BIG 5 SPORTING GOODS CORP
Form 424B3
November 19, 2003

Filed Pursuant to Rule 424(b)(3)

under the Securities Act of 1933
Registration No. 333-109570

5,200,000 Shares

Big 5 Sporting Goods Corporation

Common Stock

The shares of common stock are being sold by the selling stockholder. We will not receive any proceeds from the shares of common stock sold by the selling stockholder.

Our common stock is listed on The Nasdaq National Market under the symbol BGFV. On November 17, 2003, the last reported sale price was $18.12 per share.

The underwriters have an option to purchase a maximum of 780,000 additional shares from the selling stockholder to cover over-allotments of shares.

Investing in our common stock involves risks. See Risk Factors on page 2 of the accompanying prospectus.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Selling Stockholder
Per Share	$18.12	$0.906	$17.214
Total	$94,224,000	$4,711,200	$89,512,800

Delivery of the shares of common stock will be made on or about November 21, 2003.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the prospectus to which it relates is truthful or complete. Any representation to the contrary is a criminal offense.

Sole Book-Running Manager

Credit Suisse First Boston

Joint Lead Manager

U.S. Bancorp Piper Jaffray

Jefferies & Company, Inc.

Stephens Inc.

SunTrust Robinson Humphrey

Wells Fargo Securities, LLC

First Albany Capital

The date of this prospectus supplement is November 17, 2003.

DESCRIPTION OF ARTWORK:

The inside front cover contains a map of the western half of the United States with dots indicating store locations. The heading of the map states THE LEADING SPORTING GOODS RETAILER IN THE WESTERN UNITED STATES . There is a legend on the top right hand side of the map that indicates the states in which we operate and the number of stores in each state.

Below the map there are two photographs of front entrances to Big 5 Sporting Goods stores.

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PROSPECTUS SUPPLEMENT

PROSPECTUS

You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first is this prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering.

If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

FORWARD-LOOKING STATEMENTS

Some of the statements under Prospectus Supplement Summary , Management s Discussion and Analysis of Financial Condition and Results of Operations , Business , and elsewhere in this prospectus supplement constitute forward-looking statements. These statements involve risks, uncertainties and other factors that may cause our or our industry s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may , will , should , expects , plans , anticipates , believes estimates , predicts , potential , continue or the negative of these terms or other comparable terminology.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of these statements. Except as required by law, we do not intend to update any of the forward-looking statements after the date of this prospectus supplement to conform these statements to actual results. Our forward-looking statements in this prospectus supplement include, but are not limited to, statements relating to:

our business strategy;

our plans and ability to open new stores that are profitable;

our plans and ability to meet the requirements of our debt instruments and other financial commitments;

our estimates regarding capital requirements; and

any of our other plans, objectives, expectations and intentions contained in this prospectus supplement that are not historical facts.

Factors that may cause our actual results to differ materially from our forward-looking statements include, among others, changes in general economic and business conditions and the risks and other factors set forth in Risk Factors on page 2 of the accompanying prospectus.

PROSPECTUS SUPPLEMENT SUMMARY

The following summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information and financial statements (including the accompanying notes) appearing elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference. Unless the context otherwise requires:

we, us, our, the Company and Big 5 refer to Big 5 Sporting Goods Corporation and its subsidiaries;

references to our fiscal years are to the 52 or 53 week reporting period ending on the Sunday closest to the calendar year end;

all share information in this prospectus supplement is based on the number of shares outstanding at September 28, 2003; and

all information in this prospectus supplement assumes that the underwriters will not exercise the over-allotment option that the selling stockholder has granted to them.

We are a holding company incorporated in Delaware on October 31, 1997. We conduct our business through Big 5 Corp., a wholly-owned subsidiary incorporated in Delaware on October 27, 1997.

Big 5 Sporting Goods Corporation

We are the leading sporting goods retailer in the western United States, operating 282 stores in 10 states under the Big 5 Sporting Goods name at September 28, 2003. We provide a full-line product offering of over 25,000 stock keeping units in a traditional sporting goods store format that averages 11,000 square feet. We believe that over the past 48 years we have developed a reputation with the competitive and recreational sporting goods customer as a convenient neighborhood sporting goods retailer that consistently delivers value on quality merchandise. We reinforce our value reputation through weekly print advertising in major and local newspapers and mailers designed to generate customer traffic, drive net sales and build brand awareness.

Founded in 1955, our accumulated management experience and expertise in sporting goods merchandising, advertising, operations and store development have enabled us to generate consistent, profitable growth. As of September 28, 2003, we have realized 31 consecutive quarterly increases in same store sales over comparable prior periods. All but one of our stores has generated positive store-level operating profit in each of the past five fiscal years. From the fiscal year ended January 3, 1999 through the fiscal year ended December 29, 2002, our net sales and operating income have increased at compounded annual growth rates of 8.0% and 14.9%, respectively. We believe our success can be attributed to one of the most experienced management teams in the sporting goods industry, a value-based and execution-driven operating philosophy, a controlled growth strategy and a proven business model.

Competitive Strengths

We believe we have been successful due to the following competitive strengths:

Leading Position in Established Markets. We are the market leader in the western United States, operating more than three times as many stores in both California and Oregon, and more than twice as many stores in both Washington and Nevada, as any of our full-line sporting goods competitors.

Proven Store Format. Our typical store averages 11,000 square feet, is conveniently located near our target customers in either a free-standing location or a multi-store shopping center and is designed to minimize operating and maintenance costs. Our format enables us to have substantial flexibility regarding new store locations. We have successfully operated stores in major metropolitan areas and in areas with as few as 60,000 people. Our format differentiates us from superstores that typically average over 35,000 square feet, require larger target markets, are more expensive to operate and require higher net sales per store for profitability. Our format has also resulted in productivity that we believe is among the highest of any full-line sporting goods retailer, with net sales per gross square foot of approximately $229 for the twelve months ended September 28, 2003.

Superior Merchandising Capabilities. We have developed considerable expertise in identifying, stocking and selling a broad assortment of full-line sporting goods at competitive prices. Our buyers average 18 years of experience with us and work closely with senior management to determine product selection, promotion and pricing. In addition to our buyers experience, we utilize an integrated merchandising, distribution, point-of-sale and financial information system to continuously improve our merchandise mix, pricing strategy, advertising effectiveness and inventory levels.

Extensive Advertising Programs and Expertise. Through years of targeted advertising, we have solidified our reputation for offering quality products at attractive prices. We have advertised almost exclusively through weekly print advertisements since 1955. We typically utilize four-page color advertisements to highlight promotions across our merchandise categories. We believe our print advertising, which includes the weekly distribution of over 13 million newspaper inserts and mailers, consistently reaches more households in our established markets than that of our full-line sporting goods competitors. The consistency and reach of our print advertising programs drive sales and create high customer awareness of the name Big 5 Sporting Goods.

Significant Management Experience. We believe the experience, commitment and tenure of our professional staff provide a substantial competitive advantage. We were co-founded in 1955 by Robert W. Miller, currently our Chairman Emeritus, and are managed today by his son, Steven G. Miller, our Chairman, President and Chief Executive Officer, who has worked at our company for 34 years. Our senior-level managers have worked at our company for an average of 26 years.

Consistent Growth and Strong Cash Flow. We have been able to generate consistent growth, expand margins and increase our profitability because of our extensive experience, our proven strategy and steady execution of our business model. Our consistent net sales growth combined with improved purchasing, inventory management and economies of scale have enabled us to increase our gross margin from 32.8% in fiscal 1998 to 35.9% in the twelve months ended September 28, 2003, and increase our operating margins from 6.2% in fiscal 1998 to 8.1% for the twelve months ended September 28, 2003. As of September 28, 2003, we have realized 31 consecutive quarterly increases in same store sales over comparable prior periods.

Strong Returns on New Store Openings. Throughout our history, we have sought to expand with the addition of new stores through a disciplined strategy of controlled growth. We have typically utilized cash generated by our operations to invest in new stores. New store openings represent attractive investment opportunities due to the relatively low investment required and the relatively short time in which our new stores become profitable. Based on our operating experience, a new store typically achieves store-level cash-on-cash returns of approximately 40% in its first full fiscal year of operation.

Our Strategy

Our objective is to build upon these competitive strengths to profitably grow our business and further advance our position as the leading sporting goods retailer in the western United States. We intend to accomplish this by:

- continuing our dedicated focus on execution;
- profitably expanding our store base;
- generating net sales growth through our distinctive merchandise mix and advertising programs; and
- enhancing profitability through increased operating efficiencies.

Recent Developments

Senior Note Redemption. On November 5, 2003, we announced that we, through our wholly-owned subsidiary, Big 5 Corp., will redeem $35 million principal amount of our 10.875% senior notes due 2007, using borrowings available under our revolving credit facility. At September 28, 2003, loans under the credit facility bore interest at a rate of LIBOR (1.12% at September 28, 2003) plus 1.50% or the JPMorgan Chase Bank prime lending rate (4.00% at September 28, 2003). Following the redemption, which is scheduled to be completed in early December 2003, the outstanding balance of our 10.875% senior notes will be reduced to $48.1 million of face amount from an original face amount of $131 million when the notes were issued in November 1997. The redemption price is 103.65% of face value plus accrued but unpaid interest, as provided by the terms of the indenture governing the 10.875% senior notes. We expect that, in connection with this redemption, we will recognize an after-tax charge in the fourth quarter of fiscal 2003 of approximately $1.2 million, or $0.05 per diluted share, relating to the premium and the write-off of unamortized financing fees and original issue discount.

Earnings Guidance. We expect to realize same store sales growth in the low to mid single-digit range for the fourth quarter of fiscal 2003, resulting in earnings per diluted share in the range of $0.39 to $0.43. For the fiscal year ending December 28, 2003, we currently expect to realize same store sales growth for the fiscal year in the low single-digit range, resulting in earnings per diluted share of $1.12 to $1.16. The quarterly estimate of earnings per diluted share includes a $0.05 per diluted share charge that we expect to incur in connection with our upcoming redemption of $35.0 million face amount of our 10.875% senior notes due 2007. The full-year estimate of earnings per diluted share includes the $0.04 per diluted share charge incurred with the redemption of $20.0 million face amount of our senior notes in the first quarter of fiscal 2003 and the expected $0.05 per diluted share charge in connection with the scheduled fourth quarter fiscal 2003 redemption.

Our principal executive offices are located at 2525 East El Segundo Boulevard, El Segundo, California 90245 and our telephone number is (310) 536-0611. Our Internet site address is www.big5sportinggoods.com. The information on our web site does not constitute a part of this prospectus supplement.

The Offering

Common stock offered by the selling stockholder	5,200,000 shares
Over-allotment option	The underwriters have an option to purchase a maximum of 780,000 additional shares from the selling stockholder to cover over-allotments of shares.
Common stock outstanding after this offering	22,663,927 shares(1)
Use of proceeds	We will not receive any proceeds from the sale of shares by the selling stockholder in this offering.
The Nasdaq National Market symbol	BGFV

(1) The number of shares of our common stock outstanding immediately after this offering is based on the number of shares of common stock outstanding as of September 28, 2003. This number does not include:

an aggregate of 400,800 shares of common stock issuable upon exercise of currently outstanding stock options under our stock option plan, 20,875 of which are exercisable within 60 days of September 28, 2003; and

3,244,200 shares of common stock available for future issuance under our stock option plan.

Summary Consolidated Financial and Other Data

The summary data presented below under the caption Statements of Operations Data for the fiscal years ended December 31, 2000, December 30, 2001 and December 29, 2002 are derived from our audited consolidated financial statements, which financial statements have been audited by KPMG LLP, independent auditors. The summary data presented below under the caption Statement of Operations Data for the fiscal years ended January 3, 1999 and January 2, 2000 have been derived from our consolidated financial statements and have been reclassified to conform with the adoption of Statement of Financial Accounting Standards No. 145, *Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections*. Prior to this reclassification, the consolidated financial statements as of and for the fiscal years ended January 3, 1999 and January 2, 2000 were audited by KPMG, LLP, independent auditors. The consolidated financial statements as of December 30, 2001 and December 29, 2002 and for each of the years ended December 31, 2000, December 30, 2001 and December 29, 2002 and the report thereon are included elsewhere in the prospectus supplement. The summary data presented below for the 39 weeks ended September 29, 2002 and September 28, 2003 and as of September 28, 2003 are derived from our unaudited consolidated financial statements included elsewhere in this prospectus supplement and include, in the opinion of management, all adjustments necessary for a fair presentation of our financial position and operating results for these periods and as of such date. Our results for interim periods are not indicative of our results for a full year s operations. The information presented below under the captions Pro Forma Net Income, Store Data and Other Financial Data is unaudited. You should read the following tables in conjunction with the consolidated financial statements and accompanying notes and Management s Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this prospectus supplement.

	Fiscal Year (1)					39 Weeks Ended	
	1998	1999	2000	2001	2002	September 29, 2002	September 28, 2003
	(Dollars and shares in thousands, except per share and store data)						
Statement of Operations Data:							
Net Sales	$491,430	$514,324	$571,476	$622,481	$667,469	$490,749	$517,917
Gross profit	161,187	172,472	194,436	214,802	237,611	173,747	185,657
Operating income	30,240	31,771	40,393	42,212	52,777	34,220	38,038
Net income	4,506	5,825	11,148	14,965	19,082	10,255	16,409
Net income available to common stockholders					$ 11,083	$ 2,256	$ 16,409
Earnings per share:							
Basic					$ 0.60	$ 0.13	$ 0.72
Diluted					$ 0.57	$ 0.12	$ 0.72
Shares used to calculate earnings per share:							
Basic					18,358	17,202	22,646
Diluted					19,476	18,414	22,720
Pro Forma Net Income(2):							
Pro forma net income available to common stockholders					$ 24,598	$ 15,771	$ 17,284
Pro forma earnings per share:							
Basic					$ 1.14	$ 0.71	$ 0.76
Diluted					$ 1.09	$ 0.70	$ 0.76
Weighted average shares of common stock:							
Basic					21,546	22,178	22,646

Diluted	22,664	22,664	22,720

	Fiscal Year (1)					39 Weeks Ended	
	1998	1999	2000	2001	2002	September 29, 2002	September 28, 2003
	(Dollars and shares in thousands, except per share and store data)						
Store Data:							
Same store sales increase(3)	5.2%	2.0%	6.6%	4.9%	4.0%	5.4%	1.6%
Net sales per gross square foot(4)	$ 206	$ 203	$ 217	$ 224	$ 227	$ 166	$ 170
End of period stores	221	234	249	260	275	265	282
Average net sales per store(5)	$2,313	$ 2,285	$ 2,405	$ 2,448	$ 2,541	$1,858	$1,906
Other Financial Data:							
Gross margin	32.8%	33.5%	34.0%	34.5%	35.6%	35.4%	35.8%
Capital expenditures	8,500	13,075	11,602	10,510	10,207	4,448	4,810
Inventory turns(6)	2.1	2.1	2.2	2.4	2.5		

	As of September 28, 2003
	(Amounts in thousands)
Cash and cash equivalents	$ 5,950
Working capital(7)	83,519
Total assets	255,026
Total debt	116,296
Stockholders equity	20,083

(1) Our fiscal year is the 52 or 53-week reporting period ending on the Sunday closest to the calendar year end. Fiscal 1998 consisted of 53 weeks as compared to 52 weeks for each of fiscal years 1999, 2000, 2001 and 2002.

(2) In the second quarter of 2002, we completed an initial public offering of 8.1 million shares of common stock, of which 1.6 million shares were sold by selling stockholders. In the third quarter of 2002, our underwriters exercised their right to purchase an additional 1.2 million shares through their over-allotment option, of which 0.5 million shares were sold by selling stockholders. With net proceeds of $76.1 million from the offering and total net proceeds of $84.0 million after exercise of the underwriters over-allotment option, and together with borrowings under our credit facility, we redeemed all of our outstanding senior discount notes and preferred stock, paid bonuses to executive officers and directors which were funded by a reduction in the redemption price otherwise applicable to our preferred stock and repurchased 0.5 million shares of our common stock from non-executive employees. All uses of proceeds, other than the payment of a portion of the bonuses related to the initial public offering and certain initial public offering costs, occurred in the third quarter of fiscal 2002.

Our accompanying statements of operations report net income and earnings per diluted share in accordance with GAAP. In addition, we internally use pro forma reporting to evaluate our operating performance without regard to certain non-recurring financial effects of the initial public offering in 2002, including the exercise of the underwriters over-allotment option, or certain financial effects of the 2003 partial senior note redemption. We believe this presentation will provide investors with additional insight into our operating results. The pro forma figures assume that the initial public offering took place at the beginning of 2002 and exclude the effects of certain initial public offering related expenses and debt redemption premiums. The following table contains a reconciliation of the pro forma adjustments to GAAP for fiscal year 2002 and the 39 weeks ended September 29, 2002 and September 28, 2003. There were no pro forma adjustments related to the initial public offering or debt redemption for the 13 weeks ended September 28, 2003.

	Fiscal Year 2002(1)	39 Weeks Ended September 29, 2002	39 Weeks Ended September 28, 2003
	(In thousands except earnings per share data)		
Reported net income available to common stockholders	$11,083	$ 2,256	$16,409
Redeemable preferred stock dividends(a)	7,999	7,999	
Reported net income	19,082	10,255	16,409
Bonus expense(b)	1,962	1,962	
Management fees(c)	1,044	1,044	
Interest expense(d)	1,775	1,775	
Premium and unamortized financing fees related to redemption of debt(e)	4,557	4,557	1,483
Income taxes(f)	(3,822)	(3,822)	(608)
Pro forma net income available to common stockholders	$24,598	$15,771	$17,284
Pro forma earnings per share diluted	$ 1.09	$ 0.70	$ 0.76
Pro forma weighted average shares outstanding diluted	22,664	22,664	22,720
Reported operating income	$52,777	$34,220	$38,038
Bonus expense(b)	1,962	1,962	
Management fees(c)	1,044	1,044	
Pro forma operating income	$55,783	$37,226	$38,038

(a) To eliminate dividends and redemption premium on preferred stock redeemed in connection with the initial public offering.

(b) To eliminate the payment of bonuses that was funded through a reduction of the redemption price that would otherwise have been applicable to redemption of the Company s outstanding preferred stock.

(c) To eliminate management services agreement fees and the management services agreement termination cost incurred in connection with the initial public offering.

(d) To eliminate interest expense and amortization of debt issue costs associated with the senior discount notes redeemed in connection with the initial public offering and to reflect interest expense on incremental borrowings under the credit facility.

(e) To eliminate the premium and unamortized financing fees associated with the 2003 partial redemption of senior notes (2003 adjustment only) and the redemption of the senior discount notes in connection with the initial public offering (2002 adjustment only).

(f) To reflect tax expense (benefit) for items (b) through (e) noted above at the effective tax rate.

(3) Same store sales data for a period presented reflect net sales for stores open throughout that period as well as the corresponding prior period.

(4) Net sales per gross square foot is calculated by dividing net sales for stores open the entire period by the total gross square footage for those stores.

(5) Average net sales per store is calculated by dividing net sales for stores open the entire period by total store count for stores open the entire period.

(6) Inventory turns equal fiscal year cost of goods sold, buying and occupancy costs divided by fiscal year four-quarter average FIFO (first-in, first-out) inventory balances.

(7) Working capital is defined as current assets less current liabilities.

USE OF PROCEEDS

We will not receive any of the proceeds from the sale of the shares of common stock by the selling stockholder. All of such proceeds will belong to the selling stockholder.

COMMON STOCK PRICE RANGE AND DIVIDENDS

Our common stock, par value $0.01 per share, has been traded on The Nasdaq National Market under the symbol BGFV since June 25, 2002. The following table sets forth the high and low closing prices per share of our common stock as reported on The Nasdaq National Market for each of our fiscal quarters from June 30, 2002 through November 17, 2003.

	High	Low
Fiscal Year Ended December 29, 2002		
Second Quarter (beginning June 25, 2002)	$14.29	$13.06
Third Quarter	13.95	