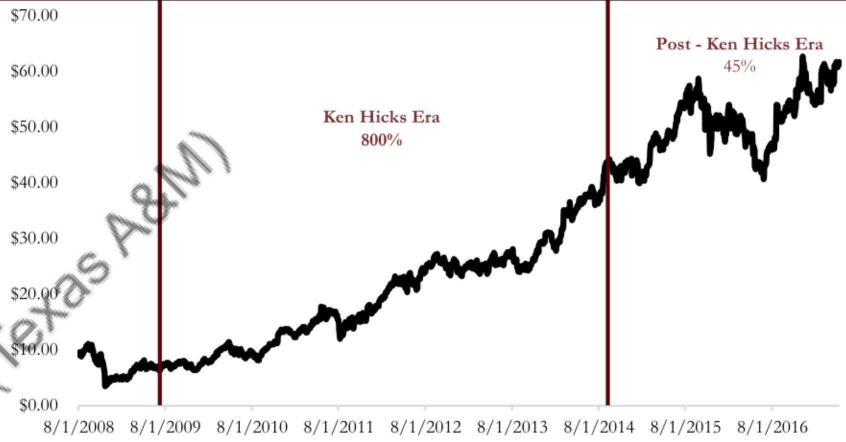
Ken C. Hicks:
- Executive Chairman, Board of Directors since June 2023.
- Joined as Chairman, President, CEO in May 2018.
- **Drove ~800% increase in Foot Locker's stock value.**
- Senior roles at J.C. Penney, Payless, HSN, May Department Stores, McKinsey.
- Board member at Avery Dennison, Guitar Center Holdings, Whole Foods.
- U.S. Military Academy alum, Harvard MBA.

Steve P. Lawrence:
- CEO & Board Member since June 2023.
- Previous roles: EVP & Chief Merchandising Officer (2019-2023), President & CEO at francesca's (2016-2019), Chief Merchandising Officer at Stage Stores (2012-2016).
- Over 22 years in merchandising, including J.C. Penney and Foley's/May Co.
- Bachelor of Business Administration in Finance, University of Notre Dame.

Sam J. Johnson:
- President since October 2023.
- Joined as EVP, Retail Operations in April 2017.
- Previous: Chief Retail Officer at hhgregg, Inc. (7 years), various leadership roles at Sears Holdings Corporation (20+ years).
- Led store operations, customer relations, commercial sales, and visual merchandising at hhgregg.

Earl Carlton (Carl) Ford IV:
- EVP & CFO since July 2023.
- Roles at the company: Senior VP, Finance (2019-2023), led Financial Planning, Analysis, Loss Prevention, Inventory Control.
- Previous: VP, Financial Planning & Analysis, and VP, Internal Audit at Belk, Inc. (15 years), Deloitte & Touche auditor.
- Master's in Accounting, University of Alabama; CPA.

Footlocker Stock



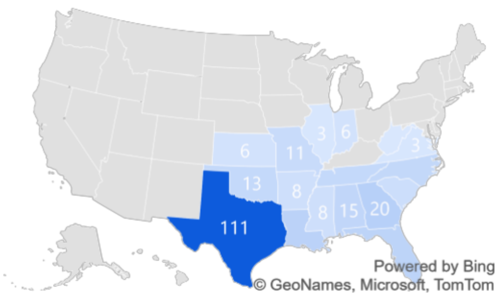
Management Shake Up

Management is overall really solid; however, there have been significant changes in leadership that have troubled me lately. Ken Hicks, the previous CEO who started in 2018, was a huge catalyst for ASO's growth. During the 2008 financial crisis, he helped Foot Locker by achieving an 800% return for shareholders. He decided to announce his retirement on April 27, 2023, which resulted in Sam Johnson being strategically placed as CEO and Michael Mullican as CFO to transition leadership positions. However, Ken Hicks is still on the board of directors, where he serves as the current chairman, which makes me a little less worried. Michael Mullican also recently announced that he would be leaving the company to pursue other professional careers. This leaves Ford to take the place as the current CFO of the company. This change could be worrisome; however, given the simplicity of the business model, the more complicated elements to the picture of the growth plan include real estate development, omnichannel improvement, and inventory management. The current executives have all demonstrated expertise in the past that has significantly shown that they can achieve good ROIC for shareholders, something I think will carry forward into the future. Also, given the conclusion of Ken Hicks at Foot Locker, the stock was still able to grow quite significantly to deliver a satisfying result.

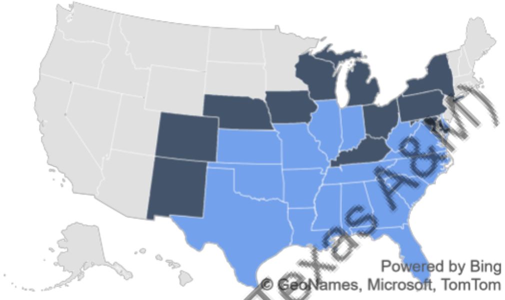
Growth Story

Long Growth Store Base

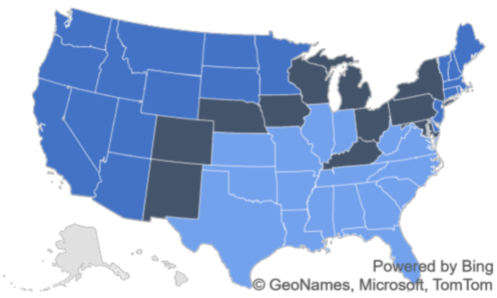
Current ASO Store Base (275 Stores)



2027 Store Growth Target (400 Stores)

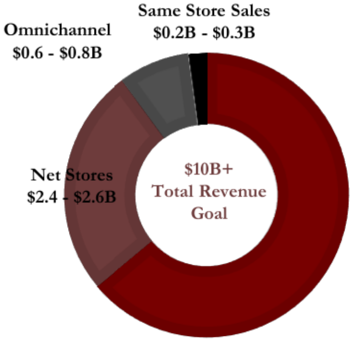


2030 Store Growth Target (800+ Stores)



Managements Future Assumptions

Revenue Goals



2027 Management Guidance

Net Sales	$M	$10bn+
Net Income Margin	%	10.0%
ADJ EBIT Margin	%	13.5%
ROIC	%	30.0%
Inventory Turns	x	3.7x
Net Sales / SQ FT	$	$365
Online Sales	%	15+%

10%
Top-Line
CAGR
(2023-2027)

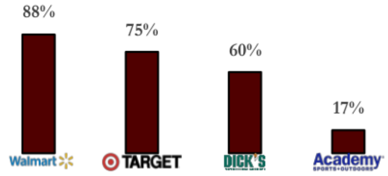
Currently in top 8/10 growing markets

	Population Growth (2023-2028)	Academy locations	% of stores
Austin, TX Metro	13.6%	10.0	3.6%
Houston, TX Metro	9.6%	32.0	11.6%
Nashville, TN Metro	9.4%	8.0	2.9%
Raleigh, NC Metro	9.3%	3.0	1.1%
Dallas, TX Metro	8.6%	24.0	8.7%
Orlando, FL Metro	8.3%	5.0	1.8%
Salt Lake City, UT	8.2%	0.0	0.0%
Charlotte, NC Metro	8.2%	6.0	2.2%
Jacksonville, FL	7.5%	3.0	1.1%
Seattle, WA	6.6%	0.0	0.0%

Distribution / Need to Expand

	Distribution (SQ. FT.)	Year Built	% Utilization
Katy	1.6 million	1991	90%
Twiggs	1.6 million	2006	50%
Cookeville	1.6 million	2016	50%

% of Americans within 10 miles



Industry / Valuation Overview

Undervalued & Large Institutional Capital

Undervaluation in Specialty Retail

Academy Sports, along with Dick's Sporting Goods, is considered undervalued within the specialty retail industry, despite Academy's significant market share and consistent earnings.

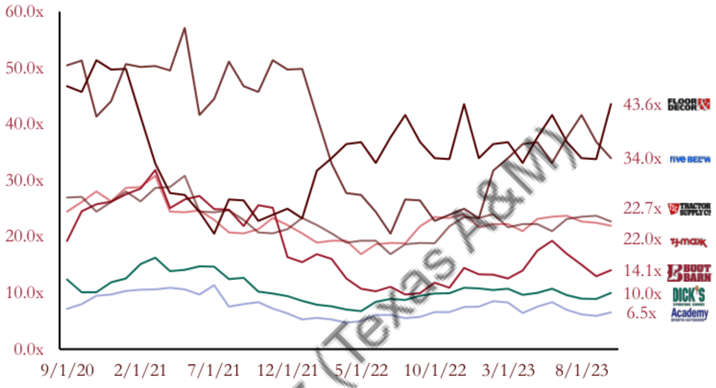
Institutional Ownership and Stock Price

The majority of Academy Sports is controlled by institutional owners who have invested in the company at stock prices ranging from $30 to $35. The current stock price is still seen as an attractive entry point for investment with good return potential.

Potential for Multiple Expansion

With the continual earnings growth from new store openings, there is an expectation for a multiple expansion. If Academy Sports were to adopt Dick's Sporting Goods' multiple, the projected stock price could be around $75, and using Boot Barn's multiple, it could rise to approximately $108, highlighting the significant undervaluation and growth potential.

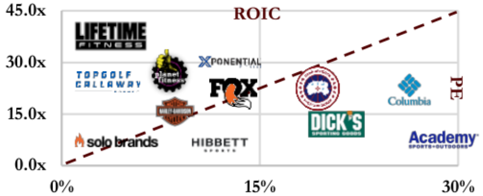
Forward PE



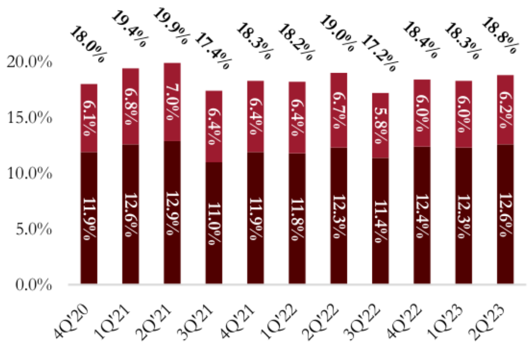
5 Largest Shareholders

Holder Name	Position (mm)	% Out	% Portfolio	Market Value ($mm)	Cost (Avg.)
BlackRock	12	15.5%	0%	$565	$34
Fidelity	10	13.5%	0.0%	$491	$32
Vanguard	6	7.7%	0.0%	$281	$32
State Street	3	3.8%	0.8%	$140	$33
Dimensional	3	3.5%	4.0%	$126	$39

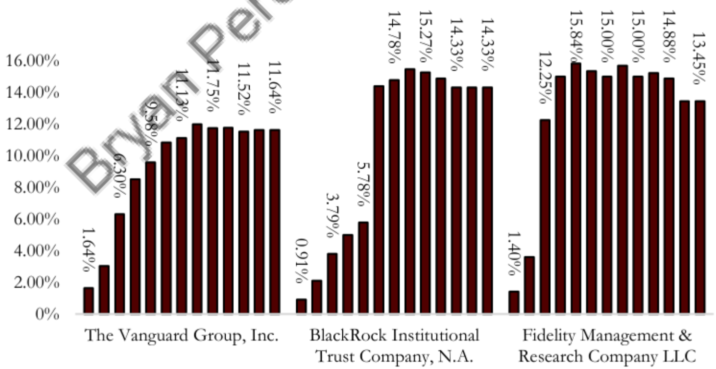
2023E PE vs 2023E ROIC



DKS and ASO Market Share



Institutional Ownership Overtime (2021 – 2023)



Earnings

Quarter	EPS Estimate	EPS Reported	EPS Beat/ Miss	Revenue Estimate ($B)	Revenue Actual ($B)	Revenue Beat/ Miss
Q3 2023	$1.99	$2.09	$0.10	$1.58	$1.58	$0.00
Q2 2023	$1.65	$1.30	($0.35)	$1.44	$1.38	($0.06)
Q4 2023	$1.83	$1.99	$0.16	$1.79	$1.75	($0.04)
Q3 2023	$1.60	$1.63	$0.03	$1.55	$1.49	($0.06)
Q2 2023	$2.07	$2.30	$0.23	$1.70	$1.69	($0.01)
Q1 2023	$1.40	$1.73	$0.33	$1.45	$1.47	$0.02
Q4 2022	$1.36	$1.61	$0.25	$1.77	$1.81	$0.04
Q4 2021	$1.09	$1.75	$0.66	$1.49	$1.59	$0.10
Q3 2021	$1.42	$2.34	$0.92	$1.67	$1.79	$0.12
Q2 2021	$0.84	$1.89	$1.05	$1.51	$1.58	$0.07
Q1 2021	$0.50	$1.09	$0.59	$1.58	$1.60	$0.02
Q4 2020	$0.36	$0.91	$0.55	$1.26	$1.39	$0.13

Academy Investors Relations Website, Bloomberg, Fidelity, Evercore Equity Research, Stephens Equity Research

Private Label Value

	Private Label	Name Brand	Commentary
Footwear	 / $ 29.99 / MAGELLAN OUTDOORS	 / $109.99 / SPERRY	**Similar Quality** 
Apparel	 / $ 33.00 / MAGELLAN OUTDOORS	 / $79.99 / Columbia	**Competitive Pricing** GUARANTEED BEST PRICES EVERYDAY At Academy, we don't just match a competitor's price — we beat it by 5%!
Outdoors	 / $ 3.49 / H2OX	 / $16.99 / Strike King	**Great Variety** *20+ Brand Offers*
Bike Ticket Items	 / $149.99 / OZONE 500	 / $449.99 / VIAGGIO	**Growing Rapidly** 2022 Private Label Sales 21% of Sales 2027 Private Label Sales 25% of Sales

Competitive Landscape

Academy Stores are popular

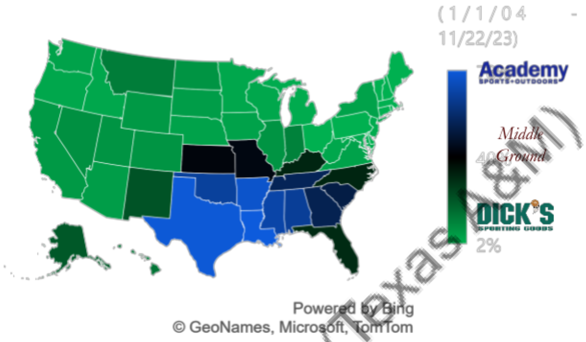
Expanding Market Dominance
Academy Sports is gaining popularity and market dominance in states with fewer stores, such as Mississippi, Alabama, Georgia, and Tennessee

Shift in Market Control in Florida
Academy Sports is starting to win over states that were previously under the strong control of Dick's Sporting Goods, notably Florida.

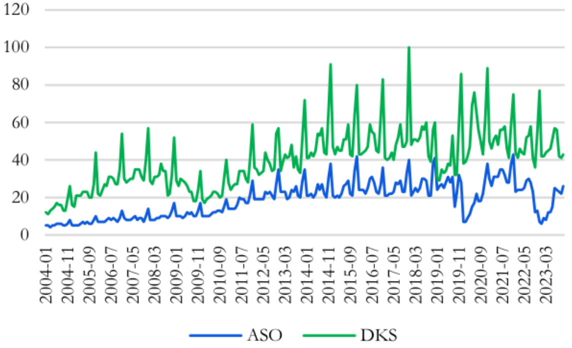
Growth in States Without Stores
Despite not having physical stores in Kansas and New Mexico, Academy Sports is building a presence through effective omnichannel strategies.

Influence in Core Markets and Online Traction
Academy Sports maintains a heavy influence in rapidly growing markets like Texas and is narrowing the search frequency gap with Dick's Sporting Goods since 2004.

Academy Sports + Outdoors vs Dicks Popularity



Academy Sport Popularity Over time (Since 2004)

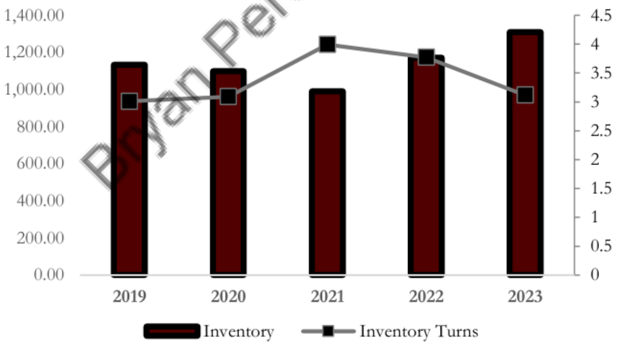


Inventory & Share Repurchases

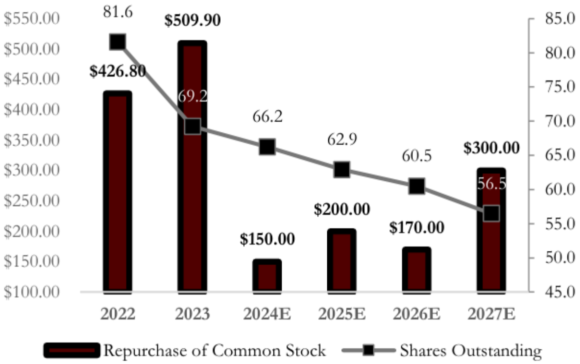
Inventory Management
Academy Over the Years has effectively spent a lot of time trying to understand how to successful. Considering that they consistent inventory turns reflects that they are managing their inventory in stores quite efficiently. Its current inventory levels are level even with new store expansion which shoes that they are considerably better at managing the inventor than most retailers

Major Share Repurchases
Academy has been spending a lot of money on share repurchases are expected to produce about 400-500mm of FCF. A lot of the cash could contribute towards share repurchases. Considering a lot conservative assumptions of repurchases up until 2027 – the company could potentially decrease their total shares outstanding from 69.2mm to about 56.5mm. Representing a decrease of about 19% decrease of the total outstanding shares for the company. This represents a moving catalysts for the company to continue expand their EPS and Continued beating earnings.

Effectively Managed Inventory & Steady Inventory Turns

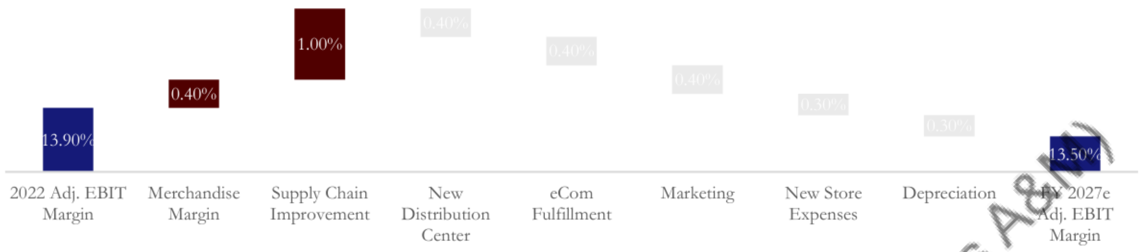


Major Share Repurchases and Reduced Share Count

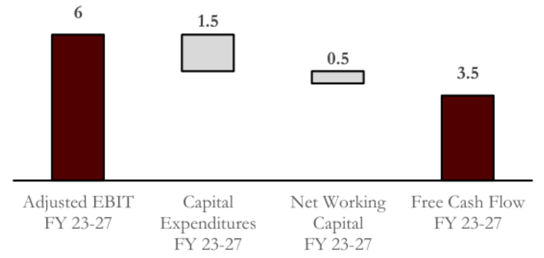


Same Store Sales Growth

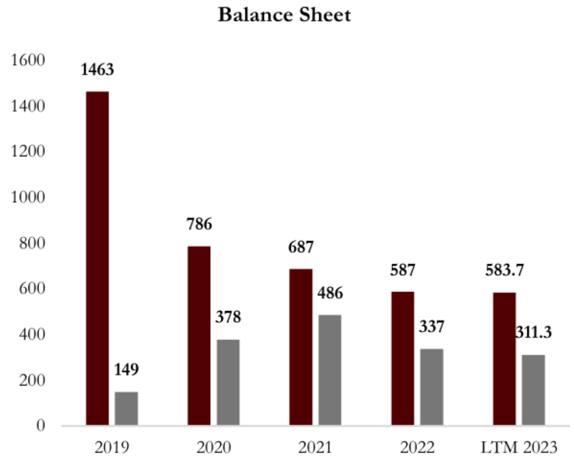
Path to 13.5% Adjusted EBIT Margin



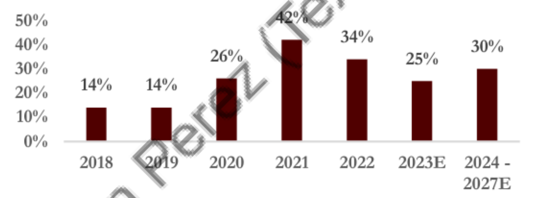
~$3.5B …available over the next 5 years



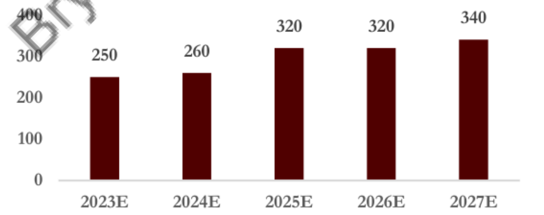
Path to 13.5% Adjusted EBIT Margin



Return On Invested Capital



Expected to spend $1.5bn over the next 5 years (Self Funded)



Greatly ran company projected to boom

High Return on Invested Capital

Academy Sports stands out with an impressive return on invested capital, an essential marker of its attractiveness to investors. The company's management has set a target to generate an additional $3.5 billion in free cash flow, translating into a 2.33x multiple over the invested capital (MOIC) across a span of three years. This ambitious target is expected to yield a substantial 32.64% annualized return on the capital invested in capital expenditures, indicating a strong profit-generating ability and efficient use of funds.

Improved Financial Health

The company has significantly bolstered its balance sheet, with a notable decrease in long-term liabilities. The reduction in debt has been so considerable that the existing cash reserves could nearly eliminate any remaining obligations, demonstrating a robust financial condition. This strong financial foundation is crucial as it enables the company to confidently pursue aggressive growth strategies and take full advantage of the strategic initiatives laid out by its management.

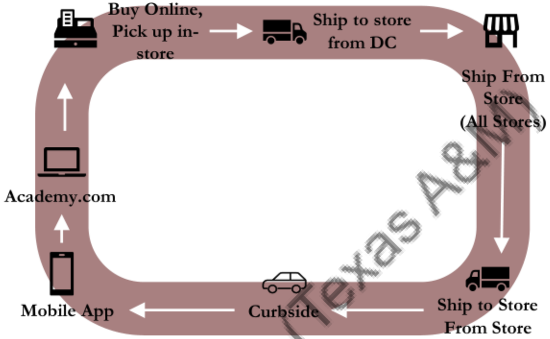
Prospects for Valuation Growth

There is a confident outlook for Academy Sports to experience multiple expansion due to the sporting goods market's potential for higher P/E ratios, especially given the market's resilience in economic downturns.

Other Growth Drivers

Academy Sports Credit Card Program

Omnichannel Capabilities



Local Assortment

Over 40 Million Customers in Companies CRM

Launched in May 2019, the Academy Credit Card program constituted approximately 4.5% of our net sales in 2020. We believe our customers are attracted to the Academy Credit Card because of its bank-funded 5% discount on every Academy purchase and free standard shipping on online orders of $15 or more

The Academy credit card is a closed-loop card, meaning it can only be used for purchases at Academy Sports + Outdoors. This limits its flexibility compared to general cash-back credit cards, which can be used for a wider range of purchases at different retailers

Successfully implementing its omnichannel strategy

Academy Sports is realigning to boost online sales to 15% of total sales, responding to consumer demands for convenience. Their network of over 250 stores underpins the omni-channel approach, critical for fulfilling online purchases efficiently. In 2022, 50% of the company's online sales came from the BOPIS model, and 75% of all online orders were picked up or fulfilled by the stores.

To enhance omni-channel sales, Academy Sports opened 15 new stores in 2023, reinforcing their online and in-store shopping integration. These stores aim to improve customer access and loyalty and maintain the brand's competitiveness in a dynamic market.

1.5% increase in SSS

Given Academy Local assortment we believe they are better able to compete with dicks by offering tailored products for their specific region. Given that dicks currently offers more of a limited amount of specific sports jersey, academy sports is better able to service customer demand with their partnerships with Columbia, fanatics, and use their private label brands to tailor to certain brands.

Given the Texas Rangers or Houston Astros, academy was able to be one of their leading providers of jersey, t shirts, and other fan gear product. With this they were able to actually deliver more an increase of 1.5% Same Store Sales for Q3 of 2022. We can continue to see their trend if they still are able to continue to expand their customer base

Ohmni Channel & Store Remodels

Omni Channel

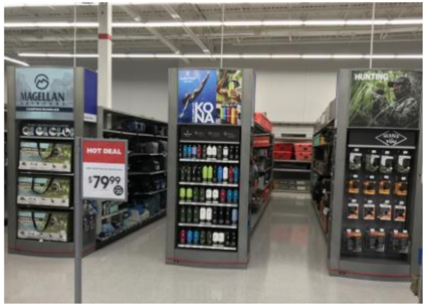
- 2019: Buy Online Pickup In Store
- 2020: Curbside
- 2020: Ship from Store (All Stores)
- 2020: Ship to Store From DC
- 2021: Ship to Store From Store
- 2021: Save the Sale

Mobile App

Results

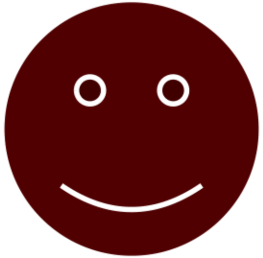
Online Customers +170% Since 2019	60+% growth in online customers when opening a new store
Grew User Accounts +259% Since 2018	Academy has become a online retailer in which can continue to grow
75% of e-commerce sales fulfilled in stores	Increased Engagement with customers through content, and experiences
60+% of Omnichannel sales came from within 10 miles of a store	Grew User Accounts +259% Since 2018

Store Refreshes



Consumer Experience

Increased Customer Experience



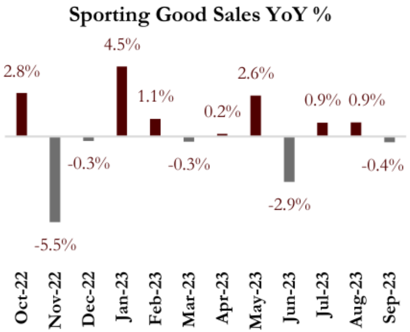
Risks & Mitigation

Management Shake Up

In April of 2023 we heard news of Ken Hicks early Retirement, however it was 5 months later after the transition the CFO Micheal Mullican had also stepped up and announced that he would be pursuing other professional opportunities.

This ultimately is a little more worrisome to the individual investor and posses the biggest threat to the company as it remains a little more uncertain of what management is ultimately thinking.

Discretionary Spending & Macro



New Stores might now be as profitable

Plans to increase the number of retail stores will depend in part on the availability of existing (vacant) retail stores or developable store sites. The availability of second-generation retail store space, and developable retail sites (i.e., land and redevelopment sites) that meet the criteria is very low. Land prices continue to increase as developers pursue more favorable non-retail options capable of yielding higher returns. Further, a lack of available financing on terms acceptable to real estate developers or a tightening credit market may adversely affect the retail sites available to us.

Rising interest rates can be an issue

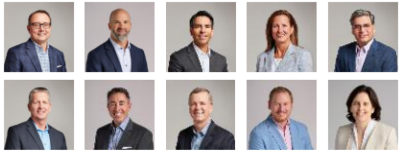
- ASO has a floating-term loan that comprises a meaningful portion of its long-term debt.
- This ultimately could represent about an 8.5% interest rate on this debt from a 4% rate

Experience Management

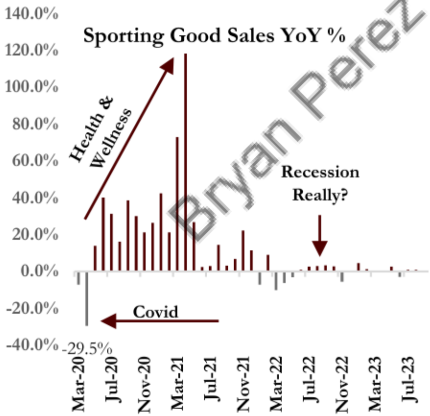
Q2 of 2023, the company was able to show that they were able to manage and maintain profitability and inventory in a very challenging sales environment.

Academy's, they lost pretty good managers, there still remain a lot of individuals that have an extensive amount of experience within retail, omnichannel, marketing, etc.

Average Tenure 7.9 years



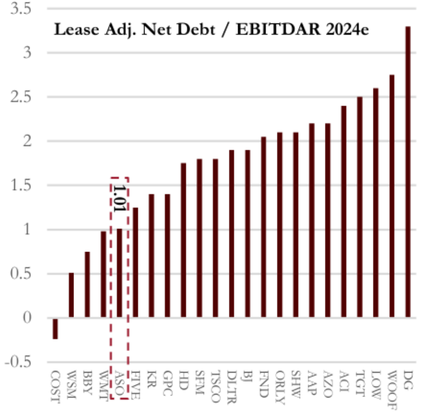
Zoom Out and don't listen to the Noise



Stores are profitable

So far they have successfully chosen store sites, executed favorable real estate transactions on terms that are acceptable to us, constructed and equipped the stores with furnishings and appropriate merchandise, hired and trained competent personnel, and effectively opened and operated these new stores and integrated the stores into our operations, and we may need to expand our distribution infrastructure, including the addition of new distribution centers.

Lowest Debt in Retail



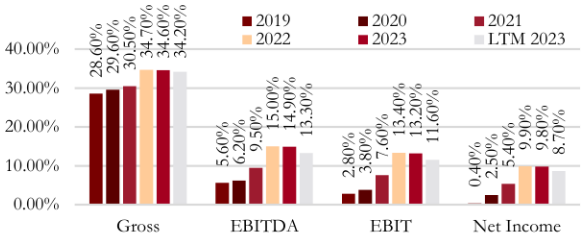
Census.gov, Academy Investor Relations Website, Earnings Call, Cowen Equity Research, Yahoo Finance

Margins and Debt

Comparable Margins

	Gross Margin %	EBITDA Margin %	EBIT Margin %	Net Income Margin %	Debt/EBITDA	5 Year Beta
DICK'S	34.4%	12.6%	9.8%	7.76%	1.8x	1.52
Foot Locker	30.0%	6.9%	4.4%	1.76%	2.0x	1.24
Sportsman's Warehouse	32.3%	3.9%	1.3%	0.38%	4.2x	0.92
Hibbet	33.9%	11.3%	8.5%	6.43%	1.4x	1.61
Academy	34.2%	13.3%	11.6%	8.71%	1.7x	1.29

Historical Margins



Moody's upgrades Academy's CFR to Ba2

Key Factors for the Upgrade:

Performance: Academy's performance has exceeded expectations and shown resilience compared to the overall retail industry.
Debt Repayment: The company has made significant debt repayments, totaling approximately $1.1 billion since 2018, which includes $100 million repaid in 2022.
Financial Strategy: Moody's expects Academy to maintain balanced financial strategies, supporting stable credit metrics.

Projected Financial Metrics:

Debt to EBITDA Ratio: Estimated to increase to about 2.0x over the next 12-18 months, up from 1.6x.
EBIT to Interest Ratio: Expected to weaken to around 5.0x from 6.4x.

Market Outlook and Challenges:

Consumer Demand: There is an expectation of constrained demand in the sporting goods sector due to declining consumer disposable income in 2023.
Value Focus: Academy's value-focused price point is anticipated to help them maintain steady performance despite ongoing inflation.
Operational Improvements: Initiatives put in place under new leadership are expected to help in maintaining margin improvements.

Liquidity and Cash Flow:

Academy is projected to have very good liquidity, with a $1.0 billion ABL revolving credit facility and an expected generation of $200-$250 million in free cash flow over the next 12 months.

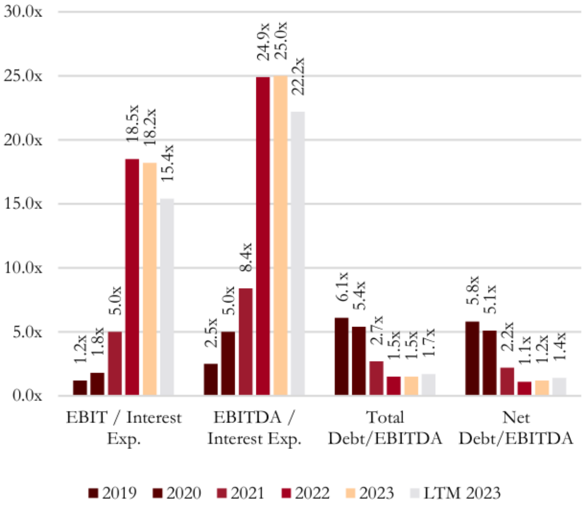
Outlook:

The outlook for Academy remains stable, reflecting Moody's expectation that the company will maintain stable credit metrics and very good liquidity despite macroeconomic pressures.

Potential for Further Rating Changes

Upgrade: Possible if Academy continues to grow revenue and operating profit, improves geographic diversification, and maintains good liquidity and balanced financial policies.
Downgrade: Could occur if there is significant deterioration in earnings or liquidity, or if the company takes aggressive financial strategy actions.

Debt Ratios



Financial Overview

Academy Website

Valuation

Discounted Cash Flow	Trading Comparables	Transaction Comparables

Discounted Cash Flow

- Revenue Growth Rate: **15.6% (**Lower than management guidance)
- WACC: **11.22%** (Average Unlevered Beta)
- EBIT Margin: **8.8%** (Lower than management guidance)
- Exit Multiple: **6.0x** (Implied Perpetuity of 3.1%)
- Other Assumptions based on historical data

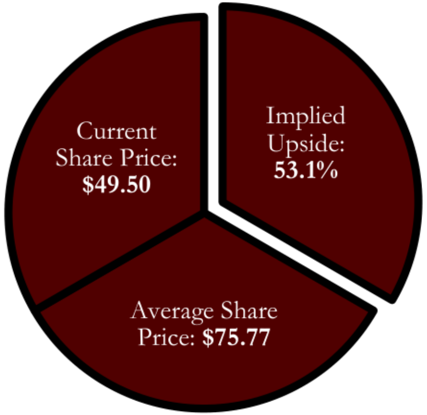
Trading Comparables

- Companies chosen based on the following:
  - **Size**
  - **Business Operations**
  - **Industry Involvement**
  - **Geographic location**

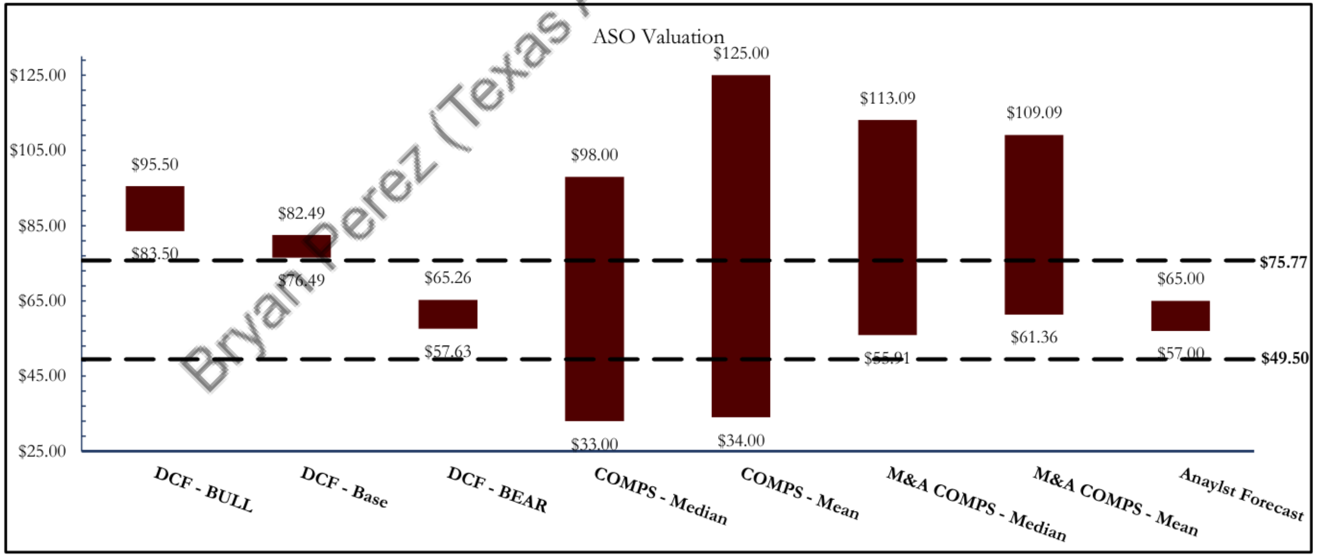
Transaction Comparables

- Transactions were selected based on:
  - **Timing within 2-3 years**
  - **Similar size**
  - **Financial Outlook**
  - **Business Characteristics**

Discounted Cash Flow



Discounted Cash Flow



Discounted Cash Flow

Projected Financials

(USD in millions)		2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2024-2028
Total Revenue		4,783.9	4,829.9	5,689.2	6,773.1	6,395.1	6,714.8	7,722.1	8,648.7	9,427.1	10,369.8	*15.6%*
Annual Growth			*1.0%*	*17.8%*	*19.1%*	*(5.6%)*	*5.0%*	*15.0%*	*12.0%*	*9.0%*	*10.0%*	
Cost of Revenue		3,415.9	3,398.7	3,955.2	4,422.0	4,182.6	4,387.8	5,048.2	5,652.8	6,162.2	6,778.1	
Margin		*71.4%*	*70.4%*	*69.5%*	*65.3%*	*65.4%*	*65.3%*	*65.4%*	*65.4%*	*65.4%*	*65.4%*	
EBITDA		**266.6**	**300.3**	**540.7**	**1,013.2**	**953.3**	**872.9**	**965.3**	**1,081.1**	**1,178.4**	**1,296.2**	*10.4%*
Annual Growth			*12.6%*	*80.1%*	*87.4%*	*(5.9%)*	*(8.4%)*	*10.6%*	*12.0%*	*9.0%*	*10.0%*	
Margin		*5.6%*	*6.2%*	*9.5%*	*15.0%*	*14.9%*	*13.0%*	*12.5%*	*12.5%*	*12.5%*	*12.5%*	
Less: Depreciation and Amortization		132.8	117.3	105.5	105.3	106.8	280.7	365.3	361.5	414.8	342.2	*5.1%*
% of Capital Expenditure		*123.1%*	*186.7%*	*255.6%*	*138.9%*	*98.6%*	*110.0%*	*110.0%*	*110.0%*	*110.0%*	*110.0%*	
EBIT		**133.9**	**183.0**	**435.2**	**907.9**	**846.5**	**592.2**	**600.0**	**719.6**	**763.6**	**954.0**	*12.7%*
Annual Growth			*36.7%*	*137.8%*	*108.6%*	*(6.8%)*	*(30.0%)*	*1.3%*	*19.9%*	*6.1%*	*24.9%*	
Margin		*2.8%*	*3.8%*	*7.6%*	*13.4%*	*13.2%*	*8.8%*	*7.8%*	*8.3%*	*8.8%*	*8.8%*	
Less: Income Taxes	20.0%	(26.8)	(36.6)	(87.0)	(181.6)	(169.3)	(118.4)	(120.0)	(143.9)	(152.7)	(190.8)	
Unlevered Net Income		**107.1**	**146.4**	**348.2**	**726.4**	**677.2**	**473.8**	**480.0**	**575.7**	**610.9**	**763.2**	*12.7%*
Margin		2.2%	3.0%	6.1%	10.7%	10.6%	7.1%	6.2%	6.7%	6.5%	7.4%	
Plus: Depreciation and Amortization		132.8	117.3	105.5	105.3	106.8	280.7	365.3	361.5	414.8	342.2	
Less: Capital Expenditure		(107.9)	(62.8)	(41.3)	(75.8)	(108.3)	(255.2)	(332.0)	(328.7)	(377.1)	(311.1)	*5.1%*
Margin		*(2.3%)*	*(1.3%)*	*(0.7%)*	*(1.1%)*	*(1.7%)*	*(3.8%)*	*(4.3%)*	*(3.8%)*	*(4.0%)*	*(3.0%)*	
Less: Additions to Intangibles		0.0	0.0	0.0	(0.2)	(0.5)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	
Less: Increase in Working Capital		(572.0)	66.0	551.3	(234.1)	(234.2)	(79.4)	(2.5)	(32.4)	(88.1)	(76.5)	*(0.9%)*
Margin		*(12.0%)*	*1.4%*	*9.7%*	*(3.5%)*	*(3.7%)*	*(1.2%)*	*(1.2%)*	*(1.2%)*	*(1.2%)*	*(1.2%)*	
Unlevered Free Cash Flow		**-440.1**	**266.9**	**963.7**	**521.6**	**441.0**	**419.8**	**510.6**	**576.0**	**560.3**	**717.6**	*14.3%*
Annual Growth			*(160.6%)*	*261.1%*	*(45.9%)*	*(15.4%)*	*(4.8%)*	*21.6%*	*12.8%*	*(2.7%)*	*28.1%*	
Discount Factor - End-of-Period Convention							0.10	0.69	1.69	2.69	3.69	
PV of Yearly Cash Flows							80.8	474.4	481.5	421.4	485.6	

Valuation Calculation

		% of TEV	% of MVE
PV of 2024 Free Cash Flow Stub	79.7	1.2%	1.5%
PV of 2025-2028 Free Cash Flows	1,863.5	27.3%	34.6%
PV of Terminal Value	4,888.7	71.6%	90.8%
Enterprise Value	6,831.9	100.0%	126.9%

Total Debt	(1,760.7)	(32.7%)
Preferred Stock	0.0	0.0%
Minority Interest	0.0	0.0%
Cash and Equivalents	311.3	5.8%
Equity Value	5,382.6	100.0%

Shares Outstanding	74.5
Implied Per Share Value	72.22
Current Price	49.69
Premium/(Discount) to Current Price	45.3%

Share Price Sensitivity

	EBITDA Exit Multiple				
WACC	**4.0x**	**5.0x**	**6.0x**	**7.0x**	**8.0x**
9.15%	55.84	67.89	79.93	91.98	104.03
10.15%	53.51	65.11	76.70	88.30	99.90
11.15%	51.29	62.45	72.22	84.78	95.95
12.15%	49.16	59.91	70.66	81.42	92.17
13.15%	47.12	57.48	67.84	78.20	88.56

Assumptions

Weighted Average Cost of Capital	11.15%
Terminal EBITDA Multiple	6.0x
Implied Perp. Growth Rate of Unlevered Free Cash Flow	1.8%
Tax Rate	20.0%

Discounted Cash Flow (Continue)

Assumptions	
Tax Rate (5 Year Average)	20.0%
Risk-Free Rate of Return (Rf)(1)	4.44%
S&P 500 Market Return (Rm) - Yearly for Last 10 Years	11.6%
Size Premium	0.0%
ASO D/(D+P+E)	32.2%
ASO D/E	47.5%
ASO P/E	0.0%
Comparable Corporate Yield Curve Rate	7.49%
ASO Cost of Preferred (Rp)	0.0%

WACC	
Market Risk Premium (Rm - Rf)	7.1%
Multiplied by: ASO Regression Beta	1.288
Adjusted Market Risk Premium	9.2%
Add: Risk-Free Rate of Return (Rf)(1)	4.4%
Add: Size Premium	0.0%
Cost of Equity	**13.6%**
Multiplied by: ASO E/(D+P+E)	67.8%
Cost of Equity Portion	9.2%
Comparable Corporate Yield Curve Rate	7.5%
Tax Rate (5 Year Average)	20.0%
After-Tax Cost of Debt	**6.0%**
Multiplied by: ASO D/(D+P+E)	32.2%
Cost of Debt Portion	1.9%
ASO Cost of Preferred (Rp)	**0.0%**
Multiplied by: ASO P/(D+P+E)	0.0%
Cost of Preferred Portion	0.0%
WACC	**11.2%**

Net Working Capital Projections

	Fiscal Year Ending January										
	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Total Revenue	4,835.6	4,783.9	4,829.9	5,689.2	6,773.1	6,395.1	6,714.8	7,722.1	8,648.7	9,427.1	10,369.8
Cost of Revenue	3,436.6	3,415.9	3,398.7	3,955.2	4,422.0	4,182.6	4,387.8	5,048.2	5,652.8	6,162.2	6,778.1
Accounts Receivable	0.0	15.7	14.0	17.3	19.7	16.5	18.4	20.6	19.0	20.7	22.7
Receivable Days	*0.0*	*1.2*	*1.1*	*1.1*	*1.1*	*0.9*	*1.0*	*1.0*	*0.8*	*0.8*	*0.8*
Inventory	0.0	1,134.2	1,099.7	990.0	1,171.8	1,283.5	1,407.7	1,584.4	1,793.8	1,944.7	2,145.0
Inventory Days	*0.0*	*121.2*	*118.1*	*91.4*	*96.7*	*112.0*	*117.1*	*114.6*	*115.8*	*115.2*	*115.5*
Other Current Assets	0.0	38.3	26.3	30.1	38.2	49.5	52.0	59.8	67.0	73.0	80.3
Margin	*0.0%*	*0.8%*	*0.5%*	*0.5%*	*0.6%*	*0.8%*	*0.8%*	*0.8%*	*0.8%*	*0.8%*	*0.8%*
Total Non-Cash Current Assets	0.0	1,188.2	1,140.1	1,037.4	1,229.7	1,349.5	1,478.1	1,664.7	1,879.7	2,038.4	2,248.0
Accounts Payable	0.0	432.0	428.8	791.4	737.8	686.5	687.8	821.8	961.7	1,011.4	1,108.8
Payable Days	*0.0*	*46.2*	*46.1*	*73.0*	*60.9*	*59.9*	*57.2*	*59.4*	*62.1*	*59.9*	*59.7*
Accrued Liabilities	0.0	79.6	108.0	168.7	172.8	114.6	150.5	182.0	206.0	213.5	228.9
Margin	*0.0%*	*1.7%*	*2.2%*	*3.0%*	*2.6%*	*1.8%*	*2.2%*	*2.4%*	*2.4%*	*2.3%*	*2.2%*
Other Current Liabilities	0.0	104.5	97.2	122.7	130.4	125.5	137.5	156.1	174.9	188.2	208.5
Margin	*0.0%*	*2.2%*	*2.0%*	*2.2%*	*1.9%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*
Total Non-Debt Current Liabilties	0.0	616.2	634.1	1,082.8	1,041.0	926.6	975.9	1,160.0	1,342.6	1,413.1	1,546.2
Net Working Capital / (Defecit)	0.0	572.0	506.0	(45.3)	188.7	422.9	502.3	504.8	537.1	625.3	701.8
(Increase) / Decrease in Working Capital		**(572.0)**	**66.0**	**551.3**	**(234.1)**	**(234.2)**	**(79.4)**	**(2.5)**	**(32.4)**	**(88.1)**	**(76.5)**

WACC Sensitivity

D/(D+P+E)	Pre-Tax Cost of Debt								
	5.49%	5.99%	6.49%	6.99%	7.49%	7.99%	8.49%	8.99%	9.49%
17.2%	12.0%	12.1%	12.2%	12.2%	12.3%	12.4%	12.4%	12.5%	12.6%
22.2%	11.6%	11.6%	11.7%	11.8%	11.9%	12.0%	12.1%	12.2%	12.3%
27.2%	11.1%	11.2%	11.3%	11.4%	11.5%	11.6%	11.8%	11.9%	12.0%
32.2%	10.6%	10.8%	10.9%	11.0%	11.2%	11.3%	11.4%	11.5%	11.7%
37.2%	10.2%	10.3%	10.5%	10.6%	10.8%	10.9%	11.1%	11.2%	11.4%
42.2%	9.7%	9.9%	10.1%	10.2%	10.4%	10.6%	10.7%	10.9%	11.1%
47.2%	9.3%	9.4%	9.6%	9.8%	10.0%	10.2%	10.4%	10.6%	10.8%

E/(D+P+E)	Cost of Equity								
	10.60%	11.35%	12.10%	12.85%	13.60%	14.35%	15.10%	15.85%	16.60%
52.8%	7.5%	7.9%	8.3%	8.7%	9.1%	9.5%	9.9%	10.3%	10.7%
57.8%	8.1%	8.5%	8.9%	9.4%	9.8%	10.2%	10.7%	11.1%	11.5%
62.8%	8.6%	9.1%	9.5%	10.0%	10.5%	10.9%	11.4%	11.9%	12.4%
67.8%	9.1%	9.6%	10.1%	10.6%	11.2%	11.7%	12.2%	12.7%	13.2%
72.8%	9.6%	10.2%	10.7%	11.3%	11.8%	12.4%	12.9%	13.5%	14.0%
77.8%	10.2%	10.8%	11.3%	11.9%	12.5%	13.1%	13.7%	14.3%	14.8%
82.8%	10.7%	11.3%	11.9%	12.6%	13.2%	13.8%	14.4%	15.1%	15.7%

Personal Assumptions, Capital IQ

Comparable Company

Comparable Companies

Company Comp Set	EV/ LTM Revenues	EV/ LTM EBITDA	EV/ LTM EBIT	LTM P/E	P/ BV	TEV / NTM Revenue	TEV/ NTM Forward EBITDA	NTM P/E	FQ Total Stores	Market Cap	Revenue	EBITDA	EBIT
DICK'S	1.0x	5.5x	10.3x	11.0x	4.8x	1.0x	7.3x	9.7x	869	$10,077	$12,705	$1,606	$1,251
Foot Locker	0.6x	3.3x	13.7x	14.7x	1.1x	0.6x	11.8x	15.4x	2,783	$2,196	$8,308	$573	$369
Sportsman's Warehouse	0.6x	5.6x	45.7x	39.8x	0.7x	0.6x	15.8x	NM	140	$196	$1,316	$51	$17
Hibbet	0.6x	3.8x	7.6x	6.9x	2.0x	0.6x	5.7x	6.9x	1,158	$733	$1,721	$195	$147
Academy	0.8x	5.0x	7.1x	7.3x	12.5x	0.8x	5.7x	6.6x	270	$3,705	$6,207	$828	$722
Summary Statistics													
High	1.0x	5.6x	45.7x	39.8x	4.8x	1.0x	15.8x	15.4x	2,783	$10,077	$12,705	$1,606	$1,251
Low	0.6x	3.3x	7.6x	6.9x	0.7x	0.6x	5.7x	6.9x	140	$196	$1,316	$51	$17
Mean	0.7x	4.6x	19.3x	18.1x	2.1x	0.7x	10.1x	10.7x	1,238	$3,301	$6,012	$606	$446
Median	0.6x	4.7x	12.0x	12.9x	1.5x	0.6x	9.5x	9.7x	1,014	$1,464	$5,014	$384	$258

Transaction Comparables

Announced Date	Target/Issuer	Buyers/Investors	Transaction Value	EV/Revenues	EV/EBITDA
10/03/2016	Cabela's L.L.C.	Great Outdoors Group, LLC	8,666.78	2.09	18.3
09/11/2018	Amer Sports Corporation	Tencent	6,468.8	2.06	19.2
05/09/2011	FGL Sports Ltd.	Canadian Tire Corporation	867.78	0.59	8.04
11/08/2012	Grupo SBF S.A. (BOVESPA:SBFG3)	GP Investments, Ltd. (BOVESPA:GPIV33)	220.91	1.75	17.11
01/22/2006	Sports Authority	Leonard Green & Partners LP	1,300.0	0.52	7.22
06/21/2004	Galyan's Trading Company	Dicks Sporting Goods	362.0	0.52	10.52

Average	1.26	13.4	**Median**	1.17	13.82
-25% Premium Adjusted	25% 0.94	25% 10.05	-25% Premium Adjusted	25% 0.88	25% 10.36
Enterprise Value	6,023.13	9,580.24	Enterprise Value	5,616.47	9,878.66
Net Debt	(1,449.33)	(1,449.33)	Net Debt	(1,449.33)	(1,449.33)
Equity Value	4,573.8	8,130.91	Equity Value	4,167.15	8,429.33
FDS	74.53	74.53	FDS	74.53	74.53
Share Price	61.36	109.09	Share Price	55.91	113.09

Capital IQ

AggieInvestmentClub

Disclaimers

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