Dick's Sporting Goods and Foot Locker Join Forces in $2.5 Billion Deal to Build a Global Sports Retail Giant

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"By applying our operational expertise to this iconic business, we see a clear path to further unlocking growth and enhancing Foot Locker's position in the industry. Together, we will leverage the complementary strengths of both organizations to better serve the broad and evolving needs of global sports retail consumers." – Ed Stack, Executive Chairman of Dick's Sporting Goods

Deal Overview

- Acquiror: Dick's Sporting Goods Inc. (NYSE:DKS)
- Target: Foot Locker Inc. (NYSE:FL)
- Industry: Sporting Goods Retail
- Transaction amount: $2.5bn
- Announcement date: 15th May 2025
- Advisors to Dick's Sporting Goods: Goldman Sachs
- Advisors to Foot Locker: Evercore

Deal Summary

In a move set to reshape the global sports and lifestyle retail landscape, Dick's Sporting Goods (Dick's) announced on May 15, 2025 that it will acquire Foot Locker in a deal worth $2.5bn. The cash-and-stock transaction marks the largest in Dick's history and positions the company to significantly expand its global footprint, customer base, and brand portfolio. Under the terms of the agreement, Foot Locker shareholders will receive either $24.00 in cash or 0.1168 shares of Dick's common stock for each share they own, with Dick's financing the acquisition through a combination of cash and new debt.

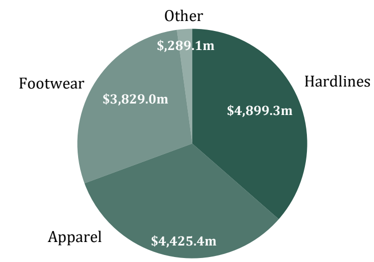
The transaction brings together two of Nike's most important wholesale partners, consolidating scale in an increasingly competitive sports retail landscape. Post-close, Foot Locker will operate as a standalone business unit, maintaining its distinct banners including Kids Foot Locker, Champs Sports, WSS, and atmos. The deal reflects Dick's ambition to create a differentiated, omnichannel leader at the intersection of performance, lifestyle, and global athletic retail.

Company Overview – Dick's Sporting Goods

Founded in 1948 and headquartered in Coraopolis, Pennsylvania, Dick's Sporting Goods (NYSE: DKS) is the largest full-line sporting goods retailer in the United States, with a market capitalization of approximately $14.5bn as of early June 2025. The company operates over 850 stores across 47 states under various banners, including Dick's Sporting Goods, Golf Galaxy, Public Lands, Going Going Gone!, and House of Sport. It also maintains a growing eCommerce presence supported by its proprietary mobile apps and websites. In recent years, Dick's has pursued a strategic shift toward experiential retail, expanding concepts such as House of Sport and Field House, which offer immersive shopping environments and community-driven athletic spaces.

Dick's reported record sales of $13.4bn in fiscal year 2024, marking a 3.5% year-over-year increase. The company posted earnings per diluted share of $14.05, representing a 15% increase from the previous year. Full-year comparable store sales grew by 5.2%, driven by both increased transaction volume and average ticket size. Dick's generates a well-balanced revenue mix across its three core product categories: hardlines ($4.9bn), apparel ($4.4bn), and footwear ($3.8bn), with strong performance in segments such as team sports, athletic apparel, and fitness equipment (see Figure 1). Approximately 75% of total sales were generated by its 25 million active ScoreCard loyalty members, highlighting strong customer retention.

Figure 1: Dick's Revenue Split



Source: Dick's 2024 Annual Report - own depiction

The company's omnichannel model remains a key differentiator, integrating physical stores with digital capabilities such as buy-online-pick-up-in-store, curbside pickup, and ship-from-store services. Dick's also continues to grow its portfolio of vertical brands – including CALIA, DSG, VRST, and Top-Flite. Nike remains its largest vendor, accounting for approximately 25% of total merchandise purchases in 2024.

With a focus on concept innovation, customer engagement, and operational efficiency, Dick's is positioning itself as both a category leader and a long-term growth platform within the evolving sports retail industry.

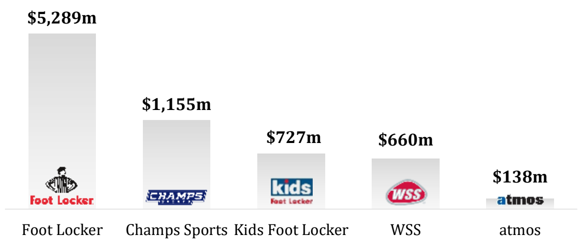
Company Overview – Foot Locker

Foot Locker is a leading global retailer of athletic footwear and apparel with deep roots in sneaker culture. The company traces its origins to 1879 through the F.W. Woolworth Company. In 1963, Woolworth acquired the Kinney Shoe Corporation, which later, in 1974, launched the Foot Locker brand. Over the years, Foot Locker expanded its footprint, and, in 2001, the parent company rebranded itself as Foot Locker Inc., reflecting the brand's prominence within the organization. The company is listed on the New York Stock Exchange (NYSE: FL) and had a market capitalization of approximately $1.2bn prior to the deal announcement. Today, Foot Locker operates approximately 2,400 retail stores across 20 countries in North America, Europe, Asia, Australia, and New Zealand, with additional licensed store operations in the Middle East and parts of Asia. The company's portfolio includes Foot Locker, Kids Foot Locker, Champs Sports, WSS, and atmos – each catering to distinct consumer segments and regional markets.

In fiscal year 2024, Foot Locker generated revenues of $7.97bn, down 2.2% from 2023 and marking the third consecutive year of declining sales. Roughly two-thirds of total revenue came from the U.S. market, while international operations accounted for the remaining third. The core Foot Locker brand remains the largest contributor at $5.29bn, followed by Champs Sports ($1.16bn), Kids Foot Locker ($727m), and WSS ($660m). Atmos, the company's premium digitally led Japanese concept, contributed $138m (see Figure 2).

The company is renowned for its retail culture, most visibly embodied by its store associates – known as "Stripers" – who wear the brand's iconic black-and-white referee uniforms. These employees play a central role in shaping in-store sneaker experiences and reinforcing Foot Locker's identity as a curator of streetwear and athletic trends. Under the leadership of CEO Mary Dillon, Foot Locker continues to invest in concept stores such as Power Stores, Home Court formats, and House of Play, designed to deepen customer connection through interactive design and localized assortments.

Figure 2: Foot Locker Brand Revenue Split



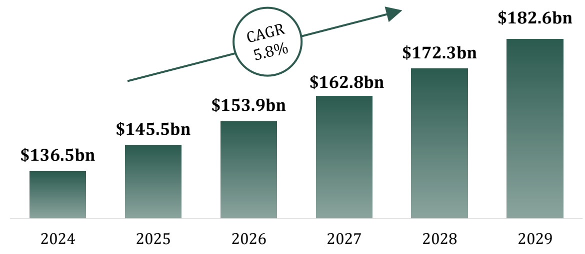
Source: Foot Locker 2024 Annual Report - own depiction

Industry Overview – Sporting Goods Retail

The global sporting goods retail industry is experiencing steady growth, underpinned by rising health consciousness, ongoing popularity of athleisure, increased participation in fitness and recreational activities, youth sports participation, and social media influence. Valued at approximately $145bn in 2025, the sporting and athletic goods market is projected to grow at a CAGR of nearly 6%, reaching almost $183bn by 2029 (see Figure 3).

While North America remains the largest regional market – driven by strong consumer spending and a deeply embedded sports culture – the Asia-Pacific region is the fastest-growing, supported by urbanization, rising disposable incomes, and expanding middle-class consumption. Meanwhile, e-commerce and omnichannel retailing have become essential components of the consumer journey, with more than 80% of consumers open to purchasing sporting goods online.

Figure 3: Sporting Goods Market Size



Source: The Business Research Company - own depiction

The U.S. market is led by players such as Dick's Sporting Goods, Academy Sports + Outdoors, Foot Locker, and Bass Pro Shops, each offering varying levels of product breadth, store format innovation, and geographic penetration. Despite prior shifts toward direct-to-consumer strategies, key brands like Nike and Adidas have re-engaged with wholesale partners in recent years, recognizing the value of scale, curated merchandising, and retail traffic. At the same time, emerging brands continue to gain ground through digital-first strategies and targeted marketing. To remain competitive, retailers have increasingly turned to exclusive product lines, experiential store concepts, and loyalty programs that drive consumer engagement and repeat purchases.

As the sector evolves, consolidation has become a defining feature of the landscape. M&A is being used to strengthen digital capabilities, expand customer reach, and improve supply chain leverage. The acquisition of Foot Locker by Dick's fits within this broader trend – creating a combined platform that spans suburban, urban, and international markets.

With the line between athletic performance and lifestyle fashion continuing to blur, the sporting goods retail industry is expected to remain dynamic, shaped by consumer expectations, brand partnerships, and omnichannel innovation.

Deal Structure

The acquisition of Foot Locker by Dick's is structured as a cash-and-stock transaction implying an equity value of approximately $2.4bn and an enterprise value of approximately $2.5bn. Under the terms of the agreement, Foot Locker shareholders will receive either $24.00 in cash or 0.1168 shares of Dick's common stock for each share they own, representing a 66% premium over Foot Locker's 60-day volume-weighted average price. The transaction has been unanimously approved by both companies' boards of directors and is expected to close in the second half of 2025, subject to customary regulatory clearances and approval by Foot Locker shareholders.

Dick's intends to finance the acquisition through a mix of cash on hand and new debt. Upon completion, Foot Locker will operate as a standalone business unit within Dick's broader portfolio, preserving its existing banners including Champs Sports, Kids Foot Locker, WSS, and atmos. The combined entity aims to leverage the complementary nature of their store footprints and customer segments, with Dick's maintaining a strong suburban presence and Foot Locker anchored in urban and international markets.

The transaction is expected to be accretive to earnings per share in the first full fiscal year post-close. Management projects between $100m and $125m in medium-term cost synergies, primarily through procurement and direct sourcing efficiencies, while ensuring continuity for customers and brand partners alike.

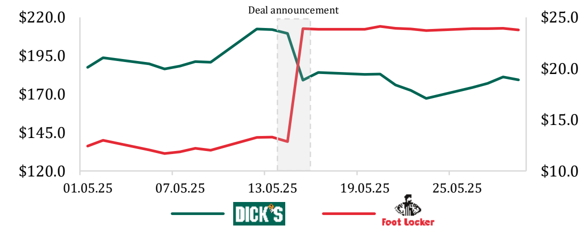
Potential Risks & Upsides

The acquisition of Foot Locker presents Dick's with a transformative opportunity to create a global platform in the growing sports retail industry. By combining Dick's predominantly suburban U.S. store network with Foot Locker's presence in urban markets and 20 international countries, the transaction significantly broadens the company's geographic footprint and customer reach. The combined entity will serve a wide spectrum of consumers, from performance-focused athletes to sneaker- and lifestyle-driven shoppers, including younger, multicultural demographics. Together, the companies bring differentiated experiential concepts – such as House of Sport and Reimagined Concept Stores – that enhance their ability to deliver immersive and innovative retail experiences.

From a brand partnership perspective, the merger consolidates two of Nike's largest wholesale accounts, significantly increasing the combined company's bargaining power with key suppliers. This scale advantage creates a stronger platform not only for legacy partners like Nike and Adidas, but also for emerging athletic and streetwear brands seeking global visibility. Furthermore, operating Foot Locker as a standalone business unit preserves the strength of its existing brands, while enabling synergies in omnichannel integration and loyalty program cross-pollination.

Still, the transaction is not without risk. The nearly 90% premium over Foot Locker's pre-announcement share price raised concerns over valuation, especially given Foot Locker's declining fundamentals, including a third consecutive year of revenue contraction. The market responded negatively, with Dick's share price falling 15% on the day of the announcement, signaling investor skepticism around the price and timing of the deal (see Figure 4).

Figure 4: Market Reaction to the Deal



Source: S&P Capital IQ - own depiction

Beyond valuation, integration presents its own challenges. Cultural differences between Dick's suburban, team-sport focus and Foot Locker's urban, youth-oriented identity could complicate integration. Analysts have noted that M&A in the retail sector has historically underperformed, with numerous poorly integrated transactions – increasing pressure on Dick's to deliver on promised synergies. While Foot Locker will operate as a standalone business unit, realizing integration benefits will nonetheless require precise execution to avoid repeating industry missteps. Finally, regulatory scrutiny is also a potential hurdle, particularly given the companies' collective footprint in the U.S. sneaker retail space.

Despite these concerns, the merger lays the groundwork for a category-defining player in global sports retail. Success will depend on Dick's ability to integrate operational strengths, preserve brand equity, and activate Foot Locker's underleveraged assets, positioning the combined company to capitalize on long-term growth trends across product, channel, and geography.