

Academy Sports + Outdoors: Where Should the Next Capital Go?

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On September 9, Academy Sports + Outdoors reported that second-quarter fiscal 2026 net sales increased 3.0%, even as comparable sales slipped 0.4%. Comparable transactions fell 5.3%, while average ticket rose 4.9%. E-commerce sales also grew, though the release and 10-Q reported different growth rates. [C1, MD&A p. 24; C2, Ex. 99.1 pp. 1-2]

The quarter's gross margin and earnings included a one-time IEEPA tariff-refund event. Academy's release said the net tariff-refund impact was \$0.06 per diluted share, including reinvestments. Meanwhile, management's fiscal 2026 plan still called for \$200-\$240 million of capital expenditures, with 60% forecast for new stores, 20% for corporate/e-commerce/IT, and 20% for existing stores, distribution centers, and other uses. The company said it reviews and adjusts the plan as business conditions change. [C1, MD&A p. 30; C2, Ex. 99.1 pp. 1, 3; C3, slide 11]

Imagine you are preparing a recommendation for Academy's capital-planning discussion. The assignment is hypothetical; Academy has not disclosed a board dispute or a binding funding constraint. What policy should guide the remaining fiscal 2026 investment plan and discretionary capital returns as store growth, digital activity, and comparable-store transactions send different signals?

A retailer with an integrated footprint

At August 1, 2026, Academy operated 327 stores across 21 contiguous states, supported by three distribution centers and an e-commerce platform. Its Q2 sales mix was 29% outdoor, 28% apparel, 24% sports and recreation, and 19% footwear. Academy describes its approach as localized merchandising across national and private/exclusive brands. [C1, MD&A pp. 20-21]

The store and digital channels are connected operationally and in the company's metrics. Comparable sales include stores open after 13 full fiscal months, all e-commerce sales, and credit-card revenue. Buy-online-pick-up-in-store (BOPIS) orders are classified as e-commerce. Academy said stores facilitated approximately 95% of first-half sales, including in-store sales, BOPIS, and ship-from-store. The company's Q2 presentation lists store growth, existing-business growth, omnichannel, supply chain, and talent among its strategic priorities. [C1, MD&A pp. 20-22; C2, Ex. 99.1 p. 3; C3, slides 5, 12-13]

Growth signals point in more than one direction

Q2 net sales reached \$1.647 billion, up 3.0% from the prior year. First-half sales reached \$3.089 billion, up 4.7%, and first-half comparable sales were up 1.1%. Q2 comparable sales, however, declined 0.4%. The filing attributes the Q2 decline to a 5.3% decrease in comparable transactions, partially offset by a 4.9% increase in average ticket. Category sales also varied: sports and recreation increased 6.3%, outdoor increased 4.4%, footwear declined 1.0%, and apparel was relatively constant. [C1, statements of income pp. 4-5, MD&A pp. 24-25]

The store cohort offers one favorable signal, but it does not reveal profitability. Twenty-one stores opened since Q2 fiscal 2025 generated \$61.5 million of Q2 net sales, including e-commerce. Since restarting its store program in 2022, Academy had opened 68 stores; 47 had been open at least 12 months and averaged approximately \$13 million of sales per store over the last 12 months, also including e-commerce. Management cautions that first-year performance depends partly on opening season and local brand awareness. The company did not report store-level contribution, payback, or return on invested capital for these cohorts. [C1, MD&A p. 24]

Digital growth is another signal, but Academy's two Q2 disclosures report different rates. The release headline says e-commerce sales increased 12.8%. The 10-Q says e-commerce net sales increased 14.1% and represented 12.1% of merchandise sales, versus 10.9% a year earlier. The filings do not reconcile the growth rates; the measures should be kept separately attributed. [C1, MD&A p. 24; C2, Ex. 99.1 p. 1]

The fiscal 2026 investment plan

Academy reported \$111.258 million of capital expenditures in the first half: \$60.085 million for new stores, \$28.774 million for corporate/e-commerce/IT programs, and \$22.399 million for existing stores, distribution centers, and other. Its fiscal 2026 capex guidance was \$200-\$240 million. The planned category mix was 60% new stores, 20% corporate/e-commerce/IT, and 20% existing stores/distribution centers/other. Management said it could adjust capital expenditures as business conditions change. [C1, MD&A p. 30]

Store openings were continuing. As of August 1, five stores had opened in fiscal 2026, including three in Q2; Academy planned 11 openings in Q3 and the balance of planned fiscal-year openings in Q4. On August 18, the company separately reported that two of the Q3 stores had opened, nine more were planned for that quarter, and seven stores had opened in calendar 2026 to date. Its 20-25 store plan for fiscal 2026 remained management guidance, not a completed result. [C1, MD&A p. 20; C2, Ex. 99.1 p. 2; C8]

A one-time benefit complicates the earnings picture

Q2 gross margin was 40.4%, compared with 36.0% a year earlier. Academy attributed 510 basis points of gross-margin favorability to the one-time tariff-refund benefit and 20 basis points to shrink, partly offset by 90 basis points of merchandise-margin pressure, including 70 basis points from strategic pricing reinvestments. [C1, MD&A p. 24]

The company's tariff-refund reconciliation shows why the \$83.7 million gross amount is not a recurring gain or a discretionary cash pool.

Exhibit 1. Management's Q2 tariff-refund reconciliation

Item	Amount	Company's description
IEEPA refunds received	\$83.7m	+510 basis points to Q2 gross margin
Strategic-pricing investment	\$(10.9)m	Reduces gross-margin benefit
Gross-margin benefit after pricing	\$72.8m	+440 basis points
Payment to buyer under earlier sale of refund rights	\$(72.2)m	Flows through other expense
Proceeds received in FY2025 and recognized in Q2	\$10.5m	Flows through other expense
Net tariff benefit through other expense	\$11.1m	+70 basis points
Customer-experience investment	\$(5.8)m	SG&A impact
Net Q2 impact	\$5.3m	+30 basis points; +\$0.06 diluted EPS after tax

Source: C1, Note 10 p. 15 and MD&A p. 24; C3, slide 11; C2, Ex. 99.1 p. 1. Amounts and basis points are issuer-reported and rounded. The company describes the refund as a one-time event. The components include refund-right monetization and reinvestment; \$83.7 million is not the net Q2 benefit.

Fiscal 2026 guidance left net sales at \$6.230-\$6.355 billion and comparable sales at 0% to +2%. The company raised gross-margin guidance to 35.5%-36.0%, GAAP diluted EPS to \$6.05-\$6.45, adjusted diluted EPS to \$6.50-\$6.90, and adjusted free cash flow to \$300-\$350 million. Adjusted measures are non-GAAP; Academy said it could not reconcile adjusted free-cash-flow guidance to the nearest GAAP measure without unreasonable effort. EPS guidance excludes potential future repurchases. [C2, Ex. 99.1 p. 3]

Liquidity and capital returns

At August 1, cash and cash equivalents were \$298.2 million. Academy, Ltd. had \$500 million of 5.875% senior secured notes due 2031; the company had no balance drawn on its \$1.0 billion ABL facility and reported approximately \$993.6 million of available borrowing capacity. Management said cash and ABL availability were sufficient for requirements over the next 12 months and the longer-term foreseeable future. This is management's liquidity assessment, not evidence of a binding capex constraint. [C1, balance sheet p. 3, MD&A pp. 28-29]

The company had returned capital while investing. First-half repurchases were \$180.505 million excluding unpaid excise taxes; the earnings release reported \$182.1 million including \$1.6 million of excise-tax fees. The \$700 million share-repurchase authorization had \$256.1 million remaining at August 1. It does not require any particular purchase amount and may be suspended, modified, or discontinued. First-half dividends paid were \$19.0 million; a \$0.15 per-share quarterly dividend was declared September 2. [C1, Note 2 pp. 8-9, MD&A pp. 29-30, Item 2 p. 36; C2, Ex. 99.1 p. 2]

Cash flow is seasonal. Academy reported \$349.0 million of operating cash flow during the first half, compared with \$236.0 million a year earlier. The filing says cash is typically used to build inventory before peak selling seasons; the year-over-year change also included

tariff-refund-related items and working-capital movements. Adjusted free cash flow is a non-GAAP measure and is not a measure of cash available for discretionary use after all debt and contractual obligations. [C1, cash-flow statement p. 7 and MD&A pp. 30-32]

Exhibit 2. Selected capital and liquidity measures

Measure	Amount / guidance	Boundary
H1 capital expenditures	\$111.258m	\$60.085m new stores; \$28.774m corporate/e-commerce/IT; \$22.399m existing stores/DC/other
FY2026 capex outlook	\$200-\$240m	Management guidance; category mix 60% / 20% / 20%
Cash and cash equivalents, Aug. 1	\$298.213m	Consolidated balance sheet
Notes principal	\$500m	5.875%, due 2031
ABL availability	\$993.610m	No borrowing balance outstanding at Aug. 1
Repurchase authorization remaining	\$256.1m	Of \$700m program; discretionary, not a minimum
H1 repurchases	\$180.505m / \$182.1m	10-Q excludes unpaid excise tax; release includes \$1.6m excise-tax fees

Sources: C1, balance sheet p. 3, Note 2 pp. 8-9, MD&A pp. 28-31, Item 2 p. 36; C2, Ex. 99.1 pp. 2-3. Amounts in USD; release and 10-Q repurchase figures use different excise-tax treatment.

The decision

As you prepare a recommendation for the hypothetical capital-planning discussion, what policy should Academy use for the adjustable fiscal 2026 plan? Your recommendation may combine or sequence the following directions:

1. **Continue the store-led pace.** Keep the disclosed emphasis on new stores, using market-specific evidence and clear reviews as cohorts mature.
2. **Shift incrementally toward existing-store, digital, or fulfillment investment.** Rebalance capex where evidence supports improved total customer economics across the integrated store/e-commerce system.
3. **Preserve financial flexibility and discretionary capital returns.** Protect seasonal operating needs and leave repurchases adjustable rather than treating the authorization as an obligation.

These are hypothetical policy alternatives, not company proposals or mutually exclusive budgets. Recommend decision rules, not a made-up dollar split. Explain what evidence would cause Academy to continue, pause, or rebalance commitments.

Discussion questions

- What do Q2 comparable transactions and average ticket suggest, and what do they not establish about customer demand?

- How should the store sales cohort be interpreted without store-level margin, cost, or payback data?
- What does the difference between the two reported e-commerce growth rates require from an analyst?
- Which components of the tariff-refund bridge should be excluded from a recurring performance assessment?
- How should the company compare new-store, existing-store, and digital initiatives when channels and fulfillment are linked?
- What liquidity, seasonal inventory, return, and project-level evidence should be required before adjusting capex or repurchase activity?

Source notes

- **C1:** Academy Sports and Outdoors, Inc., Form 10-Q, 13 and 26 weeks ended August 1, 2026, filed September 9, 2026. [SEC filing](#).
- **C2:** Academy Q2 FY2026 results, Form 8-K filed September 9, 2026, Ex. 99.1 furnished. [SEC exhibit](#).
- **C3:** Academy Q2 FY2026 presentation, Form 8-K filed September 9, 2026, Ex. 99.2 furnished. [SEC exhibit](#).
- **C8:** Academy, August 18, 2026 Q3 store-opening update. [Official release](#).