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Hibbett Sports Inc.

Consumer- Retail *December 20, 2010*

Company Description: *Hibbett Sports Inc. operates 789 sporting goods stores in the United States with most stores located in the Southeast. Hibbett is a full service sporting goods retailer that sells athletic shoes, apparel, accessories, outdoor and athletic equipment for team sports, fitness, tennis, golf, and other goods. The company was founded in 1945 and has its headquarters in Birmingham, AL.*

Initiating coverage with a HOLD rating and $38 price target

(HIBB - $39.68) HOLD

Key Points

We are initiating research coverage on Hibbett Sports Inc. (HIBB) with a HOLD rating and a $38 price target.

Hibbett's focus on smaller markets has proved successful while creating barriers of entry for competitors. HIBB's focus on developing stores in smaller markets has proven successful with a 30 year history of results. We think a key to HIBB's success has been the relative lack of competition in the markets where it operates as it "owns" each market with strong customer service and a focus on local and regional team sports. Historically HIBB has entered small markets by following Wal-Mart stores (WMT – not covered). We think this model has proven effective and expect the company to continue following this strategy. We note that we are bullish on the rural economy with improving consumer confidence and high farming profitability.

HIBB has attractive unit economics. HIBB's typical store is only 5,000 square feet and is typically located in strip malls. With its focus on smaller markets HIBB has generally found better real estate locations than if it opened in major metropolitan areas. The returns are impressive with low initial investment costs and high return on investment (>40%). In addition to the unit economics, HIBB's geographically concentrated stores help increase distribution efficiencies.

We think there are ample growth opportunities for HIBB. With 789 stores in 26 states, we think there are ample growth opportunities for HIBB. The stores are primarily located in the Southeast and we think there are opportunities to backfill in existing states without significant geographic expansion. HIBB has identified over 400 potential markets for future expansion which we expect to continue across the Sunbelt states. Following the Wal-Mart cotenant strategy, HIBB has over 1,000 potential locations to build only in the states where it currently operates. We expect unit growth of 4.3% and 4.1% in F2012 and F2013.

HIBB produces strong free cash flow and has a clean balance sheet. HIBB currently has over $50mm in net cash and we expect significant free cash flow (FCF) over the next two years. We project FCF per share of $1.58, $1.80 and $1.85 in F2011, F2012 and F2013, respectively. We currently model the company using the FCF primarily to repurchase shares, but note the company has lots of "dry powder" to invest in growth if management felt that was the correct strategy.

The company is facing more difficult comps in F2012 and we expect slower sales and earnings growth. Although we are encouraged by the impressive F2011 results year-to-date, we think the growth will slow as the company faces more difficult prior-year comps beginning in 4Q:F11. We project EPS growth of 48% in F2011, but expect this to slow to 13%-15% growth in F2012 and F2013.

INVESTMENT THESIS

We are initiating coverage with a HOLD rating and $38 price target. We are encouraged by the impressive results HIBB has produced year-to-date in F2011, but think the improvements are built into the current share price. HIBB shares have increased approximately 80% year-to-date versus a 25% increase in the Russell 2000 Index. HIBB shares are trading at a premium to its sporting goods peers and other retailers which trade between 12x-20x forward earnings with a mean of approximately 16x. Trading at 21.1x our F2012 EPS estimate we think the shares are fully valued. We derive our $38 price target by applying a 20x multiple to our F2012 earnings estimate of $1.88

Financial Summary

Rev(mil)	F2011E	F2012E	F2013E
Apr	$185A	$193E	$213E
Jul	$140A	$148E	$163E
Oct	$167A	$174E	$191E
Jan	$181E	$201E	$214E
FY	$672E	$716E	$781E
P/Sales	1.65x	1.55x	1.42x

EPS	F2011E	F2012E	F2013E
Apr	$0.59A	$0.64E	$0.75E
Jul	$0.14A	$0.18E	$0.22E
Oct	$0.44A	$0.48E	$0.55E
Jan	$0.49E	$0.57E	$0.64E
FY	$1.65E	$1.88E	$2.15E
P/E	24.0x	21.1x	18.5x

Price:	$39.68
52-Week Range:	$39.84-$20.77
Target:	$38.00
Rating:	HOLD
Shares Outstanding:	28.0 mil
Mkt. Capitalization:	$1,109 mil
Ave. Volume:	409,500
Instit. Ownership:	77%
BV / Share:	$6.49
Debt / Tot. Cap.:	0%
Est. LT EPS Growth:	15%

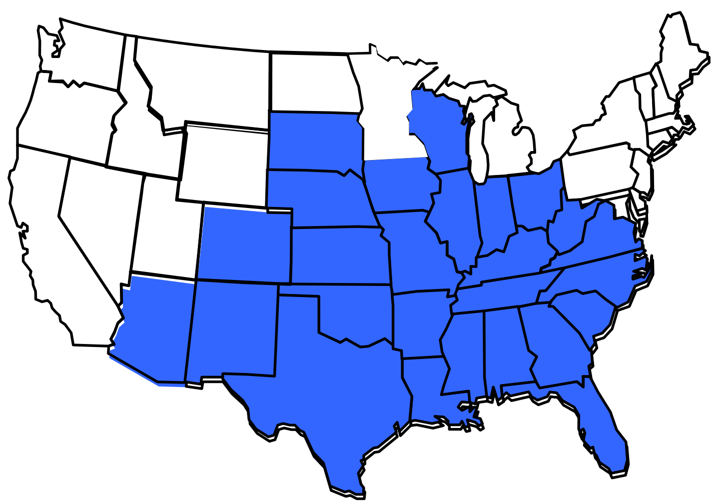
Please see important disclosures on pages 12 to 14.

Company Overview

Hibbett Sports is a rapidly-growing operator of sporting goods stores in small- to mid-sized markets predominantly in the Southeast, Mid-Atlantic and lower Midwest regions of the United States. As of October 30, 2010, Hibbett Sports operated a total of 789 retail stores composed of 769 Hibbett Sports stores, 16 Sports Additions athletic shoe stores and 4 Sports & Co. superstores in 26 states. Approximately 75% of Hibbett Sports' store base is located in strip centers, while approximately 25% are located in enclosed malls. The primary retail format is a 5,000-square-foot store located primarily in strip centers which are usually nearby a Wal-Mart store. Hibbett differentiates itself in smaller markets due to the extensive selection of quality brand-name merchandise, a high level of customer service and prime real estate locations. Hibbett's merchandise assortment emphasizes team sports complemented by localized apparel and accessories designed to appeal to a wide range of customers within each individual market.

Hibbett targets markets with county populations that range from 30,000 to 100,000. By targeting these smaller markets, Hibbett achieves important strategic advantages, including expansion opportunities, comparatively low operating costs and a more limited competitive environment than generally faced in larger markets. Hibbett's ability to merchandise to local sporting and community interests differentiates them from national competitors.

The Company was originally founded in 1945 under the name Dixie Supply Company in Florence, Alabama, specializing primarily in the marine and small aircraft business. In 1951, the Company started targeting school athletic programs in North Alabama and by the end of the 1950's had developed a profitable team sales business. The marine business was sold in 1960 and the company has focused solely on sporting goods since. The Company opened Dyess & Hibbett Sporting Goods in 1965 in Huntsville, Alabama. The next year another sporting goods store was opened in Birmingham and by the end of 1980, the Company had 12 stores in central and northwest Alabama with a distribution center located in Birmingham. The Initial Public Offering was in October of 1996 when the Company had 79 stores and was incorporated under the laws of the State of Delaware as Hibbett Sporting Goods, Inc. Hibbett Sports, Inc. became the successor holding company for Hibbett Sporting Goods, Inc. on February 10, 2007.



Management:

Michael J. Newsome, Chairman of the Board. Mr. Newsome has been with the company for over 40 years after first starting as an outside salesman. Mr. Newsome has served in his current role as Chairman of the Board since March of 2004 and on March 15, 2010 stepped down as CEO where he held the position since 1999; prior to that he was President from 1981 through August of 2004. During his 40 years with the company Mr. Newsome was also a retail clerk, outside salesman to schools, store manager, district manager, and regional manager.

Jeffry O. Rosenthal, President, Chief Executive Officer. Mr. Rosenthal has been Hibbetts' Vice President of Merchandising since August 1998 and was named President and Chief Operating Officer, effective February 2009 (Fiscal 2010). Mr. Rosenthal currently serves as Chief Executive Officer and President, effective March 15, 2010. Prior to joining Hibbett, Mr. Rosenthal was Vice President and Divisional Merchandise Manager for Apparel with Champs Sports, from 1981 to 1998.

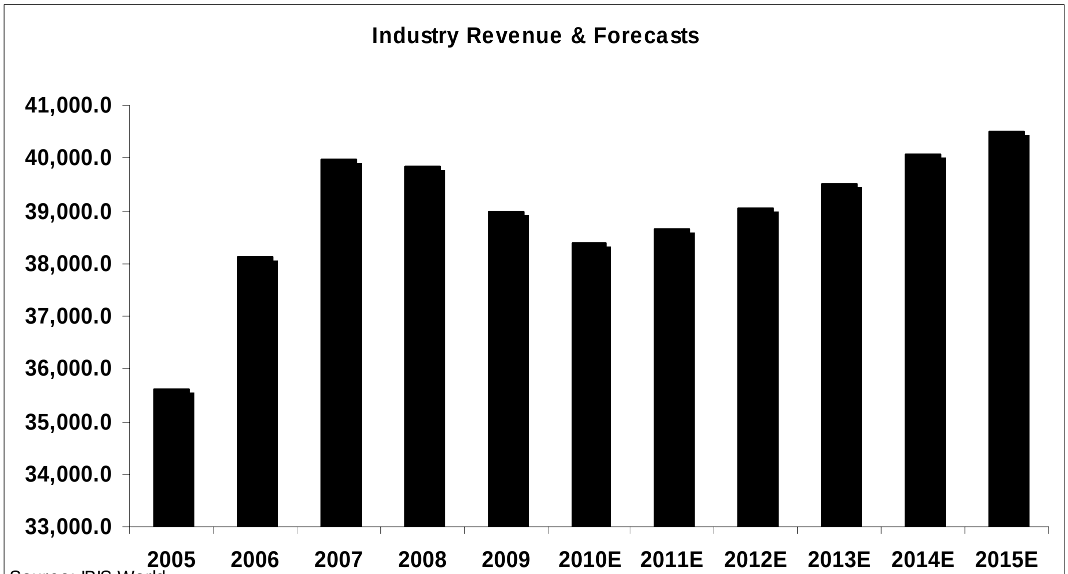
Gary A. Smith, Vice President, Principal Accounting and Chief Financial Officer. Mr. Smith has held his current roles since August of 2001. Prior to Hibbett, Mr. Smith was the Chief Financial and Accounting Officer for Moore-Handley, Inc. from 2000 to 2001. Mr. Smith was the Director of Finance for City Wholesale, Inc. from 1997 to 2000 and a Senior Vice President of Parisian, Inc. from 1979 to 1997.

Cathy E. Pryor, Senior Vice President of Store Operations. Ms. Pryor has held her current position as Sr. VP of Store Operations since 1995 and prior to 1995, Ms. Pryor held positions as a district manager and Director of Store Operations. Ms. Pryor has been with Hibbett since 1988.

Rebecca A. Jones, Senior Vice President of Merchandising. Ms. Jones has served in her current role as Senior Vice President of Merchandising since August of 2009. Prior to joining Hibbett, she served as Vice President/General Merchandise Manager-Crafts at Jo-Ann Fabric and Craft Stores since 2003 and as Vice President/Divisional Merchandise Manager at Wal-Mart Stores from 1999 to 2003. In her prior retail experience, Ms. Jones served in various operations, planning, buying and merchandising positions over the last 27 years.

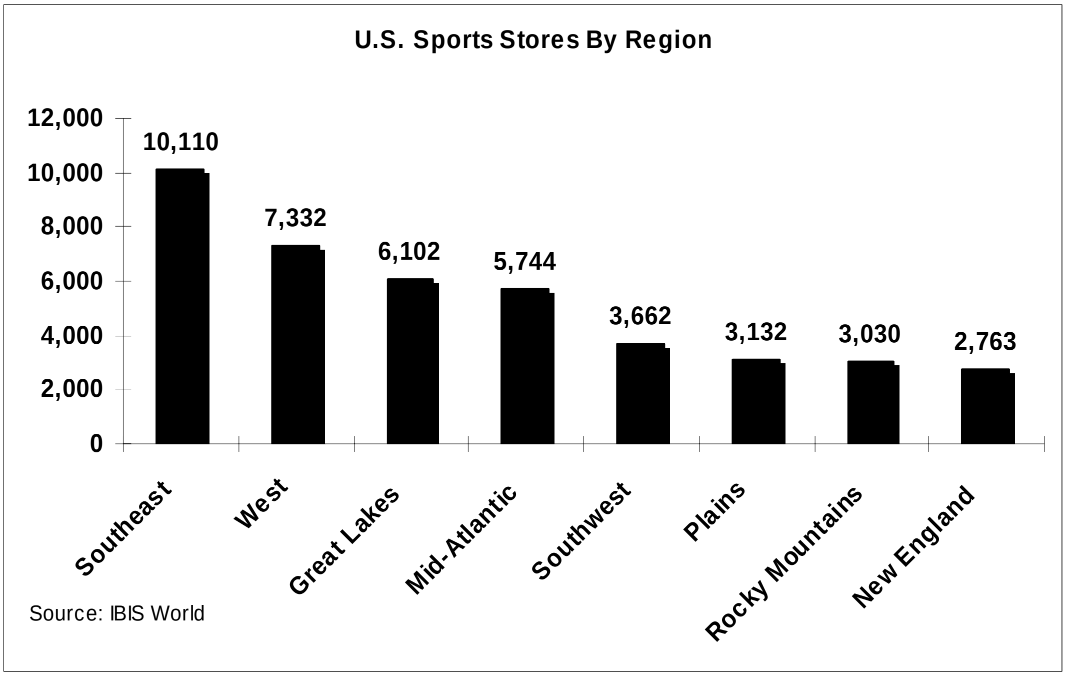
Industry

Sporting goods stores retail new sporting goods, including bicycles, camping equipment, exercise and fitness equipment, apparel, footwear and other sporting goods and accessories. Products are sourced from sporting goods manufacturers and wholesalers and sold to the general public via retail stores. According to IBISWorld, the sporting goods retail stores had annual revenue of $39 billion in 2009 and is projected to be $38.4 billion in 2010 and grow to $40.5 billion by 2015. This industry number is significantly higher when considering department stores and other mass merchants, which would put the industry total to around $125 billion.

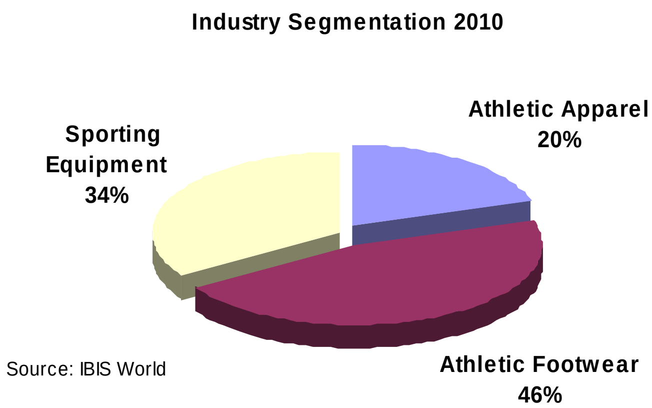


Source: IBIS World

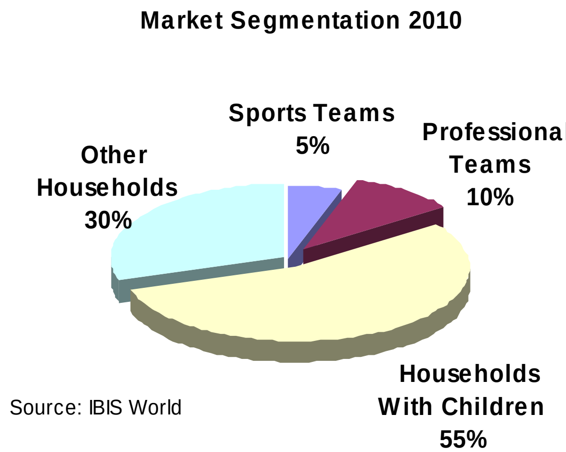
Demand for specialized sporting goods stores has been affected by increasing levels of competition from department stores and mass merchandisers. Industry operators have evolved from small family-owned businesses to large national chains with major buying power. Still, competition from larger department stores and mass merchandisers continues to threaten these businesses and negatively affect profit margins. Fluctuations in personal disposable income, sports participation and consumer sentiment have also affected revenue and will continue to be major factors that will affect the industry.



The Sporting Goods Industry is broken up into 3 product and services categories: sporting equipment, athletic apparel and athletic footwear.



The Sporting Goods Industry as a whole is broken up into 4 major market segments: sports teams, professional teams, households with children, and other households.



Competition

Dick's Sporting Goods Inc.

Dick's Sporting Goods operates as a full-line sporting goods retailer offering a broad assortment of brand name sporting apparel and footwear. Dick's operates 437 Sporting Goods stores in 42 states and an additional 79 Golf Galaxy stores in 29 states. Dick's stores generally contain five stand-alone specialty stores, and by creating a distinct look and feel for each specialty department, Dick's aims to heighten customer interest. The five specialty shops usually include the Pro Shop (golf store with putting green and hitting area), the Footwear Center (complete with a track for testing athletic shoes), the Cycle shop (designed to sell and service bikes), the Sportsman's Lodge (designed as an authentic bait and tackle store) and Total Sports (a seasonal sports display area). The Dick's Sporting Goods stores average about 56,000 square feet, while the Golf Galaxy stores average 16,000 square feet. Dick's Clothing and Sporting Goods was incorporated in 1948 by Dick Stack. The company changed its name to Dick's Sporting Goods in 1999 and went public in 2002. Dick's Sporting Goods acquired rival competitor Galyan's for about $305.0 million in 2004. Further acquisitions were undertaken in 2007, with the purchase of Golf Galaxy (65 golf superstores) for $226.0 million and Chick's (15 stores) for $71.0 million, with the latter converted to Dick's Sporting Goods stores in Q2 2009.

Big 5 Sporting Goods

Big 5 Sporting Goods is a leading sporting goods retailer in the western United States, operating 391 stores in 12 states. With an average store space of 11,000 square feet, Big 5 is smaller than superstores that typically average over 35,000 square feet. With smaller stores, Big 5 has more flexibility regarding new store locations allowing them to be in both major metropolitan areas and in areas with as few as 50,000 people, which is something its larger competitors cannot do. Since Big 5's stores are smaller than its competitors, new store openings require relatively low investment and typically a short amount of time before generating profits.

The Sports Authority, Inc.

The Sports Authority is regarded as one of the largest sporting goods store in the United States. The Sports Authority sells sports equipment, general merchandise, shoes and apparel. The company operates over 450 retail stores in 45 states and trades under The Sports Authority, Gart Sports and Sportmart storefronts. The company also operates online retail via an agreement with GSI Commerce and about 40 stores in Japan via a joint venture with AEON. The Sports Authority was established by Jack Smith in 1987. In 1998, the company agreed to be purchased by Venator Group (now Foot Locker) for over $500.0 million. However, Gart Sports placed a counter bid of $442.0 million to merge with the company. In January 2006, Sports Authority agreed to be purchased in a leveraged buyout by affiliates of Leonard Green & Partners a private equity investment firm, in a transaction valued at $1.4 billion. Shareholders approved the deal in 2006 and The Sports Authority went private.

Academy Sports & Outdoors

Academy Sports & Outdoors is a private company operating over 100 stores throughout the South and Southwest regions of the U.S in 11 states. Academy's product offerings focus on apparel and equipment for outdoor activities such as camping, hunting, fishing and boating. Academy stores are generally painted white on outside, with red and blue signage. On the inside, they are similarly painted white, giving stores an open, clean appearance. With over 100,000 square feet the floor plan in all stores are similar. Walking into the store, team sports and footwear are on the left wall, camping on the back wall, hunting and fishing on the right wall, apparel in the middle and the registers on the front wall, leading to the exit.

Many stores feature a small putting green to test out putters on in its Golf Shop. The company has focused on low prices and a large selection to double revenues from $1 billion in 2004 to $2 billion today. The company was founded in 1938 by Max Gochman in San Antonio, TX.

Steady, Consistent Growth

We think HIBB has a unique and proven business model with a management team dedicated to operating under a proven plan. We think the strategy of opening full-service sporting goods stores in smaller markets has been proven successful with over 30 years of experience. We think the focus on team sports with local and regional merchandise helps build goodwill with customers in its markets while a local advertising program and low competition make HIBB the go-to sporting goods stores in its markets. We expect stable unit growth and think there are opportunities for HIBB to boost future results through more aggressive expansion, expanding the footprint of existing stores and online retailing.

Small market business model

HIBB generally opens stores in cities with a population between 30,000 and 100,000 people. These markets have several advantages over opening in larger markets such as low competition, loyal customers, effective local advertising opportunities, inexpensive real estate and low barriers to entry. HIBB has historically followed Wal-Mart stores into these markets which has proven to be an effective strategy as HIBB is often times the only full-service sporting goods retailer. Management has focused on strong customer service with training for its employees, up-to-date systems, a broad assortment of athletic equipment including apparel and footwear and a focus on local and regional team sports. We think customers are generally loyal to Hibbett stores due to lack of nearby competition, strong brand awareness and effective customer service. By following the basic “blocking and tackling” of retailing HIBB has gained a dominant position in most of its markets. We think the rural economy could see more robust consumer spending than metropolitan areas with lower unemployment and rising farm profitability driving the growth.

Product assortment

HIBB offers a wide assortment of products with the key categories being footwear at approximately 40% of sales, apparel at approximately 40%, and hardgoods composing the remainder. Nike is the company’s largest vender with approximately 50% of purchases. Strong footwear sales help drive traffic and ticket while the stores offer most sporting goods that are needed for the markets it operates in. We think the recent strength in footwear has helped boost 2010’s results. We note that the company has successfully adjusted its product mix with new trends to help boost results; examples of this include toning footwear and outdoor apparel which have become large sellers in the stores. We think the company is nimble with its inventory and can boost results in team sales as certain teams at the pro or collegiate level do well.

Unit growth

HIBB slowed new unit growth in F2010 due to a weak economy, but increased the pace slightly in F2011. We expect 3.9% net unit growth in F2011 following the 3.0% growth in F2010. We project net unit growth will increase to 4.3% and 4.1% in F2012 and F2013, respectively, but note the growth could be more robust if the company decides to be more aggressive. We do not expect significant geographic expansion as the company currently operates in 26 states and management has indicated over 400 potential locations could be backfilled in the current states. The company has taken advantage of the opportunity to take over former Movie Gallery locations and convert them to HIBB stores. The company completed seven conversions through 3Q:F11 and has the opportunity to expand that number dramatically. Additionally, the company has been expanding the selling footprint in existing stores by adding an additional 2,500-3,000 square feet. These expansions are relatively inexpensive, add little to no labor increase and have seen sales bumps of 15%-20%. We think there are ample opportunities for HIBB to grow in existing markets for the next few years, but note that the company could become more aggressive in unit growth due to the pristine balance sheet and strong cash flow. We think Texas and the Midwest offers the best growth opportunities.

Same-store sales growth

HIBB has produced 13% same-store sales growth this year through the 3Q due to exciting assortments and an improving consumer environment. We are encouraged by the growth and think the company can continue to increase same-store sales following the existing strategy. We expect same-store sales will slow from the current pace and project 2.3% and 4.9% same-store sales growth in F2012 and F2013, respectively. HIBB spends very little on advertising and could have the potential to boost sales through a modest increase in ad spending, in our view. We view another lever for sales would be developing an e-commerce business. We think the company is a few years away from offering a respectable e-commerce business, but think the customer loyalty the brand has could help it gain market share and customer satisfaction by offering this service.

Margin improvement

Similar to our views on improving same-store sales, we think management will continue to operate stores according to the current business plan and do not expect any significant changes to operations. As sales have improved the company has been able to leverage the increased revenue. Gross profit has increased 195 basis points through the third quarter and we think more expansion is possible. HIBB has industry leading gross profit margins (we project 34.6% in F2011). We think that as the company continues to produce positive same-store sales that gross profit margins can expand further. HIBB runs a lean model with SG&A of approximately 21% and we think the company can leverage this as sales increase. We project operating margins will expand above 12% in F2013 compared to 8.8% in F2010.

Improving the Financial Profile:

Balance Sheet

HIBB has a pristine balance sheet with $52.3mm in net cash at the end of 3Q:F11 compared to $24.8mm in net cash a year ago. We think the clean balance sheet gives the company the opportunity to boost store growth if it chooses to grow more aggressively than we now anticipate. Inventory levels expanded in 3Q:F11 to $178mm compared to $171mm the prior year. Management seems at ease with the increased inventory and we expect the company will see impressive sell through rates in 4Q:F11. We expect the company will continue using excess cash to repurchase shares rather than increase capital expenditures dramatically. We expect the cash balance will expand to approximately $80mm at year-end F2013.

Cash Flow

We project HIBB will produce nearly $46mm in free cash flow (FCF) in F2011, $1.58 per share, compared to $0.94 per share in FCF in F2010. HIBB produces strong free cash flow due to its industry leading margins and low capital expenditures. We project FCF per share will expand to $1.80 and $1.85 in F2012 and F2013, respectively. The free cash yield of 4.4% is attractive given HIBB is still growing new stores. We think management will use the majority of the free cash flow to repurchase stock and model $42mm and $50mm in share repurchases in F2012 and F2013, respectively, compared to nearly $30mm repurchased in the first three quarters of F2011. HIBB still has approximately $220mm in its share repurchase authorization. Management has indicated that it may use its cash to pay a dividend, but we think the company has a few more years before moving to a dividend given the opportunity to repurchase shares and continue growing through new store expansion.

Recent Results

We are encouraged by the strong results thus far in F2011. Year-to-date HIBB has produced same-store sales growth of 13%, revenue growth of 15.3%, gross profit has increased 195 bps and EPS is up 60% year-over-year. We think this is due to the company following its proven business strategy of opening new stores in small markets where it can “own” the competition, driving sales through attractive product assortments, high store-level margins with leverage from increasing same-store sales and maintaining low corporate overhead. We think sales have been especially boosted by strong footwear sales which help drive traffic and a higher average check. We are encouraged by the strong free cash flow which the company has used to repurchase shares.

Outlook and Valuation

Although we are encouraged by the strong F2011 results year to date, we think the performance is reflected in the current share price. We think same-store sales and earnings growth will slow in F2012 and F2013 due to tough prior year comps. We note that 4Q:F10 had the perfect storm for HIBB of favorable weather, Alabama playing in the National Championship game, and New Orleans winning the Super Bowl. We note that Auburn playing for the National Championship this year should be fairly comparable, but the Super Bowl is still up in the air and weather trends could negatively impact results. We project 4Q:F11 same-store sales growth of 4.5% despite the first three weeks of the quarter producing 19% same-store sales growth. We think the consumer environment is better this year, but are hesitant to call the recovery complete.

We project EPS of $1.65, $1.88 and $2.15 in F2011, F2012 and F2013, respectively. EPS growth will slow to the low teens, in our view, in F2012 and F2013 following the expected 48% EPS growth in F2011. We project 4.3% and 4.1% unit growth in F2012 and F2013, respectively along with same-store sales growth of 2.3% and 4.9%, respectively, leading to our revenue growth expectations of 6.5% and 9.0%, respectively, following our F2011 growth expectation of 13.3%. We think the company can leverage the increasing sales and expand operating margins to 11.4%, 11.9% and 12.3% in F2011, F2012 and F2013. HIBB could increase the unit growth and sales growth, in our view if the company increased capital expenditures to open more units. We expect the company will follow a modest growth plan given the uncertain economic environment and the conservative nature of management.

HIBB shares have increased approximately 80% in 2010 versus a 25% rise in the Russell 2000 Index. We think the positive results and the expectations for continued growth are fully reflected in the current share price. HIBB shares currently trade at 21.1x our F2012 EPS estimate versus its sporting goods retailer peers which trade on average at approximately 16x forward earnings. Additionally, HIBB is trading at a premium to large box retailers and mall based retailers which trade on average at 15x to 16x forward earnings. We think HIBB should trade at a premium to most of its peers given the strong revenue and earnings growth and derive our $38 price target by applying a 20x multiple to our F2012 EPS estimate of $1.88. With no upside potential to our price target, we are initiating coverage with a HOLD rating. We would turn more positive if the company expanded more aggressively than we now anticipate while maintaining high margins, if same-store sales are higher than expected or if the shares traded below $32 with no change in fundamentals.

Hibbett Sports Inc. Income Statement

	Fiscal Year	Fiscal Year	Apr-10	Jul-10	Oct-10	Jan-11	Fiscal Year	Apr-11	Jul-11	Oct-11	Jan-12	Fiscal Year	Apr-12	Jul-12	Oct-12	Jan-13	Fiscal Year
$ in thousands except per share amounts	**2009A**	**2010A**	Q1 A	Q2 A	Q3 A	Q4 E	**2011E**	Q1 E	Q2 E	Q3 E	Q4 E	**2012E**	Q1 E	Q2 E	Q3 E	Q4 E	**2013E**
Revenue	564,188	593,492	184,506	139,819	167,420	180,588	672,333	192,660	148,232	174,168	201,093	716,153	213,426	162,807	190,974	213,612	780,820
Cost of Sales																	
Cost of Sales	378,817	397,292	118,397	95,044	108,361	118,105	439,907	123,591	100,502	112,687	131,716	468,496	136,593	110,139	123,560	139,596	509,888
Gross Profit	**185,371**	**196,200**	**66,109**	**44,775**	**59,059**	**62,484**	**232,427**	**69,069**	**47,731**	**61,481**	**69,377**	**247,658**	**76,834**	**52,668**	**67,414**	**74,017**	**270,932**
Operating Profit Margin	32.9%	33.1%	35.8%	32.0%	35.3%	34.6%	34.6%	35.9%	32.2%	35.3%	34.5%	34.6%	36.0%	32.4%	35.3%	34.7%	34.7%
General & Administrative	123,075	129,888	34,941	34,917	35,603	36,569	142,030	36,220	36,020	36,575	40,219	149,034	39,911	39,399	39,723	42,509	161,542
Depreciation and Amortization	14,324	13,905	3,492	3,377	3,369	3,360	13,598	3,350	3,320	3,315	3,300	13,285	3,315	3,330	3,325	3,330	13,300
Operating Income	**47,972**	**52,407**	**27,676**	**6,481**	**20,087**	**22,554**	**76,798**	**29,498**	**8,390**	**21,591**	**25,858**	**85,338**	**33,608**	**9,939**	**24,366**	**28,178**	**96,091**
Operating Margin	8.5%	8.8%	15.0%	4.6%	12.0%	12.5%	11.4%	15.3%	5.7%	12.4%	12.9%	11.9%	15.7%	6.1%	12.8%	13.2%	12.3%
Interest Expense	619	57	6	44	13	14	77	15	19	14	16	64	17	20	16	17	70
Pretax Income	**47,353**	**52,350**	**27,670**	**6,437**	**20,074**	**22,540**	**76,721**	**29,483**	**8,371**	**21,577**	**25,842**	**85,274**	**33,591**	**9,919**	**24,350**	**28,161**	**96,021**
Income Tax	17,905	19,801	10,329	2,424	7,486	8,453	28,692	11,204	3,181	8,199	9,820	32,404	12,764	3,769	9,253	10,701	36,488
Tax Rate	37.8%	37.8%	37.3%	37.7%	37.3%	37.5%	37.4%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%
Net Income, Common	**29,448**	**32,549**	**17,341**	**4,013**	**12,588**	**14,088**	**48,030**	**18,280**	**5,190**	**13,378**	**16,022**	**52,870**	**20,826**	**6,150**	**15,097**	**17,460**	**59,533**
Fully Diluted Common EPS	**1.02**	**1.12**	**0.59**	**0.14**	**0.44**	**0.49**	**1.65**	**0.64**	**0.18**	**0.48**	**0.57**	**1.88**	**0.75**	**0.22**	**0.55**	**0.64**	**2.15**
EPS Growth Rate	5.7%	10.0%	56.8%	257.8%	44.9%	22.7%	47.9%	9.2%	35.0%	9.1%	16.2%	13.6%	16.0%	20.4%	14.9%	11.0%	14.6%
Diluted Shares Outstanding	**28,954**	**29,089**	29,364	29,389	28,802	28,550	**29,026**	28,350	28,150	28,050	27,950	**28,125**	27,850	27,700	27,550	27,450	**27,638**
Same-store sales	0.5%	0.7%	14.5%	11.9%	12.5%	4.5%	10.9%	0.3%	1.4%	0.7%	6.9%	2.3%	7.5%	5.7%	5.0%	1.2%	4.9%
Number of stores	745	767	767	774	789	797	797	800	808	818	831	831	838	844	854	865	865
EBITDA	62,296	66,312	31,168	9,858	23,456	25,936	90,418	32,873	11,765	24,966	29,233	98,838	37,008	13,339	27,766	31,578	109,691

Hibbett Sports Inc. Balance Sheet

	Fiscal Year	Apr-08	Jul-08	Oct-08	Fiscal Year	Apr-09	Jul-09	Oct-09	Fiscal Year	Apr-10	Jul-10	Oct-10	Fiscal Year	Fiscal Year	Fiscal Year
	2008A	Q1A	Q2A	Q3A	**2009A**	Q1A	Q2A	Q3A	**2010A**	Q1A	Q2A	Q3A	**2011E**	**2012E**	**2013E**
Current assets:															
Cash and cash equivalents	10,742	6,548	14,114	6,525	20,650	34,606	15,568	24,819	49,691	71,354	65,956	52,492	63,233	74,508	79,016
Inventories	141,406	151,253	165,885	162,315	151,776	154,983	174,564	171,202	169,394	165,056	177,758	178,076	177,000	186,000	197,000
Other current assets	13,839	14,196	19,560	16,472	13,339	14,606	16,277	13,039	12,435	15,635	23,153	15,895	16,000	15,500	16,250
Total current assets	**165,987**	**171,997**	**199,559**	**185,312**	**185,765**	**204,195**	**206,409**	**209,060**	**231,520**	**252,045**	**266,867**	**246,463**	**256,233**	**276,008**	**292,266**
Long-term assets:															
Property and equipment	121,737	124,185	126,288	128,414	131,624	133,410	134,308	134,804	136,256	136,716	138,009	140,986	143,500	150,050	157,250
Less depreciation and amortization	75,232	78,134	81,360	83,650	86,315	88,468	90,804	92,684	95,172	97,916	99,977	102,530	104,750	112,500	121,000
Property and equipment	46,505	46,051	44,928	44,764	45,309	44,942	43,504	42,120	41,084	38,800	38,032	38,456	38,750	37,550	36,250
Other assets, net	4,242	4,537	4,150	4,024	4,013	3,938	3,976	3,884	4,100	4,747	5,188	5,385	5,400	5,600	5,750
Total assets	**216,734**	**222,585**	**248,637**	**234,100**	**235,087**	**253,075**	**253,889**	**255,064**	**276,704**	**295,592**	**310,087**	**290,304**	**300,383**	**319,158**	**334,266**
Current liabilities:															
Accounts payable	64,125	63,415	66,823	59,199	64,460	67,914	68,309	61,445	64,949	60,560	77,304	71,522	75,000	77,000	78,000
Short-term debt	0	10,699	29,500	14,943	0	0	0	0	117	0	3,308	217	217	0	0
Accrued payroll expenses	4,432	2,758	5,551	4,362	0	0	0	0	8,012	3,928	6,802	6,149	6,200	6,000	6,400
Deferred rent	4,379	4,392	4,885	4,516	4,445	4,327	4,215	4,780	4,915	4,746	4,354	4,096	4,200	4,050	4,250
Income taxes payable	688	5,147	0	0	0	0	0	0	2,459	8,532	0	0	0	0	0
Other accrued expenses	2,980	2,459	3,314	3,107	9,805	10,757	9,552	8,276	3,485	4,054	4,524	4,281	4,000	4,000	4,000
Total current liabilities	**76,604**	**88,870**	**110,073**	**86,127**	**78,710**	**82,998**	**82,076**	**74,501**	**83,937**	**81,820**	**96,292**	**86,265**	**89,617**	**91,050**	**92,650**
Long-term liabilities:															
Deferred rent	18,012	17,825	16,547	17,123	16,543	16,310	15,892	14,966	14,224	13,253	13,005	12,966	12,650	11,350	10,000
Other long-term liabilities	3,063	3,261	3,402	3,126	3,259	3,669	3,804	3,276	3,464	3,779	3,825	4,136	4,200	4,300	4,150
Total liabilities	**97,679**	**109,956**	**130,022**	**106,376**	**98,512**	**102,977**	**101,772**	**92,743**	**101,625**	**98,852**	**113,122**	**103,367**	**106,467**	**106,700**	**106,800**
Stockholders' equity:															
Common stock	362	362	362	363	363	364	364	364	364	366	366	367	368	371	374
Additional paid-in capital	87,142	88,284	89,479	90,935	92,153	94,763	95,673	97,102	98,107	102,463	103,575	106,083	103,910	111,579	117,051
Retained earnings	181,555	190,927	195,718	203,370	211,003	221,915	223,024	231,799	243,552	260,893	264,906	277,494	291,582	344,452	403,985
Treasury stock	(150,004)	(166,944)	(166,944)	(166,944)	(166,944)	(166,944)	(166,944)	(166,944)	(166,944)	(166,982)	(171,882)	(197,007)	(201,944)	(243,944)	(293,944)
Total stockholders' equity	**119,055**	**112,629**	**118,615**	**127,724**	**136,575**	**150,098**	**152,117**	**162,321**	**175,079**	**196,740**	**196,965**	**186,937**	**193,916**	**212,458**	**227,466**
Total liabilities and stockholders' equity	**216,734**	**222,585**	**248,637**	**234,100**	**235,087**	**253,075**	**253,889**	**255,064**	**276,704**	**295,592**	**310,087**	**290,304**	**300,383**	**319,158**	**334,266**

Hibbett Sports Inc. Cash Flow Statement

	Fiscal Year 2009A	Apr-09 Q1	Jul-09 Q2	Oct-09 Q3	Jan-10 Q4	**Fiscal Year 2010A**	Apr-10 Q1	Jul-10 Q2	Oct-10 Q3	**Fiscal Year 2011E**	**Fiscal Year 2012E**	**Fiscal Year 2013E**
Cash flow from operations:												
Net income	29,448	10,912	1,109	8,775	11,753	32,549	17,341	4,013	12,588	48,030	52,870	59,533
Adjustments to net income:												
Depreciation and amortization	14,324	3,265	3,537	3,525	3,578	13,905	3,492	3,377	3,369	13,620	13,500	13,600
Stock based compensation expense	3,556	1,692	801	830	834	4,157	1,491	950	1,255	4,400	4,550	4,700
Other non-cash adjustments to net income	(800)	(386)	(628)	(1,429)	(539)	(2,982)	(732)	(1,501)	(743)	(3,000)	(1,850)	(2,800)
Change in operating assets and liabilities:	(7,531)	(1)	(21,858)	(704)	11,848	(10,715)	(1,300)	(8,298)	526	(6,891)	(7,050)	(9,300)
Net cash flow from operations	**38,997**	**15,482**	**(17,039)**	**10,997**	**27,474**	**36,914**	**20,292**	**(1,459)**	**16,995**	**56,159**	**62,020**	**65,733**
Cash flow from investing:												
Capital expenditures	(13,697)	(2,576)	(2,088)	(2,310)	(2,631)	(9,605)	(1,275)	(2,284)	(2,898)	(10,300)	(11,500)	(13,500)
Other, net	(84)	141	(9)	(12)	(118)	2	(187)	32	(81)	(200)	0	0
Net cash flow from investments	**(13,781)**	**(2,435)**	**(2,097)**	**(2,322)**	**(2,749)**	**(9,603)**	**(1,462)**	**(2,252)**	**(2,979)**	**(10,500)**	**(11,500)**	**(13,500)**
Cash flow from financing:												
Cash used for stock repurchases	(16,940)	0	0	0	0	0	0	(4,919)	(25,000)	(35,000)	(42,000)	(50,000)
Net proceeds (payments) on credit facility and leases	0	0	(29)	(23)	(25)	(77)	0	2,998	(3,065)	(217)	0	0
Proceeds from exercise of stock options	1,244	653	64	35	274	1,026	2,041	169	413	2,950	2,600	3,100
Other, net	388	256	63	564	(102)	781	792	65	172	150	155	175
Net cash flow from financing	**(15,308)**	**909**	**98**	**576**	**147**	**1,730**	**2,833**	**(1,687)**	**(27,480)**	**(32,117)**	**(39,245)**	**(46,725)**
Beginning cash	10,742	20,650	34,606	15,568	24,819	20,650	49,691	71,354	65,956	49,691	63,233	74,508
Change in cash	**9,908**	**13,956**	**(19,038)**	**9,251**	**24,872**	**29,041**	**21,663**	**(5,398)**	**(13,464)**	**13,542**	**11,275**	**5,508**
Ending cash	20,650	34,606	15,568	24,819	49,691	49,691	71,354	65,956	52,492	63,233	74,508	80,016
Free cash flow	25,300	12,906	(19,127)	8,687	24,843	27,309	19,017	(3,743)	14,097	45,859	50,520	52,233
FCF/share	0.87	0.45	(0.66)	0.30	0.85	0.94	0.65	(0.13)	0.49	1.58	1.80	1.89

Analyst Certification

I, Mark E. Smith, certify that the views expressed in this research report accurately reflect my personal views about the subject company and its securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation related to the specific recommendations expressed in this report.

Important Disclosures:

The analyst or a member of his/her household does not hold a long or short position, options, warrants, rights or futures of this security in their personal account(s).

As of the end of the month preceding the date of publication of this report, Feltl and Company did not beneficially own 1% or more of any class of common equity securities of the subject company.

There is not any actual material conflict of interest that either the analyst or Feltl and Company is aware of.

The analyst has not received any compensation for any investment banking business with this company in the past twelve months and does not expect to receive any in the next three months.

Feltl and Company has not been engaged for investment banking services with the subject company during the past twelve months and does not anticipate receiving compensation for such services in the next three months.

Feltl and Company has not served as a broker, either as agent or principal, buying back stock for the subject company's account as part of the company's authorized stock buy-back program in the last twelve months.

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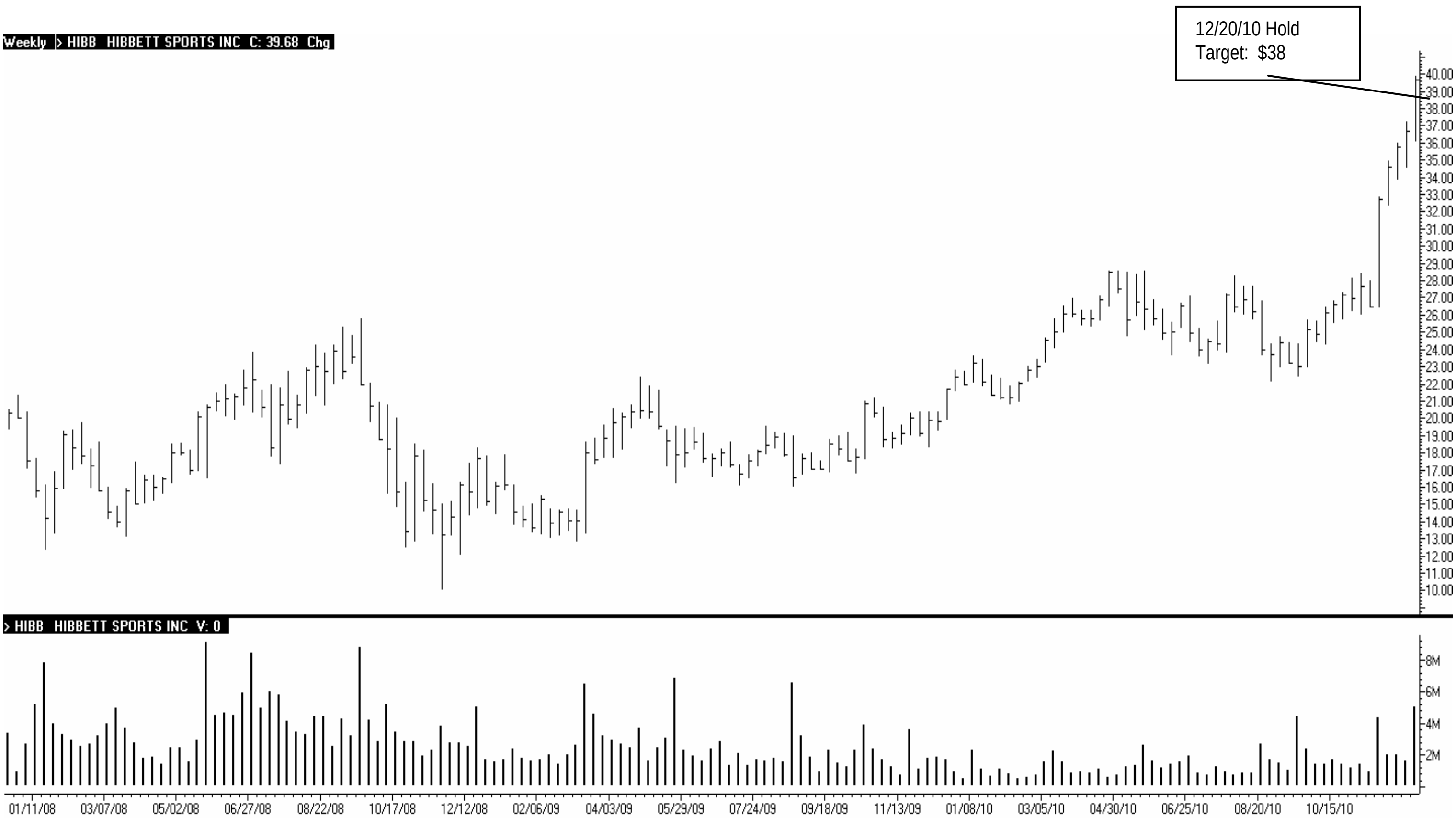
Strong Buy: The stock is expected to have total return potential of at least 30%. Catalysts exist to generate higher valuations, and positions should be initiated at current levels.
Buy: The stock is expected to have total return potential of at least 15%. Near term catalysts may not exist and the common stock needs further time to develop. Investors requiring time to build positions may consider current levels attractive.
Hold: The stock is expected to have total return potential of less than 15%. Fundamental events are not present to make it either a Buy or a Sell. The stock is an acceptable longer-term holding.
Sell: Expect a negative total return. Current positions may be used as a source of funds.

12/20/2010

Ratings Distribution for Feltl and Company

Rating	Number of Stocks	Percent of Total	Investment Banking: Number of Stocks	Investment Banking: Percent of Rating category
SB/Buy	33	66%	0	0%
Hold	17	34%	0	0%
Sell	0	0%	0	0%
	50	100%	0	0%

The above represents our ratings distribution on the stocks in the Feltl and Company research universe, together with the number in (and percentage of) each category for which Feltl and Company provided investment-banking services in the previous twelve months.



Date	Nature of Report	Rating	Price Target
12/20/10	Initiation @ $39.68	Hold	$38.00

Feltl and Company **does** make a market in the subject security at the date of publication of this report. As a market maker, Feltl and Company could act as principal or agent with respect to the purchase or sale of those securities.

Valuation and Price Target Methodology:

We derive our $38.00 price target by applying a 20x multiple to our F2012 EPS estimate of $1.88.

Risks to Achievement of Estimates and Price Target:

- The retail business is extremely competitive and competition for customers through lower prices may negatively impact HIBB's returns. Discounted prices at HIBB's largest competitors may cause the company to lower prices to maintain its market share.
- HIBB's business may be impacted by consumers' discretionary spending and confidence. Macroeconomic factors such as increasing gasoline prices, unemployment and generally tough economic times may negatively impact consumers' retail spending. Changing consumer trends could also have a negative impact on sales.
- HIBB's stores are highly concentrated in the Southeastern United States. Economic problems in this area could impede results.
- Severe weather may slow sales for HIBB as this could have a negative impact on outdoor activities.
- HIBB's business is highly seasonal with high revenue and the majority of following certain sports schedules. If weather or the popularity of certain sports changes, it could have a large impact on revenue and earnings.
- HIBB has a single distribution center to service its business. Any natural disaster or other serious disruption to the distribution center due to fire, earthquake or any other cause could damage a significant portion of HIBB's inventory and could materially impair both the ability to adequately stock stores and net sales and profitability.
- The company is dependant on its vendors. Any disruption in the supply chain could have a negative impact on results. Geo-political disruptions could impact the supply chain as many of HIBB's vendors operate in foreign markets.
- HIBB has one large vendor, Nike, which accounts for approximately 50% of its purchases. Any change in the relationship between HIBB and Nike could have potentially negative results for HIBB.
- A disruption in the flow of imported merchandise or an increase in the cost of those goods could significantly decrease HIBB's net sales and operating income.
- Readers should recognize that the risks noted here do not represent a comprehensive list of all risk factors or potential issues, nor all factors that may preclude achievement of our forecast or price target. Additional risk factors exist and are outlined in the Company's SEC filings.

Other Disclosures:

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