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Amid COVID Recovery, These 6 Athletic Stocks Are Expected to Outperform

By Samantha McDonald

Inside Foot Locker's "Power Store" in the Washington Heights neighborhood in New York.

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Even as the country's COVID-19 recovery takes shape, Wall Street continues to bet heavily on the athletic sector — with several stocks poised to produce better returns than the overall market.

In a recent distribution note from Cowen, analysts John Kernan, Krista Zuber and John Cardoso assigned outperform ratings to six sportswear brands and retailers in its conviction list: Vans parent VF Corp., Lululemon Athletica Inc., Foot Locker, Under Armour, Nike and Adidas. (Puma was assigned a "market perform" rating.)

"Supply chain disruption has not fully ebbed, and shipping and delivery times through e-commerce are slow across the group, but the demand and full-price sell-through/AUR [average unit retail] environment is robust across the group," they wrote.

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Notably, however, the analysts adjusted their models for Lululemon and Adidas as well as their price target for Nike.

Cowen tweaked its forecasts for Lululemon's 2021 fiscal year sales and profits to slightly above consensus bets, predicting 29% top-line growth year over year and earnings per share of $6.48 versus market watchers' $6.46. It suggested that store reopenings could become "a source of revenue upside," as the Canada-based chain works on executing its "Power of Three" plan, which aims to more than double the size of its men's revenues, more than double its digital revenues and quadruple its international sales — all by 2023.

For Adidas, the analysts raised its second-quarter EPS estimates to 1.49 euros from 1.27 euros but lowered it in the third quarter to 3.31 euros from 3.53 euros. The Germany-based company is also in the midst of selling Reebok, which will be reported as discontinued operations starting with Q1 2021. "We see a high probability of a Reebok transaction in the coming weeks," they added, "with SPACs and licensing companies being the more logical active bidders."

Separately, Nike was moved lower on Cowen's conviction list. In the note, Kernan, Zuber and Cardoso wrote, "Nike's product cycle, brand heat and marketplace management remain in the lead, but consensus estimates for [the 2022 fiscal year] appear high relative to where initial guidance could be set." (In the third quarter, port congestion delays and store closures abroad took a swing at the Swoosh's balance sheet.) The forecast is for 26% EPS growth to $3.94, while the analysts trimmed its 2022 fiscal year EPS to $3.70 from $3.76.

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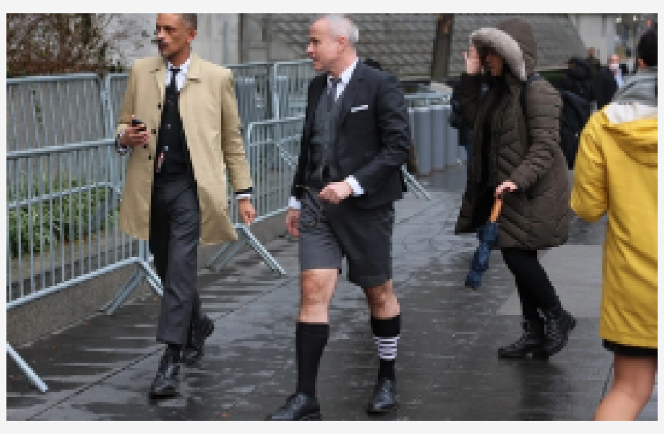

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