# FORM 10-Q

## DICKS SPORTING GOODS INC - DKS

**Filed: August 25, 2016 (period: July 30, 2016)**

Quarterly report with a continuing view of a company's financial position

**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

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# FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Quarterly Period Ended July 30, 2016**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from ________ to ________.**

**Commission File No. 001-31463**

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# DICK'S SPORTING GOODS, INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **16-1241537** |
| *(State or Other Jurisdiction of Incorporation or Organization)* | *(I.R.S. Employer Identification No.)* |

**345 Court Street, Coraopolis, Pennsylvania 15108**
*(Address of Principal Executive Offices)*

**(724) 273-3400**
*(Registrant's Telephone Number, including Area Code)*

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☑

The number of shares of common stock, par value $0.01 per share, and Class B common stock, par value $0.01 per share, outstanding as of August 19, 2016, was 88,012,205 and 24,900,870, respectively.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

**DICK'S SPORTING GOODS, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF INCOME - UNAUDITED**
**(Amounts in thousands, except per share data)**

| | 13 Weeks Ended | | 26 Weeks Ended | |
|---|---|---|---|---|
| | July 30, 2016 | August 1, 2015 | July 30, 2016 | August 1, 2015 |
| Net sales | $ 1,967,857 | $ 1,822,979 | $ 3,628,200 | $ 3,388,287 |
| Cost of goods sold, including occupancy and distribution costs | 1,370,479 | 1,269,421 | 2,535,025 | 2,365,741 |
| GROSS PROFIT | 597,378 | 553,558 | 1,093,175 | 1,022,546 |
| Selling, general and administrative expenses | 441,721 | 395,935 | 840,289 | 756,671 |
| Pre-opening expenses | 8,487 | 9,216 | 15,006 | 15,557 |
| INCOME FROM OPERATIONS | 147,170 | 148,407 | 237,880 | 250,318 |
| Interest expense | 1,618 | 840 | 2,749 | 1,474 |
| Other (income) expense | (1,930) | 153 | (3,997) | (1,997) |
| INCOME BEFORE INCOME TAXES | 147,482 | 147,414 | 239,128 | 250,841 |
| Provision for income taxes | 56,065 | 56,575 | 90,834 | 96,657 |
| NET INCOME | $ 91,417 | $ 90,839 | $ 148,294 | $ 154,184 |
| EARNINGS PER COMMON SHARE: | | | | |
| Basic | $ 0.82 | $ 0.78 | $ 1.33 | $ 1.32 |
| Diluted | $ 0.82 | $ 0.77 | $ 1.32 | $ 1.30 |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: | | | | |
| Basic | 111,272 | 116,281 | 111,688 | 116,662 |
| Diluted | 112,118 | 117,805 | 112,697 | 118,356 |
| Cash dividends declared per share | $ 0.15125 | $ 0.13750 | $ 0.30250 | $ 0.27500 |

See accompanying notes to unaudited consolidated financial statements.

**DICK'S SPORTING GOODS, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME - UNAUDITED**
**(Dollars in thousands)**

| | 13 Weeks Ended | | 26 Weeks Ended | |
|---|---|---|---|---|
| | July 30, 2016 | August 1, 2015 | July 30, 2016 | August 1, 2015 |
| NET INCOME | $ 91,417 | $ 90,839 | $ 148,294 | $ 154,184 |
| OTHER COMPREHENSIVE (LOSS) INCOME: | | | | |
| Foreign currency translation adjustment, net of tax | (38) | (67) | 54 | (36) |
| TOTAL OTHER COMPREHENSIVE (LOSS) INCOME | (38) | (67) | 54 | (36) |
| COMPREHENSIVE INCOME | $ 91,379 | $ 90,772 | $ 148,348 | $ 154,148 |

See accompanying notes to unaudited consolidated financial statements.

**DICK'S SPORTING GOODS, INC. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS - UNAUDITED**
**(Dollars in thousands)**

| | July 30, 2016 | January 30, 2016 | August 1, 2015 |
|---|---|---|---|
| **ASSETS** | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | $ 112,325 | $ 118,936 | $ 123,220 |
| Accounts receivable, net | 144,458 | 61,395 | 106,753 |
| Income taxes receivable | 2,187 | 5,432 | 4,652 |
| Inventories, net | 1,715,530 | 1,527,187 | 1,615,722 |
| Prepaid expenses and other current assets | 110,269 | 99,740 | 99,882 |
| Total current assets | 2,084,769 | 1,812,690 | 1,950,229 |
| Property and equipment, net | 1,475,797 | 1,347,885 | 1,297,302 |
| Intangible assets, net | 130,062 | 109,440 | 108,240 |
| Goodwill | 200,594 | 200,594 | 200,594 |
| Other assets: | | | |
| Deferred income taxes | 4,805 | 6,165 | 10,273 |
| Other | 91,639 | 82,562 | 72,453 |
| Total other assets | 96,444 | 88,727 | 82,726 |
| **TOTAL ASSETS** | $ 3,987,666 | $ 3,559,336 | $ 3,639,091 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | |
| CURRENT LIABILITIES: | | | |
| Accounts payable | $ 790,217 | $ 677,864 | $ 783,722 |
| Accrued expenses | 359,607 | 289,001 | 336,597 |
| Deferred revenue and other liabilities | 153,926 | 184,386 | 142,083 |
| Income taxes payable | 11,249 | 39,835 | 19,131 |
| Current portion of other long-term debt and leasing obligations | 612 | 589 | 560 |
| Total current liabilities | 1,315,611 | 1,191,675 | 1,282,093 |
| LONG-TERM LIABILITIES: | | | |
| Revolving credit borrowings | 152,000 | — | — |
| Other long-term debt and leasing obligations | 5,013 | 5,324 | 5,627 |
| Deferred income taxes | 14,486 | 6,454 | — |
| Deferred revenue and other liabilities | 670,956 | 566,696 | 517,873 |
| Total long-term liabilities | 842,455 | 578,474 | 523,500 |
| COMMITMENTS AND CONTINGENCIES | | | |
| STOCKHOLDERS' EQUITY: | | | |
| Common stock | 857 | 869 | 914 |
| Class B common stock | 249 | 249 | 249 |
| Additional paid-in capital | 1,097,205 | 1,063,705 | 1,045,084 |
| Retained earnings | 1,851,064 | 1,737,214 | 1,592,803 |
| Accumulated other comprehensive loss | (125) | (179) | (109) |
| Treasury stock, at cost | (1,119,650) | (1,012,671) | (805,443) |
| Total stockholders' equity | 1,829,600 | 1,789,187 | 1,833,498 |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | $ 3,987,666 | $ 3,559,336 | $ 3,639,091 |

See accompanying notes to unaudited consolidated financial statements.

**DICK'S SPORTING GOODS, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - UNAUDITED**
**(Dollars in thousands)**

| | Common Stock | | Class B Common Stock | | Additional Paid-In | Retained | Accumulated Other Comprehensive | Treasury | |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Dollars | Shares | Dollars | Capital | Earnings | Loss | Stock | Total |
| BALANCE, January 30, 2016 | 86,850,630 | $ 869 | 24,900,870 | $ 249 | $ 1,063,705 | $ 1,737,214 | $ (179) | $ (1,012,671) | $ 1,789,187 |
| Exercise of stock options | 979,845 | 9 | — | — | 15,969 | — | — | — | 15,978 |
| Restricted stock vested | 412,685 | 4 | — | — | (4) | — | — | — | — |
| Minimum tax withholding requirements | (141,668) | (1) | — | — | (6,618) | — | — | — | (6,619) |
| Net income | — | — | — | — | — | 148,294 | — | — | 148,294 |
| Stock-based compensation | — | — | — | — | 16,593 | — | — | — | 16,593 |
| Total tax benefit from exercise of stock options | — | — | — | — | 7,560 | — | — | — | 7,560 |
| Foreign currency translation adjustment, net of taxes of $32 | — | — | — | — | — | — | 54 | — | 54 |
| Purchase of shares for treasury | (2,406,228) | (24) | — | — | — | — | — | (106,979) | (107,003) |
| Cash dividends declared | — | — | — | — | — | (34,444) | — | — | (34,444) |
| BALANCE, July 30, 2016 | 85,695,264 | $ 857 | 24,900,870 | $ 249 | $ 1,097,205 | $ 1,851,064 | $ (125) | $ (1,119,650) | $ 1,829,600 |

See accompanying notes to unaudited consolidated financial statements.

**DICK'S SPORTING GOODS, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED**
**(Dollars in thousands)**

| | 26 Weeks Ended | |
|---|---|---|
| | **July 30, 2016** | **August 1, 2015** |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $ 148,294 | $ 154,184 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization | 96,531 | 90,596 |
| Deferred income taxes | 9,392 | (1,319) |
| Stock-based compensation | 16,593 | 14,200 |
| Excess tax benefit from exercise of stock options | (7,698) | (5,842) |
| Other non-cash items | 361 | 265 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (40,765) | (12,659) |
| Inventories | (188,343) | (224,955) |
| Prepaid expenses and other assets | (9,162) | (7,977) |
| Accounts payable | 137,362 | 147,888 |
| Accrued expenses | 33,261 | 9,638 |
| Income taxes payable / receivable | (17,781) | (13,690) |
| Deferred construction allowances | 68,311 | 75,082 |
| Deferred revenue and other liabilities | (23,427) | (22,372) |
| Net cash provided by operating activities | 222,929 | 203,039 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Capital expenditures | (208,449) | (154,785) |
| Deposits and purchases of other assets | (23,412) | (406) |
| Net cash used in investing activities | (231,861) | (155,191) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Revolving credit borrowings | 1,183,000 | 465,600 |
| Revolving credit repayments | (1,031,000) | (465,600) |
| Payments on other long-term debt and leasing obligations | (288) | (263) |
| Construction allowance receipts | — | — |
| Proceeds from exercise of stock options | 15,978 | 17,870 |
| Excess tax benefit from exercise of stock options | 7,698 | 5,843 |
| Minimum tax withholding requirements | (6,619) | (7,619) |
| Cash paid for treasury stock | (107,003) | (150,000) |
| Cash dividends paid to stockholders | (34,490) | (33,425) |
| (Decrease) increase in bank overdraft | (25,009) | 21,323 |
| Net cash provided by (used in) financing activities | 2,267 | (146,271) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | 54 | (36) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (6,611) | (98,459) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 118,936 | 221,679 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | $ 112,325 | $ 123,220 |
| | | |
| Supplemental disclosure of cash flow information: | | |
| Accrued property and equipment | $ 78,985 | $ 85,907 |
| Cash paid for interest | $ 2,104 | $ 1,095 |
| Cash paid for income taxes | $ 103,985 | $ 112,292 |

See accompanying notes to unaudited consolidated financial statements.

**DICK'S SPORTING GOODS, INC. AND SUBSIDIARIES**
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Basis of Presentation**

Dick's Sporting Goods, Inc. (together with its subsidiaries, referred to as "the Company", "we", "us" and "our" unless specified otherwise) is a leading omni-channel sporting goods retailer offering an extensive assortment of authentic, high-quality sports equipment, apparel, footwear and accessories through a blend of dedicated associates, in-store services and unique specialty shop-in-shops. The Company also owns and operates Golf Galaxy, Field & Stream and other specialty concept stores as well as eCommerce websites at www.DICKS.com, www.golfgalaxy.com, www.fieldandstreamshop.com and www.caliastudio.com. When used in this Quarterly Report on Form 10-Q, unless the context otherwise requires or otherwise specifies, any reference to "year" is to the Company's fiscal year.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the requirements for Quarterly Reports on Form 10-Q and do not include all the disclosures normally required in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The interim consolidated financial statements are unaudited and have been prepared on the same basis as the annual audited consolidated financial statements. In the opinion of management, such unaudited consolidated financial statements include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the interim financial information. This unaudited interim financial information should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended January 30, 2016 as filed with the Securities and Exchange Commission on March 25, 2016. Operating results for the 13 and 26 weeks ended July 30, 2016 are not necessarily indicative of the results that may be expected for the fiscal year ending January 28, 2017 or any other period.

<u>*Recently Issued Accounting Pronouncements*</u>

*Stock Compensation*

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-09, "*Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*". This update simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. ASU 2016-09 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2016, with early application permitted. If early adopted, an entity must adopt all of the amendments during the same period. The Company is currently evaluating the impact of the adoption of ASU 2016-09 on the Company's Consolidated Financial Statements.

*Leases*

In February 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)*". This update requires an entity to recognize lease assets and lease liabilities on the balance sheet and to disclose key information about the entity's leasing arrangements. ASU 2016-02 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2018, with early application permitted. A modified retrospective approach is required. The Company is currently evaluating the impact of the adoption of ASU 2016-02 on the Company's Consolidated Financial Statements.

*Measurement of Inventory*

In July 2015, the FASB issued ASU 2015-11, "*Simplifying the Measurement of Inventory*". This update requires an entity that determines the cost of inventory by methods other than last-in, first-out (LIFO) and the retail inventory method (RIM) to measure inventory at the lower of cost and net realizable value. ASU 2015-11 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2016. Prospective application is required. Early application is permitted as of the beginning of the interim or annual reporting period. The Company does not expect that the adoption of this guidance will have a significant impact on the Company's Consolidated Financial Statements.

**DICK'S SPORTING GOODS, INC. AND SUBSIDIARIES**
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

*Contracts with Customers*

In May 2014, the FASB issued ASU 2014-09, "*Revenue from Contracts with Customers*". This update requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, the update (1) specifies the accounting for some costs to obtain or fulfill a contract with a customer and (2) expands disclosure requirements related to revenue and cash flows arising from contracts with customers. In August 2015, the FASB subsequently issued ASU 2015-14, "*Revenue from Contracts with Customers - Deferral of the Effective Date*", which approved a one year deferral of ASU 2014-09 for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period.

In March 2016 and April 2016, the FASB issued ASU 2016-08, "*Revenue from Contracts with Customers - Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*", and ASU 2016-10, "*Revenue from Contracts with Customers - Identifying Performance Obligations and Licensing*", respectively, which further clarify the guidance related to those specific topics within ASU 2014-09. In May 2016, the FASB issued ASU 2016-12, "*Revenue from Contracts with Customers - Narrow Scope Improvements and Practical Expedients*", to reduce the risk of diversity in practice for certain aspects in ASU 2014-09, including collectibility, noncash consideration, presentation of sales tax and transition. These updates permit the use of either the retrospective or cumulative effect transition method. Early application is permitted as of the original effective date for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is currently evaluating which transition approach it will utilize and the impact these standards will have on the Company's Consolidated Financial Statements upon adoption.

*Reclassifications*

Certain reclassifications have been made to prior year amounts for the period ended August 1, 2015 within the Consolidated Balance Sheets to conform to current year presentation.

**2. Store Closings**

The calculation of accrued store closing and relocation reserves primarily includes future minimum lease payments, maintenance costs and taxes from the date of closure or relocation to the end of the remaining lease term, net of contractual or estimated sublease income. The liability is discounted using a credit-adjusted risk-free rate of interest. The assumptions used in the calculation of the accrued store closing and relocation reserves are evaluated each quarter.

The following table summarizes the activity in fiscal 2016 and 2015 (in thousands):

| | 26 Weeks Ended | |
|---|---|---|
| | **July 30, 2016** | **August 1, 2015** |
| Accrued store closing and relocation reserves, beginning of period | $ 11,702 | $ 12,785 |
| Expense charged to earnings | 852 | 1,066 |
| Cash payments | (2,815) | (2,230) |
| Interest accretion and other changes in assumptions | (456) | 27 |
| Accrued store closing and relocation reserves, end of period | 9,283 | 11,648 |
| Less: current portion of accrued store closing and relocation reserves | (3,483) | (3,713) |
| Long-term portion of accrued store closing and relocation reserves | $ 5,800 | $ 7,935 |

**3. Earnings Per Common Share**

Basic earnings per common share is computed based on the weighted average number of shares of common stock outstanding during the period. Diluted earnings per common share is computed based on the weighted average number of shares of common stock outstanding, plus the effect of dilutive potential common shares outstanding during the period, using the treasury stock method. Dilutive potential common shares are stock-based awards, which include outstanding stock options, restricted stock and warrants.

**DICK'S SPORTING GOODS, INC. AND SUBSIDIARIES**
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

The computations for basic and diluted earnings per common share are as follows (in thousands, except per share data):

| | 13 Weeks Ended | | 26 Weeks Ended | |
|---|---|---|---|---|
| | July 30, 2016 | August 1, 2015 | July 30, 2016 | August 1, 2015 |
| Net income | $ 91,417 | $ 90,839 | $ 148,294 | $ 154,184 |
| Weighted average common shares outstanding - basic | 111,272 | 116,281 | 111,688 | 116,662 |
| Dilutive effect of stock-based awards | 846 | 1,524 | 1,009 | 1,694 |
| Weighted average common shares outstanding - diluted | 112,118 | 117,805 | 112,697 | 118,356 |
| Earnings per common share - basic | $ 0.82 | $ 0.78 | $ 1.33 | $ 1.32 |
| Earnings per common share - diluted | $ 0.82 | $ 0.77 | $ 1.32 | $ 1.30 |
| Anti-dilutive stock-based awards excluded from diluted calculation | 2,978 | 1,255 | 2,733 | 1,069 |

**4. Fair Value Measurements**

Accounting Standard Codification ("ASC") 820, "*Fair Value Measurement and Disclosures*", outlines a valuation framework and creates a fair value hierarchy for assets and liabilities as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets measured at fair value on a recurring basis as of July 30, 2016 and January 30, 2016 are set forth in the table below (in thousands):

| | Level 1 | |
|---|---|---|
| Description | July 30, 2016 | January 30, 2016 |
| Assets: | | |
| Deferred compensation plan assets held in trust [1] | $ 61,845 | $ 53,040 |
| Total assets | $ 61,845 | $ 53,040 |

(1) Consists of investments in various mutual funds made by eligible individuals as part of the Company's deferred compensation plans.

The fair value of cash and cash equivalents, accounts receivable, accounts payable, revolving credit borrowings and certain other liabilities approximated book value due to the short-term nature of these instruments at both July 30, 2016 and January 30, 2016.

The Company uses quoted prices in active markets to determine the fair value of the aforementioned assets determined to be Level 1 instruments. The Company's policy for recognition of transfers between levels of the fair value hierarchy is to recognize any transfer at the end of the fiscal quarter in which the determination to transfer was made. The Company did not transfer any assets or liabilities among the levels within the fair value hierarchy during the 26 weeks ended July 30, 2016 or the fiscal year ended January 30, 2016. Additionally, the Company did not hold any Level 2 or Level 3 assets or liabilities during the 26 weeks ended July 30, 2016 or the fiscal year ended January 30, 2016.

**DICK'S SPORTING GOODS, INC. AND SUBSIDIARIES**
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**5. Intangible Assets**

On July 20, 2016, the Company purchased intellectual property assets of The Sports Authority ("TSA") along with the right to acquire 31 TSA store leases for $21.3 million. The TSA intellectual property assets, which include the name "The Sports Authority", TSA's domain names, TSA's owned trademarks and customer information, and lease designation rights are finite-lived intangible assets and will be amortized over each asset's designated useful life.

**6. Subsequent Event**

***Dividend*** - On August 11, 2016, the Company's Board of Directors authorized and declared a quarterly cash dividend in the amount of $0.15125 per share of common stock and Class B common stock payable on September 30, 2016 to stockholders of record as of the close of business on September 9, 2016.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**FORWARD-LOOKING STATEMENTS**

We caution that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this Quarterly Report on Form 10-Q or made by our management involve risks and uncertainties and are subject to change based on various important factors, many of which may be beyond our control. Accordingly, our future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements. Investors should not place undue reliance on forward-looking statements as a prediction of actual results. These statements can be identified as those that may predict, forecast, indicate or imply future results, performance or advancements and by forward-looking words such as *"believe", "anticipate", "expect", "estimate", "predict", "intend", "plan", "project", "goal", "will", "will be", "will continue", "will result", "could", "may", "might"* or any variations of such words or other words with similar meanings. Forward-looking statements address, among other things, our expectations, our growth strategies, including our plans to open new stores and develop our own eCommerce platform, our efforts to increase profit margins and return on invested capital, plans to grow our private brand business, projections of our future profitability, results of operations, capital expenditures, plans to return capital to stockholders through dividends or share repurchases, or our financial condition.

The following factors, among others, in some cases have affected and in the future could affect our financial performance and actual results, and could cause actual results for fiscal 2016 and beyond to differ materially from those expressed or implied in any forward-looking statements included in this Quarterly Report on Form 10-Q or otherwise made by our management:

- The dependence of our business on consumer discretionary spending;
- Intense competition in the sporting goods industry and in retail;
- Our ability to predict or effectively react to changes in consumer demand or shopping patterns;
- Lack of available retail store sites on terms acceptable to us, rising real estate prices and other costs and risks relating to a brick and mortar retail store model;
- Omni-channel growth and our continued development of an eCommerce platform;
- Unauthorized disclosure of sensitive or confidential customer information;
- Risks associated with our private brand offerings and new retail concept stores;
- Disruption of or other problems with the services provided by our primary eCommerce services provider;
- Our ability to access adequate capital to operate and expand our business and to respond to changing business and economic conditions;

- Risks and costs relating to changing laws and regulations affecting our business, including consumer products, firearms and ammunition, data protection and privacy;
- Our relationships with our vendors or disruptions in our or our vendors' supply chains, which could be caused by foreign trade issues, currency exchange rate fluctuations, increasing prices for raw materials or foreign political instability;
- Litigation risks for which we may not have sufficient insurance or other coverage;
- Product costs being adversely affected by foreign trade issues, currency exchange rate fluctuations, increasing prices for raw materials, political instability or other reasons;
- Our ability to attract, train, engage and retain qualified leaders and associates and the loss of Mr. Edward Stack as our Chairman and Chief Executive Officer;
- Our ability to secure and protect our trademarks and other intellectual property and defend claims of intellectual property infringement;
- Disruption of or other problems with our information systems;
- Disruption at our distribution facilities;
- Wage increases, which could adversely affect our financial results;
- Performance of professional sports teams, professional team lockouts or strikes, retirement or scandal involving sports superstars;
- The seasonality of our business, as well as the current geographic concentration of Dick's Sporting Goods stores;
- Our pursuit of strategic investments or acquisitions, including costs and uncertainties associated with combining businesses and / or assimilating acquired companies;
- We are controlled by our Chairman and Chief Executive Officer and his relatives, whose interests may differ from those of our other stockholders;
- Our current anti-takeover provisions, which could prevent or delay a change in control of the Company; and
- Our current intention to issue quarterly cash dividends, and our repurchase activity, if any, pursuant to our share repurchase program.

The foregoing and additional risk factors are described in more detail in other reports or filings filed or furnished by us with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended January 30, 2016, filed on March 25, 2016. In addition, we operate in a highly competitive and rapidly changing environment; therefore, new risk factors can arise, and it is not possible for management to predict all such risk factors, nor to assess the impact of all such risk factors on our business or the extent to which any individual risk factor, or combination of risk factors, may cause results to differ materially from those contained in any forward-looking statement. The forward-looking statements included in this Quarterly Report on Form 10-Q are made as of this date. We do not assume any obligation and do not intend to update or revise any forward-looking statements whether as a result of new information, future developments or otherwise except as may be required by the securities laws.

**OVERVIEW**

The Company is a leading omni-channel sporting goods retailer offering an extensive assortment of authentic, high-quality sports equipment, apparel, footwear and accessories through a blend of dedicated associates, in-store services and unique specialty shop-in-shops. The Company also owns and operates Golf Galaxy, Field & Stream and other specialty concept stores as well as eCommerce websites at www.DICKS.com, www.golfgalaxy.com, www.fieldandstreamshop.com and www.caliastudio.com. When used in this Quarterly Report on Form 10-Q, unless the context otherwise requires or otherwise specifies, any reference to "year" is to the Company's fiscal year.

The primary factors that have historically influenced the Company's profitability and success have been the growth in its number of stores and selling square footage, the integration of eCommerce with its brick and mortar stores, positive consolidated same store sales, which include the Company's eCommerce business, and its strong gross profit margins. For example, in the last five years, the Company has grown from 455 Dick's Sporting Goods stores as of July 30, 2011 to 649 Dick's Sporting Goods stores as of July 30, 2016. The Company's eCommerce sales penetration to total net sales has increased from 2.4% to 8.8% for the year-to-date period ended July 30, 2011 and July 30, 2016, respectively.

In recent years, the Company has innovated its eCommerce sites with enhancements in the customer experience, new releases of its mobile and tablet sites, and development of capabilities that integrate the Company's online presence with its brick and mortar stores, including ship-from-store; buy-online, pick-up in-store; return-to-store and multi-faceted marketing campaigns that are consistent across the stores and eCommerce websites. On average, approximately 80% of the Company's eCommerce sales are generated within brick and mortar store trade areas.

The Company's senior management focuses on certain key indicators to monitor the Company's performance including:

- Consolidated same store sales performance – Our management considers same store sales, which consists of both brick and mortar and eCommerce sales, to be an important indicator of our current performance. Same store sales results are important to leverage our costs, which include occupancy costs, store payroll and other store expenses. Same store sales also have a direct impact on our total net sales, cash and working capital. A store is included in the same store sales calculation during the same fiscal period that it commences its 14th full month of operations. Stores that were closed or relocated during the applicable period have been excluded from same store sales. Each relocated store is returned to the same store sales base during the fiscal period that it commences its 14th full month of operations at the new location. See further discussion of our consolidated same store sales in the "Results of Operations and Other Selected Data" section herein.

- Operating cash flow – Cash flow generation supports the general operating needs of the Company and funds capital expenditures related to its omni-channel platform, distribution and administrative facilities, costs associated with continued improvement of information technology tools, costs associated with potential strategic acquisitions or investments that may arise from time to time and stockholder return initiatives, including cash dividends and share repurchases. We typically generate significant positive operating cash flows and proportionately higher net income levels in our fiscal fourth quarter in connection with the holiday selling season and in part to sales of cold weather sporting goods and apparel. See further discussion of the Company's cash flows in the "Liquidity and Capital Resources and Changes in Financial Condition" section herein.

- Quality of merchandise offerings – To measure acceptance of its merchandise offerings, the Company monitors sell-throughs, inventory turns, gross margins and markdown rates on a department and style level. This analysis helps the Company manage inventory levels to reduce cash flow requirements and deliver optimal gross margins by improving merchandise flow and establishing appropriate price points to minimize markdowns.

- Store productivity – To assess store-level performance, the Company monitors various indicators, including new store productivity, sales per square foot, store operating contribution margin and store cash flow.

**CRITICAL ACCOUNTING POLICIES**

As discussed in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 2016, filed with the Securities and Exchange Commission on March 25, 2016, the Company considers its policies on inventory valuation, vendor allowances, goodwill and intangible assets, impairment of long-lived assets and closed store reserves, self-insurance reserves, stock-based compensation and uncertain tax positions to be the most critical in understanding the judgments that are involved in preparing the Company's consolidated financial statements. There have been no changes in the Company's critical accounting policies during the quarter ended July 30, 2016.

**RESULTS OF OPERATIONS AND OTHER SELECTED DATA**

***Executive Summary***

- Earnings per diluted share of $0.82 in the current quarter increased compared to earnings per diluted share of $0.77 during the second quarter of 2015, due primarily to a decrease in diluted shares outstanding year-over-year.

- Net sales increased 8% to $2.0 billion in the current quarter compared to the second quarter of 2015, due primarily to the growth of our store network and a 2.8% increase in consolidated same store sales.

- eCommerce sales penetration in the current quarter increased to 8.5% of total net sales compared to 7.3% in the second quarter of 2015.

- Gross profit decreased to 30.36% as a percentage of net sales in the current quarter from 30.37% during the second quarter of 2015.

- In the second quarter of 2016, the Company:

  - Declared and paid a quarterly cash dividend in the amount of $0.15125 per share of common stock and Class B common stock.

  - Repurchased approximately 1.3 million shares of common stock for $57.0 million.

  - Purchased intellectual property assets of The Sports Authority ("TSA") along with the right to acquire 31 TSA store leases for $21.3 million.

- The following table summarizes store openings and closings for the periods indicated:

| | 26 Weeks Ended July 30, 2016 | | | 26 Weeks Ended August 1, 2015 | | |
|---|---|---|---|---|---|---|
| | **Dick's Sporting Goods** | **Specialty Store Concepts (1)** | **Total** | **Dick's Sporting Goods** | **Specialty Store Concepts (1)** | **Total** |
| Beginning stores | 644 | 97 | 741 | 603 | 91 | 694 |
| Q1 New stores | 3 | 2 | 5 | 9 | 1 | 10 |
| Q2 New stores | 5 | — | 5 | 7 | 1 | 8 |
| Ending stores | 652 | 99 | 751 | 619 | 93 | 712 |
| Closed stores | 3 | 1 | 4 | — | 3 | 3 |
| Ending stores | 649 | 98 | 747 | 619 | 90 | 709 |
| Relocated stores | 5 | — | 5 | 1 | 1 | 2 |

(1) Includes the Company's Golf Galaxy, Field & Stream and other specialty concept stores. In some markets we operate adjacent stores on the same property with a pass-through for customers. We refer to this format as a "combo store" and include combo store openings within both the Dick's Sporting Goods and specialty store concept reconciliations, as applicable. As of July 30, 2016, the Company operated 72 Golf Galaxy stores and 21 Field & Stream stores.

The following tables present for the periods indicated selected items in the unaudited Consolidated Statements of Income as a percentage of the Company's net sales, as well as the basis point change in the percentage of net sales from the prior year's period. In addition, other data is provided to facilitate a further understanding of our business. These tables should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the accompanying unaudited Consolidated Financial Statements and related notes thereto.

| | 13 Weeks Ended | | Basis Point Increase / (Decrease) in Percentage of Net Sales from Prior Year 2015-2016 [(A)] |
|---|---|---|---|
| | July 30, 2016 [(A)] | August 1, 2015 [(A)] | |
| Net sales [(1)] | 100.00% | 100.00% | N/A |
| Cost of goods sold, including occupancy and distribution costs [(2)] | 69.64 | 69.63 | 1 |
| Gross profit | 30.36 | 30.37 | (1) |
| Selling, general and administrative expenses [(3)] | 22.45 | 21.72 | 73 |
| Pre-opening expenses [(4)] | 0.43 | 0.51 | (8) |
| Income from operations | 7.48 | 8.14 | (66) |
| Interest expense | 0.08 | 0.05 | 3 |
| Other (income) expense | (0.10) | 0.01 | (11) |
| Income before income taxes | 7.49 | 8.09 | (60) |
| Provision for income taxes | 2.85 | 3.10 | (25) |
| Net income | 4.65% | 4.98% | (33) |
| Other Data: | | | |
| Consolidated same store sales increase | 2.8% | 1.2% | |
| Number of stores at end of period [(5)] | 747 | 709 | |
| Total square feet at end of period [(5)] | 37,067,454 | 35,057,995 | |

| | 26 Weeks Ended | | Basis Point Increase / (Decrease) in Percentage of Net Sales from Prior Year 2015-2016 [(A)] |
|---|---|---|---|
| | July 30, 2016 | August 1, 2015 [(A)] | |
| Net sales [(1)] | 100.00% | 100.00% | N/A |
| Cost of goods sold, including occupancy and distribution costs [(2)] | 69.87 | 69.82 | 5 |
| Gross profit | 30.13 | 30.18 | (5) |
| Selling, general and administrative expenses [(3)] | 23.16 | 22.33 | 83 |
| Pre-opening expenses [(4)] | 0.41 | 0.46 | (5) |
| Income from operations | 6.56 | 7.39 | (83) |
| Interest expense | 0.08 | 0.04 | 4 |
| Other income | (0.11) | (0.06) | (5) |
| Income before income taxes | 6.59 | 7.40 | (81) |
| Provision for income taxes | 2.50 | 2.85 | (35) |
| Net income | 4.09% | 4.55% | (46) |
| Other Data: | | | |
| Consolidated same store sales increase | 1.7% | 1.1% | |
| Number of stores at end of period [(5)] | 747 | 709 | |
| Total square feet at end of period [(5)] | 37,067,454 | 35,057,995 | |

(A) Column does not add due to rounding.

(1) Revenue from retail sales is recognized at the point of sale, net of sales tax. Revenue from eCommerce sales is recognized upon shipment of merchandise. Service-related revenue is recognized as the services are performed. A provision for anticipated merchandise returns is provided through a reduction of sales and cost of goods sold in the period that the related sales are recorded. Revenue from gift cards and returned merchandise credits (collectively the "cards") is deferred and recognized upon the redemption of the cards. These cards have no expiration date. Income from unredeemed cards is recognized on the unaudited Consolidated Statements of Income within selling, general and administrative expenses at the point at which redemption becomes remote. The Company performs an evaluation of the aging of the unredeemed cards, based on the elapsed time from the date of original issuance, to determine when redemption becomes remote.

(2) Cost of goods sold includes: the cost of merchandise (inclusive of vendor allowances, inventory shrinkage and inventory write-downs for the lower of cost or market); freight; distribution; shipping; and store occupancy costs. The Company defines merchandise margin as net sales less the cost of merchandise sold. Store occupancy costs include rent, common area maintenance charges, real estate and other asset-based taxes, general maintenance, utilities, depreciation, fixture lease expenses and certain insurance expenses.

(3) Selling, general and administrative expenses include store and field support payroll and fringe benefits, advertising, bank card charges, information systems, marketing, legal, accounting, other store expenses and all expenses associated with operating the Company's corporate headquarters.

(4) Pre-opening expenses, which consist primarily of rent, marketing, payroll and recruiting costs, are expensed as incurred. Rent is recognized within pre-opening expense from the date of building turnover to the Company through the date of store opening.

(5) Includes Dick's Sporting Goods, Golf Galaxy, Field & Stream and other specialty concept stores.

**13 Weeks Ended July 30, 2016 Compared to the 13 Weeks Ended August 1, 2015**

**Net Sales**

Net sales increased 8% in the current quarter to $2.0 billion from $1.8 billion for the quarter ended August 1, 2015, due primarily to the growth of our store network and a 2.8% increase in consolidated same store sales. The 2.8% increase in consolidated same store sales contributed $49.8 million of the increase in net sales for the quarter ended July 30, 2016. The remaining $95.1 million increase in net sales was attributable to new stores. The 2.8% increase in consolidated same store sales consisted of a 3.0% increase at Dick's Sporting Goods and a 4.3% decrease at Golf Galaxy. eCommerce sales penetration was 8.5% of total net sales during the current quarter compared to 7.3% of total net sales during the quarter ended August 1, 2015, representing an approximate increase of 26% in eCommerce sales.

The increase in consolidated same store sales was driven by broad-based increases within our apparel and hardlines categories, most notably the outdoor business, partially offset by a slight decrease within our footwear category. The footwear category was primarily driven by a decrease in golf footwear, partially offset by an increase in athletic footwear. The same store sales increase at Dick's Sporting Goods was driven by an increase in transactions of approximately 1.7% and an increase in sales per transaction of approximately 1.3%. Based upon the current quarter sales mix, every 1% change in consolidated same store sales would impact earnings before income taxes for the current quarter by approximately $6.1 million.

**Income from Operations**

Income from operations decreased to $147.2 million in the current quarter from $148.4 million for the quarter ended August 1, 2015.

Gross profit increased 8% to $597.4 million in the current quarter from $553.6 million for the quarter ended August 1, 2015, and decreased as a percentage of net sales by one basis point compared to the same period last year. Merchandise margins and occupancy costs improved slightly during the quarter and were offset by increased shipping expenses. Occupancy costs increased $14.9 million in the current quarter from the quarter ended August 1, 2015. Our occupancy costs, which after the cost of merchandise represent our largest expense within cost of goods sold, are generally fixed in nature and fluctuate based on the number of stores that we operate. As a percentage of net sales, occupancy costs increased at a lower rate than the 8% increase in net sales during the current quarter. The increase in shipping expenses during the current quarter was primarily due to the growth and increased penetration of eCommerce sales as compared to the Company's total net sales. Every 10 basis point change in merchandise margin would impact earnings before income taxes for the current quarter by approximately $1.9 million.

Selling, general and administrative expenses increased 12% to $441.7 million in the current quarter from $395.9 million for the quarter ended August 1, 2015, and increased as a percentage of net sales by 73 basis points. This increase was primarily driven by higher store payroll costs as the Company continued to invest to enhance the shopping experience within its stores and higher administrative, payroll and related benefit costs to support planned future growth initiatives compared to the same period last year.

Pre-opening expenses decreased to $8.5 million in the current quarter from $9.2 million for the quarter ended August 1, 2015. Pre-opening expenses in any period fluctuate depending on the timing and number of new store openings and relocations. Pre-opening rent expenses for our self-developed store sites will generally exceed those for sites built to our specifications by our landlords, as we are in possession of the site for a longer period of time, which accelerates expense recognition but does not impact the timing of rent payments.

**Income Taxes**

The Company's effective tax rate decreased to 38.0% for the quarter ended July 30, 2016 from 38.4% during the same period last year.

**26 Weeks Ended July 30, 2016 Compared to the 26 Weeks Ended August 1, 2015**

**Net Sales**

Net sales increased 7% in the current period to $3.6 billion, due primarily to the growth of our store network and a 1.7% increase in consolidated same store sales. The 1.7% increase in consolidated same store sales contributed $56.9 million of the increase in net sales for the period ended July 30, 2016. The remaining $183.0 million increase in net sales was attributable to new stores. The 1.7% increase in consolidated same store sales consisted of a 1.8% increase at Dick's Sporting Goods and a 1.8% decrease at Golf Galaxy. eCommerce sales penetration was 8.8% of total net sales during the current period compared to 7.9% of total net sales during the period ended August 1, 2015, representing an approximate increase of 20% in eCommerce sales.

The increase in consolidated same store sales was primarily driven by increases within our apparel and hardlines categories, most notably the outdoor business, partially offset by a slight decrease within our footwear category. The same store sales increase at Dick's Sporting Goods was driven by an increase in sales per transaction of approximately 1.2% and an increase in transactions of approximately 0.6%. Based upon the current period sales mix, every 1% change in consolidated same store sales would impact earnings before income taxes for the current period by approximately $11.2 million.

**Income from Operations**

Income from operations decreased to $237.9 million in the current period from $250.3 million for the period ended August 1, 2015.

Gross profit increased 7% to $1,093.2 million for the current period from $1,022.5 million for the period ended August 1, 2015, and decreased as a percentage of net sales by five basis points compared to the same period last year. Merchandise margins improved slightly during the current period compared to the same period last year and were more than offset by increased shipping expenses. Occupancy costs increased $29.7 million in the current period from the period ended August 1, 2015. Our occupancy costs are generally fixed in nature and fluctuate based on the number of stores that we operate. As a percentage of net sales, occupancy costs increased at the same rate as compared to the 7% increase in net sales during the current period. The increase in shipping expenses during the current quarter was primarily due to the growth and increased penetration of eCommerce sales as compared to the Company's total net sales. Every 10 basis point change in merchandise margin would impact earnings before income taxes for the current period by approximately $3.6 million.

Selling, general and administrative expenses increased 11% to $840.3 million in the current period from $756.7 million for the period ended August 1, 2015, and increased as a percentage of net sales by 83 basis points. This increase was primarily driven by higher store payroll costs as the Company continued to invest to enhance the shopping experience within its stores and higher administrative, payroll and related benefit costs to support planned future growth initiatives compared to the same period last year.

Pre-opening expenses decreased to $15.0 million in the current period from $15.6 million for the period ended August 1, 2015. Pre-opening expenses in any period fluctuate depending on the timing and number of new store openings and relocations. Pre-opening rent expenses for our self-developed store sites will generally exceed those for sites built to our specifications by our landlords since we are in possession of the site for a longer period of time, which accelerates expense recognition but does not impact the timing of rent payments.

**Income Taxes**

The Company's effective tax rate was 38.0% for the period ended July 30, 2016 as compared to 38.5% for the same period last year.

**LIQUIDITY AND CAPITAL RESOURCES AND CHANGES IN FINANCIAL CONDITION**

**Overview**

The Company's liquidity and capital needs have generally been met by cash from operating activities with additional liquidity from the Company's revolving credit facility. Cash flow from operations is seasonal in our business. Typically, we use cash flow from operations to increase inventory in advance of peak selling seasons, with the pre-holiday inventory increase being the largest. In the fourth quarter, inventory levels are reduced in connection with sales during the holiday season and this inventory reduction, combined with proportionately higher net income, typically produces significant positive cash flow.

The Company has a $1 billion revolving senior secured credit facility, including up to $150 million in the form of letters of credit, (the "Credit Agreement") in the event further liquidity is needed. Under the Credit Agreement, subject to the satisfaction of certain conditions, the Company may request an increase of up to $250 million in borrowing availability.

The Company generally utilizes its Credit Agreement for working capital needs based primarily on the seasonal nature of its operating cash flows, with the Company's peak borrowings occurring during its third quarter as the Company increases inventory in advance of the holiday selling season.

Liquidity information for the periods ended (dollars in thousands):

| | July 30, 2016 | August 1, 2015 |
|---|---|---|
| Funds drawn on Credit Agreement | $ 1,183,000 | $ 465,600 |
| Number of days with outstanding balance on Credit Agreement | 120 days | 63 days |
| Maximum daily amount outstanding under Credit Agreement | $ 278,000 | $ 191,700 |

The increase in funds drawn on our Credit Agreement during the 26 weeks ended July 30, 2016 compared to the same period last year was driven by continued capital return to shareholders and investments in the Company's growth.

Liquidity information as of the periods ended (dollars in thousands):

| | July 30, 2016 | August 1, 2015 |
|---|---|---|
| Outstanding borrowings under Credit Agreement | $ 152,000 | $ — |
| Cash and cash equivalents | $ 112,325 | $ 123,220 |
| Remaining borrowing capacity under Credit Agreement | $ 833,369 | $ 485,969 |
| Outstanding letters of credit under Credit Agreement | $ 14,631 | $ 14,031 |

The Company intends to allocate capital to invest in its future growth, specifically the development of its omni-channel platform and specialty store concepts, as well as to return capital to stockholders through dividends and share repurchases.

*Capital expenditures* – We expect capital expenditures to be approximately $275 million on a net basis, which includes tenant allowances provided by landlords, and approximately $450 million on a gross basis in fiscal 2016. Normal capital requirements primarily relate to the development of our omni-channel platform, including investments in new and existing stores and eCommerce technology. The Company also plans to continue to invest in the improvement of its supply chain and corporate information technology infrastructure. We plan to open approximately 47 new stores and begin construction of our 5th distribution facility in fiscal 2016. We expect our new stores, as well as investments in our existing stores, to represent the majority of our total capital expenditures during fiscal 2016. The Company has a capital appropriations committee that approves all capital expenditures in excess of certain amounts and groups and prioritizes all capital projects among required, discretionary and strategic categories.

*Share repurchases* – On March 7, 2013, the Company's Board of Directors authorized a five-year share repurchase program of up to $1 billion of the Company's common stock. Since the beginning of 2013, we have repurchased $919.9 million of common stock and have $80.1 million remaining under this authorization. On March 16, 2016, the Company's Board of Directors authorized an additional five-year share repurchase program of up to $1 billion of the Company's common stock. During the 26 weeks ended July 30, 2016, the Company repurchased approximately 2.4 million shares of its common stock for $107.0 million. Any future share repurchase programs are subject to the final determination of our Board of Directors and will be dependent upon future earnings, cash flows, financial requirements and other factors.

*Dividends* – During the 26 weeks ended July 30, 2016, the Company paid $34.5 million of dividends to its stockholders. The declaration of future dividends and the establishment of the per share amount, record dates and payment dates for any such future dividends are subject to authorization by our Board of Directors and will be dependent upon future earnings, cash flows, financial requirements and other factors.

The Company currently believes cash flows generated by operations and funds available under its Credit Agreement will be sufficient to satisfy capital requirements, including planned capital expenditures, share repurchases and quarterly dividend payments to its stockholders through fiscal 2016. The Company may require additional funding should the Company pursue strategic acquisitions or undertake share repurchases, other investments or store expansion rates in excess of those presently planned.

Changes in cash and cash equivalents are as follows (in thousands):

| | 26 Weeks Ended | |
|---|---|---|
| | July 30, 2016 | August 1, 2015 |
| Net cash provided by operating activities | $ 222,929 | $ 203,039 |
| Net cash used in investing activities | (231,861) | (155,191) |
| Net cash provided by (used in) financing activities | 2,267 | (146,271) |
| Effect of exchange rate changes on cash and cash equivalents | 54 | (36) |
| Net decrease in cash and cash equivalents | $ (6,611) | $ (98,459) |

**Operating Activities**

Operating activities consist primarily of net income, adjusted for certain non-cash items and changes in operating assets and liabilities. Adjustments to net income for non-cash items include depreciation and amortization, deferred income taxes, stock-based compensation expense and tax benefits on stock options, as well as non-cash gains and losses on the disposal of the Company's assets. Changes in operating assets and liabilities primarily reflect changes in inventories, accounts payable and income taxes payable / receivable, as well as other working capital changes.

Cash provided by operating activities increased $19.9 million for the 26 weeks ended July 30, 2016 compared to the same period last year. The increase in cash provided by operating activities was due primarily to a $17.3 million increase in non-cash items and an $8.5 million increase in operating assets and liabilities, partially offset by a $5.9 million decrease in net income period-over-period.

The increase in operating assets and liabilities was due primarily to the following:

- Changes in inventory and accounts payable increased operating cash flows by $26.1 million compared to the prior year, primarily due to timing of inventory receipts.

- Changes in accrued expenses increased operating cash flows by $23.6 million compared to the prior year, primarily due to lower incentive compensation accruals in fiscal 2015 that were subsequently paid during the first quarter of fiscal 2016, compared to those balances accrued at the end of fiscal 2014 and subsequently paid during the first quarter of fiscal 2015.

- Changes in accounts receivable decreased operating cash flows by $28.1 million compared to the prior year, primarily due to timing of collections associated with vendor funded store initiatives.

**Investing Activities**

Cash used in investing activities increased $76.7 million for the 26 weeks ended July 30, 2016 compared to the same period last year primarily due to a $53.7 million increase in gross capital expenditures. This increase in gross capital expenditures was primarily driven by incremental investments related to the Company's full-service footwear store initiative.

**Financing Activities**

Cash provided by financing activities consists primarily of the Company's capital return initiatives, including its share repurchase program and cash dividend payments, and cash flows generated from stock option exercises. Cash provided by financing activities for the 26 weeks ended July 30, 2016 totaled $2.3 million compared to cash used by financing activities of $146.3 million for the comparable period of the prior year. The Company had higher net Credit Agreement borrowings and repurchased $43.0 million fewer shares during the period ended July 30, 2016 compared to the prior year comparable period.

**Event Subsequent to Quarter-end**

*Dividend* – On August 11, 2016, the Company's Board of Directors authorized and declared a quarterly cash dividend in the amount of $0.15125 per share of common stock and Class B common stock payable on September 30, 2016 to stockholders of record as of the close of business on September 9, 2016.

**Off-Balance Sheet Arrangements**

The Company's off-balance sheet arrangements as of July 30, 2016 primarily relate to store operating leases and purchase obligations for marketing commitments, including naming rights, licenses for trademarks, corporate aircraft and technology-related and other commitments. The Company has excluded these items from the unaudited Consolidated Balance Sheets in accordance with generally accepted accounting principles. The Company does not believe that any of these arrangements have, or are reasonably likely to have, a material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or resources.

**Contractual Obligations and Other Commercial Commitments**

The Company is party to many contractual obligations that involve commitments to make payments to third parties in the ordinary course of business. For a description of the Company's contractual obligations and other commercial commitments as of January 30, 2016, see the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 2016, filed with the Securities and Exchange Commission on March 25, 2016. During the current quarter, there were no material changes with respect to these contractual obligations and other commercial commitments outside the ordinary course of business.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the Company's market risk exposures from those reported in the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 2016 filed with the Securities and Exchange Commission on March 25, 2016.

## ITEM 4. CONTROLS AND PROCEDURES

During the second quarter of fiscal 2016, there were no changes in the Company's internal controls over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

During the quarter, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the principal financial officer, of the effectiveness of the design and operation of the disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, the Company's management, including the Chief Executive Officer and the principal financial officer, concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q, July 30, 2016.

There are inherent limitations in the effectiveness of any control system, including the potential for human error and the circumvention or overriding of the controls and procedures. Additionally, judgments in decision-making can be faulty and breakdowns can occur because of simple errors or mistakes. An effective control system can provide only reasonable, not absolute, assurance that the control objectives of the system are adequately met. Accordingly, our management, including our Chief Executive Officer and principal financial officer, does not expect that our control system can prevent or detect all errors or fraud. Finally, projections of any evaluation or assessment of effectiveness of a control system to future periods are subject to the risks that, over time, controls may become inadequate because of changes in an entity's operating environment or deterioration in the degree of compliance with policies and procedures.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

Dick's Sporting Goods, Inc. and its subsidiaries are involved in various proceedings that are incidental to the normal course of their businesses. As of the date of this Quarterly Report on Form 10-Q, the Company does not expect that any of such proceedings will have a material adverse effect on the Company's financial position or results of operations.

### ITEM 1A. RISK FACTORS

For a discussion of risk factors affecting the Company refer to Part I, Item 1A. "Risk Factors" of the Company's Annual Report on Form 10-K for the year ended January 30, 2016, filed with the Securities and Exchange Commission on March 25, 2016. The discussion of risk factors sets forth the material risks that could affect the Company's financial condition and operations.

Reference is also made to Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Forward-Looking Statements" of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table sets forth repurchases of our common stock during the second quarter of 2016:

| Period | Total Number of Shares Purchased [(a)] | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [(b)] | Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| May 1, 2016 to May 28, 2016 | 375,157 | $ 39.84 | 374,598 | $ 1,122,202,391 |
| May 29, 2016 to July 2, 2016 | 650,005 | $ 41.58 | 649,650 | $ 1,095,190,222 |
| July 3, 2016 to July 30, 2016 | 320,212 | $ 47.99 | 313,794 | $ 1,080,118,867 |
| Total | 1,345,374 | $ 42.62 | 1,338,042 | |

(a) Includes shares withheld from employees to satisfy minimum tax withholding obligations associated with the vesting of restricted stock during the period.

(b) Shares repurchased as part of the Company's previously announced five-year $1 billion share repurchase program, authorized by the Board of Directors on March 7, 2013. On March 16, 2016, the Company's Board of Directors authorized an additional five-year share repurchase program of up to $1 billion of the Company's common stock. The Company will continue to purchase under the 2013 program until it is exhausted or expired.

### ITEM 6. EXHIBITS

The Exhibits listed in the Index to Exhibits, which appears on page 23 and is incorporated herein by reference, are filed or furnished (as noted) as part of this Quarterly Report on Form 10-Q.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report on Form 10-Q to be signed on August 25, 2016 on its behalf by the undersigned, thereunto duly authorized.

DICK'S SPORTING GOODS, INC.

By: /s/ EDWARD W. STACK
Edward W. Stack
Chairman and Chief Executive Officer

By: /s/ ANDRÉ J. HAWAUX
André J. Hawaux
Executive Vice President – Chief Operating Officer
(principal financial officer)

By: /s/ JOSEPH R. OLIVER
Joseph R. Oliver
Senior Vice President – Chief Accounting Officer
(principal accounting officer)

**INDEX TO EXHIBITS**

| Exhibit Number | Description of Exhibit | Method of Filing |
|---|---|---|
| 31.1 | Certification of Edward W. Stack, Chairman and Chief Executive Officer, dated as of August 25, 2016 and made pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| 31.2 | Certification of André J. Hawaux, Executive Vice President - Chief Operating Officer, dated as of August 25, 2016 and made pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| 32.1 | Certification of Edward W. Stack, Chairman and Chief Executive Officer, dated as of August 25, 2016 and made pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Furnished herewith |
| 32.2 | Certification of André J. Hawaux, Executive Vice President - Chief Operating Officer, dated as of August 25, 2016 and made pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Furnished herewith |
| 101.INS | XBRL Instance Document | Filed herewith |
| 101.SCH | XBRL Taxonomy Extension Schema Document | Filed herewith |
| 101.CAL | XBRL Taxonomy Calculation Linkbase Document | Filed herewith |
| 101.DEF | XBRL Taxonomy Definition Linkbase Document | Filed herewith |
| 101.LAB | XBRL Taxonomy Label Linkbase Document | Filed herewith |
| 101.PRE | XBRL Taxonomy Presentation Linkbase Document | Filed herewith |

**Exhibit 31.1**

**CERTIFICATIONS**

I, Edward W. Stack, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dick's Sporting Goods, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ EDWARD W. STACK

Edward W. Stack

Chairman and Chief Executive Officer

Date: August 25, 2016

Exhibit 31.2

**CERTIFICATIONS**

I, André J. Hawaux, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dick's Sporting Goods, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ ANDRÉ J. HAWAUX

Date: August 25, 2016

André J. Hawaux

Executive Vice President – Chief Operating Officer

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Dick's Sporting Goods, Inc. (the "Company") for the period ended July 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Edward W. Stack, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ EDWARD W. STACK
Edward W. Stack
Chairman and Chief Executive Officer

Date: August 25, 2016

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Dick's Sporting Goods, Inc. (the "Company") for the period ended July 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, André J. Hawaux, Chief Operating Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ANDRÉ J. HAWAUX

Date: August 25, 2016

André J. Hawaux

Executive Vice President – Chief Operating Officer