

Dick's Sporting Goods

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Barclays has doubts over Dick's ability to tap into lucrative 'athleisure' trend

Barclays has double-downgraded Dick's Sporting Goods Inc (NYSE:DKS) in a bearish research note, claiming the sports retailer is likely to fall victim to changing consumer trends.

Sweatpants and t-shirts used to be reserved almost exclusively for sportsmen and women, but 'athleisure' clothing is becoming increasingly popular as an everyday, casual style.

READ: Dick's Sporting Goods slides as it warns on margins

Analysts at Barclays aren't convinced that Dick's has what it takes to tap into this trend in a similar way that retail peers such as JC Penney Company Inc (NYSE:JCP) and Nordstrom Inc (NYSE:JWN) have been able to.

"In our view, DKS is not positioned to sell the stylish athleisure product that the industry has evolved into," wrote Matthew McClintock in a research note on Tuesday.

"JCP/KSS/JWN all have called out recent strength in athletic apparel while DKS remains muted."

One of the issues McClintock has with Dick's is that he doesn't think the company has the right labor model required to sell premium athletic apparel, given that the likes of JC Penney have several times more staff in their stores.

Away from athleisure, the analyst also highlights a slowdown in hunting trends as a key concern, while he expects margins to come under pressure amid "intense" promotional activity - i.e. lots of discounts - within the sector.

Stock cut to 'underweight'

"DKS already has one of the lowest expense rates in sporting goods ...[which] presents little opportunities for offsets to future margin pressures," McClintock added.

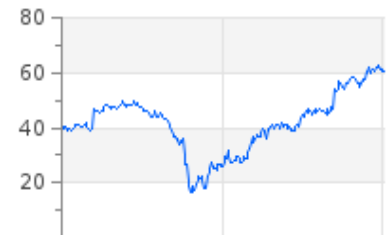
Alongside his bearish commentary, the analyst lowered his recommendation to 'underweight' from 'equal weight', and chopped his price target by a quarter to US\$25 from US\$33.

Dick's shares edged 0.6% higher to US\$32.29 on Tuesday morning.

Price: 59.53

Market Cap: \$5.3 billion

1 Year Share Price Graph



October 2019 April 2020 October 2021

Share Information

Code: DKS

Listing: NYSE

52 week	High	Low
	63.21	13.46

Sector: Fashion & brands

Website: www.dickssportinggoods.com

Company Synopsis:

Dick's Sporting Goods is a sporting goods retailer offering a range of brand name sporting goods equipment, apparel, and footwear in a specialty store environment.

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