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DICK'S Sporting Goods, Inc. NYSE:DKS

FQ2 2022 Earnings Call Transcripts

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S&P Global Market Intelligence Estimates

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Presentation

Operator

Good morning, and welcome to the DICK'S Sporting Goods second quarter earnings conference call. [Operator Instructions] Please note, this event is being recorded.

I would now like to turn the conference over to Nate Gilch, Senior Director of Investor Relations. Please go ahead.

Nathaniel A. Gilch
Senior Director of Investor Relations

Good morning, everyone, and thank you for joining us to discuss our second quarter 2021 results. On today's call will be Ed Stack, our Executive Chairman; Lauren Hobart, our President and Chief Executive Officer; and Lee Belitsky, our Chief Financial Officer. A playback of today's call will be archived on our Investor Relations website located at investors.dicks.com for approximately 12 months.

As a reminder, we will be making forward-looking statements, which are subject to various risks and uncertainties that could cause our actual results to differ materially from these statements. Any such statements should be considered in conjunction with cautionary statements in our earnings release and risk factor discussions in our filings with the SEC, including our last annual report on Form 10-K and cautionary statements made during this call. We assume no obligation to update any of these forward-looking statements or information.

Please refer to our Investor Relations website to find a reconciliation of any non-GAAP financial measures referenced in today's call.

And finally, a few admin items. First, a note on our same-store sales reporting practices. Our consolidated same-store sales calculation includes stores that we temporarily closed last year as a result of COVID-19. The method of calculating comp sales varied across the retail industry, including the treatment of temporary store closures because of COVID-19. Accordingly, our method of calculation might not be the same as other retailers.

Next, as a reminder, due to the uneven nature of 2020, we planned 2021 off of the 2019 baseline. Accordingly, we will compare 2021 sales and earnings results against both 2019 and 2020.

And lastly, for your future scheduling purposes, we are tentatively planning to publish our third quarter 2021 earnings results before the market opens on November 23, 2021, with our subsequent earnings call at 10 a.m. Eastern Time.

With that, I'll now turn the call over to Ed.

Edward W. Stack
Executive Chairman & Chief Merchandising Officer

Thanks, Nate. Good morning, everyone. We're extremely pleased to announce another quarter of record results as the strength of our diverse category portfolio, our omnichannel offerings and our elevated athlete experience helped us continue to capitalize on strong consumer demand. We're in a great lane right now, and I couldn't be more proud of our team and their unwavering dedication to our business.

We said 2021 was going to be the most transformational year in our company's history. And so far, it certainly has been.

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The investments we've made in technology, infrastructure, space allocation and our team over the past 4-plus years are now paying off. We'll continue to invest in our future and reimagine the athlete experience in our core business and with new concepts.

As part of this, we've driven strong growth at DICK'S and successfully launched DICK'S House of Sport, a completely new experiential destination that's redefining sports retail. Our first Public Lands store focused on the active outdoor category will open tomorrow, and the reengineering of our Golf Galaxy business is performing extremely well.

As we look to the balance of the year and into 2022, we will remain focused on our core strategies and strategic growth drivers as we continue to elevate the athlete experience. We're confident and optimistic in the sales and earnings trajectory of our business.

I'll now turn the call over to Lauren.

Lauren R. Hobart
President, CEO & Director

Thank you, Ed, and good morning, everyone. As we announced earlier this morning, in Q2, we delivered the strongest quarter in our company's history, achieving record quarterly sales and earnings, both exceeding our expectations significantly. Our Q2 consolidated same-store sales increased 19.2% on top of a 20.7% increase in the same period of last year. Driven by strong sales and gross margin, we achieved an unprecedented non-GAAP EBT margin of over 20%. In total, our second quarter non-GAAP earnings per diluted share of $5.08 represented a 58% increase over the same period last year and a 303% increase over Q2 2019.

Today, we also announced several enhancements to our 2021 capital allocation plan. First, we are very pleased to announce a special dividend of $5.50 per share. We also increased our quarterly dividend by 21% to $0.4375 per share or $1.75 on an annualized basis, and we doubled our planned share repurchases to a minimum of $400 million. This additional cash return to our shareholders demonstrates the confidence we have in our business, the strength of our balance sheet and a commitment to efficiently deploy our cash.

Now back to our results. Our strong Q2 comps were supported by double-digit sales growth across each of our 3 primary categories, hardlines, apparel and footwear; as well as increases in both average ticket and transactions. We're also seeing strong retention of the 8.5 million new athletes we acquired last year, and we added 2 million new athletes during this quarter. As we discussed previously, to increase engagement with our athletes, we are enhancing the experience across our entire omnichannel ecosystem. In our stores, we're dedicated to serving our athletes with new and elevated service standards.

To enable this, we're investing in significant training, leveraging technology solutions and deploying new processes to heighten our teammates' ability to serve and to drive efficiencies. We continue to make DICK'S a great place to work as we know a great teammate experience is critical to delivering a fantastic athlete experience. We are also making our stores more experiential. During Q2, we converted approximately 25 additional DICK'S stores to premium, full-service footwear, and we added 50 new elevated soccer shops. These strategies are working and continue to set us apart within the marketplace.

During the quarter, our brick-and-mortar stores comped up nearly 40% versus last year and delivered a 36% sales increase when compared to 2019. Additionally, our first 2 DICK'S House of Sport stores in Rochester, New York; and Knoxville, Tennessee, are off to a very strong start and have exceeded our expectations. The energy and enthusiasm with which athletes and communities have responded to these highly experiential concepts have been incredible. Looking ahead, we will continue to refine and grow House of Sport while rolling its most successful elements into our core DICK'S stores.

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Importantly, our stores continue to be the hub of our industry-leading omnichannel experience, serving both our in-store athletes and providing over 800 forward points of distribution for digital fulfillment. During Q2, our stores enabled over 90% of our total sales, and it fulfilled more than 70% of our online sales, either through ship from store, in-store pickup or curbside.

Turning now to our robust e-commerce business. During the quarter, we were pleased to deliver online sales growth of over 100% when compared to 2019. As planned, this represented a 28% decline versus last year as we anniversaried a nearly 200% online sales increase in Q2 2020, which included a period of temporary store closures. Most importantly, we continue to drive significant improvement in the profitability of our e-commerce channel by leveraging fixed costs, sustaining athlete adoption of in-store pickup and curbside as well as fewer and targeted promotions.

In addition, we continue to improve our online shopping experience. This includes our strategy to lead with mobile, which, for the first half of 2021, represented over 50% of our online sales, as well as faster delivery times and an enhanced shopping and checkout experience.

Within merchandising, our strategic partnerships with key national brands have never been stronger. And as the largest sporting goods retailer in the country, these partners continue to provide us with exclusive and differentiated products in the marketplace. At the same time, our highly profitable and growing vertical brand portfolio, including DSG and CALIA, continues to gain meaningful traction with our athletes and provide additional exclusivity within our assortment.

During the second quarter, our vertical brands posted double-digit comps with merchandise margin rate expansion that outperformed the company average. We've also been quite pleased with the early performance of VRST, our new premium men's apparel brands. Our increasingly differentiated product assortment, combined with our disciplined promotional strategy and cadence, is driving significantly higher merchandise margin rates. During the quarter, we expanded our merchandise margin rate by 310 basis points versus 2020 and 636 basis points versus 2019.

Next, the golf industry continues to grow. And as the #1 premium golf retailer in the world, our golf business has been tremendous at both DICK'S and Golf Galaxy. We've leaned into our leadership position, particularly in Golf Galaxy, where we've rolled out industry-leading TrackMan technology to enhance the fitting and lesson experience in over 80% of our stores. Based on the positive response we've seen, we will expand TrackMan to all remaining stores during Q3.

We've also invested in talent and elevated the in-store service model to become trusted advisers for golf enthusiasts of all levels. Furthermore, we completely redesigned nearly 20 stores. And this weekend, our first Golf Galaxy Performance Center, the next-generation Golf Galaxy prototype, will open outside of Boston. We were there with the store team last week, and it looks absolutely fantastic. We've continued to support these efforts through our Golf Galaxy brand campaign, Better Your Best, across TV, social and in-store media.

In addition to focusing on driving growth in the core DICK'S and Golf Galaxy businesses, we are also investing in new concepts. Tomorrow morning, we are really excited to open the doors to our first Public Lands store here in Pittsburgh. We see a real opportunity to reinvent the outdoor marketplace, and we believe Public Lands can be a great growth vehicle for us while also supporting the local community through conservation, access and equity-based initiatives.

Looking ahead, we remain very enthusiastic about our business, and we're raising our full year sales and earnings guidance for the second time this year. Our updated financial outlook balances our enthusiasm with the uncertainties that still exist, particularly as it relates to COVID-related supply chain disruption and its potential impact on our second half results. Lee will address our outlook in greater detail in his remarks.

This is a very exciting time for DICK'S Sporting Goods. And to show our appreciation to our teammates, we recently increased wages for all hourly associates. I would like to thank all our teammates across the company for their incredible

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passion, their hard work and their dedication to our athletes and our business.

Before concluding, I want to spend a moment highlighting our 2020 Purpose Playbook, which we published last month. The Purpose Playbook outlines the progress we made last year in 3 critical sustainability areas, people, products and planet; and the goals and commitments we've established for the future. Our teammates, vendors and community partners have all contributed to these important efforts.

In closing, we are committed to investing in our future by reimagining the athlete experience in our core businesses while also building exciting new growth concepts. Our business is on a great trajectory, and I want to again thank our teammates for their tremendous efforts in helping us drive these results.

Before I turn the call over to Lee to review our financial results and outlook in more detail, I'd like to discuss the executive transition that we announced last week. As you learned, this will be Lee's final call as CFO. As part of a long-term succession plan, Navdeep Gupta, our Senior Vice President of Finance and Chief Accounting Officer, has been appointed to Chief Financial Officer effective October 1; while Lee will continue as Executive Vice President, overseeing several key areas of our business, including supply chain, real estate, construction and game changer. Lee is a trusted partner and adviser to me, Ed and the full leadership team, and I want to thank him for his years of dedicated service as CFO. We know many of you have also had the pleasure of working with Navdeep over the last few years, and we look forward to welcoming him on to next quarter's call.

And with that, Lee, I will turn it over to you.

Lee J. Belitsky
Executive VP & CFO

Okay. Thank you, Lauren, for those kind words, and good morning, everyone.

Let's begin with a brief review of our second quarter results. Consolidated sales increased 20.7% to approximately $3.27 billion. Consolidated same-store sales increased 19.2% on top of the 20.7% increase in the same period last year. Our strong comps were driven by double-digit sales growth across each of our 3 primary categories of hardlines, apparel and footwear, as well as a 7.1% increase in average ticket and a 12.1% increase in transactions. When compared to 2019, consolidated sales increased 45%.

Our brick-and-mortar stores comped up nearly 40% versus 2020 and delivered a 36% sales increase when compared to 2019 with roughly the same square footage. Our e-commerce sales increased 111% when compared to 2019. As planned, this represented a 28% decline versus last year as we anniversary a 194% online sales increase in Q2 '20 that included a period of temporary store closures. As a percent of total net sales, our online business has grown from 12% in 2019 to 18% in the current quarter. E-commerce penetration was 30% last year.

Gross profit in the second quarter was $1.31 billion or 39.91% of net sales, and it improved 538 basis points compared to last year. This improvement was driven by merchandise margin rate expansion of 310 basis points and leverage on fixed occupancy costs of 164 basis points from the significant sales increase. The increase in merchandise margin was primarily driven by fewer promotions due to our increasingly differentiated assortment and disciplined promotional strategy and cadence as certain categories in the marketplace continue to be supply constrained.

In addition, we were able to pass through selective price increases to cover higher supply chain and input costs and saw a favorable sales mix. This quarter's merchandise margin expansion was partially offset by last year's recovery of $28 million of inventory write-downs that we initially recorded in the first quarter of 2020 due to better-than-anticipated sales and margin on merchandise nearing the end of life in the second quarter last year.

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Beyond merchandise margin expansion and occupancy leverage, we also saw lower shipping expense as a percent of sales. This was due to higher brick-and-mortar sales penetration following last year's temporary store closures and sustained strength in our brick-and-mortar store sales. Compared to 2019, gross profit as a percent of net sales improved 994 basis points, driven by merchandise margin rate expansion of 636 basis points due to fewer promotions as well as leverage on fixed occupancy costs of 368 basis points.

SG&A expenses were $640.3 million or 19.55% of net sales, and it leveraged 46 basis points compared to last year due to the significant sales increase. SG&A dollars increased $97.2 million, primarily due to current year cost increases to support increase in sales as well as last year's operating expense reductions following our temporary store closures. COVID-related safety costs were immaterial during the second quarter compared to $42 million last year, of which $32 million was in SG&A. Compared to 2019, SG&A expenses as a percent of sales leveraged 351 basis points from the significant sales increase. SG&A dollars increased 119% due to increases in store payroll and operating expenses to support the increase in sales, hourly wage rate investments and higher incentive compensation expenses.

Driven by our strong sales and gross margin rate expansion, we delivered record quarterly non-GAAP EBT and EBT margin results. Non-GAAP EBT was $664.2 million or 20.28% of net sales, and it increased $266.5 million or 562 basis points from the same period last year. Compared to 2019, non-GAAP EBT increased $513.2 million or 1,359 basis points as a percent of net sales. In total, we delivered record quarterly non-GAAP earnings per diluted share of $5.08. This compares to non-GAAP earnings per diluted share of $3.21 last year, a 58% year-over-year increase; and non-GAAP earnings per diluted share of $1.26 in 2019, a 303% increase.

On a GAAP basis, our earnings per diluted share were $4.53. This included $7.7 million in noncash interest expense as well as 10.7 million additional shares that are designed to be offset by our bond hedge at settlement but are required in the GAAP diluted share calculation, both related to the convertible notes that we issued in Q1 of 2020. For additional details on this, you can refer to the non-GAAP reconciliation tables in our press release that we issued this morning.

Now looking to our balance sheet. We're in a strong financial position, ending Q2 with approximately $2.24 billion of cash and cash equivalents and no borrowings on our $1.85 billion revolving credit facility. Our quarter-end inventory levels increased 7.2% compared to the end of the same period last year. And despite the industry-wide supply chain challenges, our strong flow of product supported record quarterly sales that were ahead of our expectations.

Looking ahead, our inventory is very clean, and we continue to aggressively chase product to meet demand. We are prioritizing supply chain continuity over costs and expect elevated freight expenses to continue through at least the balance of 2021 and have included the impact within our updated outlook.

Turning to our second quarter capital allocation. Net capital expenditures were $92 million, and we paid $31 million in quarterly dividends. We also repurchased 808,000 shares of our stock for $75.8 million at an average price of $93.84, and we have approximately $879 million remaining under our share repurchase program.

Returning capital to shareholders is an important component of our capital allocation strategy. And today, we announced several enhancements to our 2021 plan. First, we announced a special dividend of $5.50 per share which will return over $475 million to shareholders and will be funded from our cash on hand. Next, we also announced a 21% increase in our quarterly dividend to $0.4375 per share on -- or $1.75 on an annualized basis. This is the second increase to our quarterly dividend this calendar year. And looking ahead, the Board will continue to assess our dividend on an annual basis. Finally, our plan now includes a minimum of $400 million in share repurchases compared to our prior expectation of at least $200 million. We also continue to remain firmly committed to investing in the profitable growth of our business, and our 2021 plan includes net capital expenditures of $300 million to $325 million.

Now let me move on to our fiscal 2021 outlook for sales and earnings. As a result of our significant Q2 results and a

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strong start to the third quarter and back-to-school season, we are raising our consolidated same-store sales guidance and now expect full year comp sales to increase by 18% to 20% compared to our prior expectation of up 8% to 11%. This is on top of a 9.9% increase in consolidated same-store sales last year.

At the midpoint, our updated comp sales guidance represents a 33% sales increase versus 2019 compared to our prior expectation of up 22%. While recent trends continue to track positively, we are -- and we are highly encouraged by consumer demand over the rest of the year, our sales outlook balances this enthusiasm with the impact from the global supply chain challenges impacting product flow and availability. And it could affect our ability to capture the kind of upside sales we've had so far this year.

Non-GAAP EBT is now expected to be in the range of $1.61 billion to $1.67 billion compared to our prior outlook of $1.02 billion to $1.11 billion, which, at the midpoint and on a non-GAAP basis, is up 273% versus 2019 and up 124% versus 2020. Non-GAAP EBT margin is expected to be approximately 14%. Within this, gross margin is expected to increase versus both 2019 and 2020, driven by higher merchandise margins and leverage on fixed expenses. This assumes higher supply chain costs, a selective reintroduction of holiday promotions and modest deleverage on fixed expenses for the second half of the year. SG&A is expected to leverage versus both 2019 and 2020 due to the significant projected increase in full year sales.

As Lauren mentioned, we recently increased wages for all hourly store and distribution center teammates. These latest increases follow the hourly compensation investments we made at the beginning of the year as we transitioned these teammates to compensation programs with longer-term focus from the 15% temporary pay premiums last year. Investing in our people is a top priority and helps position DICK'S as an employer of choice amidst the challenging labor market. The impact of these wage rate investments has been included within our guidance.

In addition, we are raising our full year non-GAAP earnings per diluted share outlook to a range of $12.45 to $12.95 compared to our prior outlook of $8 to $8.70. At the midpoint and on a non-GAAP basis, our updated earnings per share guidance is up 244% versus 2019 and up 108% versus 2020. Our updated earnings guidance is based on 98.5 million average diluted shares outstanding and an effective tax rate of approximately 24%.

Before concluding, while we will not be providing specific longer-term guidance this morning, I want to briefly address key investor questions around sales and margin sustainability. We're now more than 12 months into the significant top line strength, following the reopening of our stores last year. A portion of this strength was driven by stimulus payments. But more importantly, we've seen a fundamental shift in consumer behavior. The importance of health and fitness has accelerated, participation in outdoor activities has increased, and there's been a far greater propensity for athletic apparel and athletic lifestyle product. These new habits and behaviors have largely continued into 2021. And looking ahead, we believe these trends have staying power.

More specifically, we are optimistic in key categories like golf, team sports, apparel and footwear, which we believe can offset potential sales risks in smaller categories like home fitness and outdoor equipment. We are also optimistic about longer-term EBT margin, driven by a number of permanent changes versus pre-COVID levels, which we expect to more than offset rising labor and supply chain costs.

These changes include the expansion of exclusive and differentiated products from key vendor partners, which are less susceptible to broader promotional pressures; more granular management in promotions, driven by enhanced data science capabilities and fewer promotions resulting from a significant reduction in print media and a corresponding shift to digital marketing and personalization; improved clearance strategies to drive higher margins on end-of-life product; growth of our vertical brands with margins between 600 to 800 basis points above the national brands and significantly reduced hunt exposure with margins over 1,000 basis points below the company average; continued opportunities to reduce rent expense as approximately 2/3 of our store leases are up for renewal over the next 5 years; and lastly, significantly higher profitability of our e-commerce channel through fewer and more targeted promotions, better leverage of fixed costs and strong athlete adoption of curbside pickup. Because of these factors and other efficiencies, the

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profitability of our online business is now in line with total company EBT margin.

In closing, we are extremely pleased with our Q2 results, and we remain very enthusiastic about the future of DICK'S Sporting Goods.

This concludes our prepared comments. Thank you for your interest in DICK'S Sporting Goods. Operator, you may now open the line for questions. Thank you.

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Question and Answer

Operator

[Operator Instructions] And the first question will come from Simeon Gutman with Morgan Stanley.

Simeon Ari Gutman
Morgan Stanley, Research Division

Nice result, and congratulations to Lee and Navdeep. I guess this one is for the team. Lee, you've kind of preempted this at the end of your prepared remarks. But thinking about demand for sporting goods, does the industry -- do you think it continues to grow and compound this new order level? Or do we go through a digestion period? And can you talk about maybe some of the high-ticket durables and the trends you're seeing there? Because I think there's a lot of fear that those fall off, and then the handoff to team sports and footwear apparel just can't offset it from a ticket perspective. So curious how you think about demand for the next couple of years.

Lauren R. Hobart
President, CEO & Director

Thanks, Simeon. Yes, we are looking at all of what you would maybe call the COVID categories, the surging COVID categories, and they have re-baselined for all intents and purposes. They are significantly higher than 2019. And so while there are some ups and downs in looking -- versus some peaks and valleys last year, overall, the consumer demand for those categories have stayed really, really strong.

And then at the same time, team sports have come back en masse, and back-to-school has started off strong, as we mentioned. So it really is -- it's just we are at a different level than we were prior to the pandemic, and nothing -- the high ticket from those hardline categories is not offsetting the growth, as you can see.

Simeon Ari Gutman
Morgan Stanley, Research Division

Yes. And maybe related to that, and I didn't want to make this my follow-up, so I'll sneak in 2 is, are you seeing the traffic to the business accelerate, especially in some of those, let's say, lower-ticket areas so that this is sustainable via higher traffic?

And then the second question I was going to ask was on the cyclicality of gross margin and not getting carried away in the moment because we're in a unique environment. But is there a valid case that you should have a tighter band of gross margin going forward?

Lauren R. Hobart
President, CEO & Director

So yes, we are seeing traffic accelerate significantly. We're also seeing AUR accelerate. So overall, that's across the board, and the whole business is strong from a traffic standpoint.

In terms of -- well, I think you're asking about gross margin and should there be a tighter band going forward. We are very confident in our gross margin. And the expansion that we've had is both somewhat a result of some of the issues that have come up this past year with supply chain and scarcity. But more importantly, it has to do with our differentiated

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assortment, the fact that distribution has narrowed, the fact that we've gotten very, very adept at having a very disciplined promotional strategy with much more flexibility.

So as Lee mentioned, we used to have a lot of print media that required us to be very promotional before we would even know what the marketplace was going to do because we have to release things weeks in advance. Now we can just adapt to the marketplace, and that enables us to be more personalized to use data to drive the right level of promotion. So I think there's a lot of optimism in our gross margin going forward.

Operator

And the next question will come from Kate McShane with Goldman Sachs.

Katharine Amanda McShane
Goldman Sachs Group, Inc., Research Division

I think in the prepared remarks, Lee, that you mentioned e-commerce profitability sounds like it's now in line with the company average, but it also sounds like there's more runway to improve that further. Can you talk about what your expectations are for operating margins as e-commerce profitability continues to improve?

Lee J. Belitsky
Executive VP & CFO

Well, I really don't want to give a forward guidance on it. We're very pleased with the operating margin. As you look at it now, as -- with e-commerce orders as we ship to customers' home, we have extra expenses. But at the same time, we're leveraging our store infrastructure to fulfillment. So we save on the fulfillment costs. We don't have to open new distribution centers to service it and so on. So we're pleased with the profitability of it. We continue to work on our data science to get inventory closer to the customer, so we can accelerate our transit times and reduce costs there. But I really don't want to give guidance like beyond this year right now, but we're really pleased with getting that profitability in line with the chain at this point.

Katharine Amanda McShane
Goldman Sachs Group, Inc., Research Division

Okay. And then my follow-up question is you mentioned again that trends into Q3 and back-to-school has been strong. Is there any more detail you can give on what you've seen so far, if it's being driven more by team sports and the return to sports? Or is there just a general lift across all of the back-to-school categories as we get back to normal?

Lauren R. Hobart
President, CEO & Director

Yes. Kate, I think it's yes and yes. The whole business has been strong and trending strong. Team sports coming back has certainly helped as does back-to-school.

Operator

The next question comes from Robby Ohmes with Bank of America Merrill Lynch.

Robert Frederick Ohmes
BofA Securities, Research Division

Terrific quarter. Maybe, Lauren, I was hoping you could talk about what your data is saying about the -- I guess it's over

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10 million new customers you guys are speaking to. What is it saying about how they behave versus prior existing customers? And what I'm trying to get at is this -- the 45% growth, I think, is -- would be considered still way above on a 2-year basis, sort of what the industry grew versus 2019. Can you also maybe tie that into where you think these -- the market share may be coming from as well?

Lauren R. Hobart
President, CEO & Director

Yes. Thanks, Robby. The growth in our athlete database has been incredibly strong, as you mentioned. So it was 8.5 million new athletes last year and 2 million this past quarter. And what we've been most pleased about is that even though there's been this kind of influx of athletes coming in, our retention rate of those athletes has stayed the same as it was before. So as the numerator grew, we still were getting a lot of people into the funnel and very, very excited about that. So they weren't just one and done. We have an extensive data science, as we mentioned, capability, a personalized marketing capability. And we are actively keeping those -- trying to keep those people in our ecosystem, and it does seem to be working.

I mean, another little tidbit, I think, of where you're going is that with curbside adoption, the omnichannel athlete does have other options. And those -- that curbside profitability is -- it's just as strong as brick-and-mortar profitability. We're very excited about that. And those customers do tend to be more profitable, make higher sales, higher ticket than just an online customer, so it's a great customer. And an omnichannel customer in any channel is the best of all.

Robert Frederick Ohmes
BofA Securities, Research Division

Got you. That's really helpful. And then just a quick follow-up. There's a lot of discussion out there right now about holiday and who's going to get product on time, and you need to get it shipped by November or whatever. Just any commentary on just how you guys feel about making sure you're going to have what you need for holiday this year maybe versus others?

Lauren R. Hobart
President, CEO & Director

Yes. The supply chain, obviously, has been a challenge now for over 16 months, and it will continue to be so. And Southeast Asia has its challenges, as we all know. But we have -- first of all, consumer demand, as we've talked about, is still very, very strong. So that keeps us excited about the holiday season. And then we are investing very aggressively with both our partners and directly on our vertical brands to get product here so that we can serve our athletes.

We are airfreighting where possible. We're partnering with vendors and picking things up at their distribution centers where needed. And I think the one thing our team has really excelled in this past year is just the flexibility of how to manage through some of these puts and takes because it takes -- about every category over the past 16 months has had some disruption.

I am very confident that for this holiday season, we will have products for athletes, and they've actually shown us that they will substitute when necessary. So if they come in for a specific brand, a specific product, if we have products and like products, they're willing to do that. So that's where our diverse category portfolio and brand portfolio really helps us out.

Robert Frederick Ohmes
BofA Securities, Research Division

That sounds great. Congrats.

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Lauren R. Hobart
President, CEO & Director

Thank you.

Operator

The next question is from Chris Horvers with JPMorgan.

Christopher Michael Horvers
JPMorgan Chase & Co, Research Division

Can you provide some additional color in terms of the phasing on the back half on comps and margins overall? I know you don't provide specific, but you are assuming some moderation. Does that sort of moderation accelerate into the fourth quarter?

And then you made a comment about some additional promotionality. That doesn't sound like that's something happening until the fourth quarter. So any phasing commentary, please.

Lee J. Belitsky
Executive VP & CFO

Chris, so just a couple of comments on the back half of the year. We have taken up our guidance for the back half of the year considerably from what we thought the back half would be last quarter when we spoke. So we took the -- we've taken the guidance up from the high point of our sales at our last earnings call, we -- to the midpoint. Now we've taken sales up by about $400 million. We've taken the EBT up by about $200 million. And we've taken our operating margins up by about 330 basis points versus the last guide that we gave, taking the earnings per share up for the back half, the implicit guidance by about 150 basis points.

And that's from the high point of the guidance to the midpoint -- the high point last time to the midpoint the guidance this time. So we've taken the back half of the year up considerably. But within that, we have previously -- the implicit guidance was we'd be kind of low double-digit negative comps. We're now saying low single digit, low mid -- single to mid-digit negative comps, so we've taken that up considerably.

We've reduced our expectations around promotions for the back half of the year. We previously had said we thought that promotions would be normalizing in the back half of the year. We've gone to selectively adding back promotions in the back half. We don't really see a normalization of margins. And as a result of that, we've taken sales up $400 million and taking the EBT up by $200 million. And within that, we're covering additional supply chain costs, and we're covering some additional hourly wage rate increases as well.

So we feel very good about the business going forward. Again, we're balancing our optimism for continued strong demand with what could be some supply chain constraints going forward. So it will be -- I think it will be a little harder to get the kind of upside that we've got the first half of the year, but we're going to have enough product out there to satisfy our athletes as they come into the store and shop for the Christmas season this year.

Christopher Michael Horvers
JPMorgan Chase & Co, Research Division

Got it. That's helpful. And then the 2-year CAGR was about 20% in the second quarter, just modestly offset a 23% CAGR in the first quarter. So can you talk about maybe how that 2-year play down on a monthly basis? Did you see a

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child tax credit bump in July? I know there were some easier 1-year trends in July and August on back-to-school, but what did you see on a cadence basis? And is that 20% 2-year holding so far in August?

Lauren R. Hobart
President, CEO & Director

So I think May was very, very strong, keeping in mind that we were up against 15% of our stores being closed. June and July were slightly lower but very stable and steady, and we're not going to get into this quarter at this point.

Operator

And the next question is from Warren Cheng with Evercore ISI.

Warren Cheng
Evercore ISI Institutional Equities, Research Division

Congrats on the quarter, and congrats also to Lee and Navdeep. So if I look at the second quarter versus the third quarter performance last year, the comp performance is pretty similar in those 2 quarters. Was the performance of the pandemic-impacted categories pretty similar? Or are there certain pieces of the business where the compares are going to get harder as we go from the second quarter to the second half?

Lee J. Belitsky
Executive VP & CFO

I think it was pretty comparable. The comps were about even. The same businesses were relatively strong in the second and third quarter last year as well. So some of the back-to-school categories weren't as strong last year as they typically would be because of delayed or kids not going back to school at all, so we have a little softer compare on back-to-school categories and maybe some tougher comparisons on some of the outdoor categories coming into the third quarter this year. But we're really pleased with the start of the third quarter.

Lauren R. Hobart
President, CEO & Director

Yes. Warren, I would just add, I think the point that Lee made in his prepared remarks is really important that any of the shifting going on within various categories is more than offset by other things that are countering that. So we feel very, very positive.

Warren Cheng
Evercore ISI Institutional Equities, Research Division

Got it. And my follow-up is just on the price increases that you've taken. Can you give us detail just on the timing of those increases, where you're taking them and what the customer response has been and then just how these price increases might work into your strategy and algorithm going forward?

Lee J. Belitsky
Executive VP & CFO

Well, we've taken certain price increases, primarily in hardlines categories, over the course of the year this year. There hasn't been like a specific schedule for them, but they've been kind of I'd say on a one-off, depending on when we're seeing the cost increases. So -- and we'll continue to do that. If we get cost increases and demand is there from our customers, we'll continue to raise some of those prices as necessary, but there's not like a schedule for it.

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Operator

The next question is from John Kernan with Cowen.

John David Kernan
Cowen and Company, LLC, Research Division

Excellent. And Lee, congrats. This is quite a high note to go out on.

Lee J. Belitsky
Executive VP & CFO

Thank you.

John David Kernan
Cowen and Company, LLC, Research Division

Could we talk about merch margin up 200 basis points for the full year last year? It's obviously up huge in the first half of this year. Based on your guidance, it should be up anywhere from 300 basis points plus for the full year this year. How much of this is a structural change in the way you promote, the way you buy inventory, some of the mix shifts from private label? How much of this merch margin do you think is structural versus some of the cyclical tailwinds from stimulus and a lot of people adopting outdoor and athletic activities recently?

Lauren R. Hobart
President, CEO & Director

Yes. Most of it is structural. There's absolutely been some lack of promotion in the marketplace, but our merch margin has been the result of a multiyear strategy to really elevate our assortment, differentiate our assortment, get out of print media and into digital media, so we could be more surgical. So we do feel that the changes are mostly structural.

John David Kernan
Cowen and Company, LLC, Research Division

Got it. A quick follow-up, just on the relationship with the brands across a lot of different categories, whether it's Nike and adidas and others in softlines; YETI, Callaway in hardlines. There's others to list, too. But just talk about the improved relationships with a lot of your brands, the better product allocations, and then also, the benefit of increasing private label. It sounds like you're gaining even more confidence in the scalability of private label as well.

Lauren R. Hobart
President, CEO & Director

Yes, John. The relationship with the brands, as you say, is -- has always been strong but is even stronger, perhaps, as they become more focused on strategic partners, and that's elevated our relationships. We've always had a top-to-top relationship. We're speaking even more frequently and planning the future with our key brand partners.

At the same time, we are driving vertical brand growth, and we're filling in some white space in our categories by doing so and feeling really great about the sales and margin of those areas. Overall, the brands are in great place, and our relationship with them is top-notch.

Lee J. Belitsky
Executive VP & CFO

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And a lot of this also ties to the investments that we continue to make in our stores, that we are elevating the presentation of these brands within our stores and making those investments in footwear and apparel to bring their brands to life. We've got a significant CapEx budget. A lot of it is dedicated to stores and store presentation along the way, and the brands are really happy with how we bring them to life within our stores.

John David Kernan
Cowen and Company, LLC, Research Division

And then just on the private label, the scalability of some of those brands.

Lee J. Belitsky
Executive VP & CFO

We believe that there's a lot of scale still out there in the apparel space, a little bit in footwear. There's still a lot of room for growth.

Lauren R. Hobart
President, CEO & Director

Yes. I just would call out, we -- I mentioned it in my remarks, but we did just launch the VRST brand, which is a new lifestyle men's apparel brand. That is absolutely fantastic, and we're just starting off with that, but it's doing great. I would encourage people to go look at that and try it out. It's really, really a fantastic product. So that's another reason to be confident in scalability. And CALIA and DSG continue to do great.

Operator

The next question will be from Paul Lejuez with Citi.

Paul Lawrence Lejuez
Citigroup Inc., Research Division

When you look at your recent sales performance first half of the year, how much do you attribute to the overall market and seeing a big uplift versus you taking market share? And then -- and if there are specific categories that you think you've taken market share, just would be curious to hear more about which those are.

Lee J. Belitsky
Executive VP & CFO

Well, there are certainly tailwinds within our sector right now, and all the players within the sporting goods space are doing well. But looking at it from a 2-year stack perspective, having thrown up 40% 2-year stack and 45% sales increase over the 2 years, I don't think there's anybody else in our space that's really close to that. So we're definitely taking market share. It's hard to say exactly where we're taking it. We believe it's in apparel. It's in footwear. It's certainly in team sports. So we're pleased -- and we're pleased in the golf space as well. So we're really pleased with the big categories that we've got out there in the store that we are taking market share in there, in addition to the industry being strong.

Paul Lawrence Lejuez
Citigroup Inc., Research Division

Got it. And then just a follow-up on the supply chain. Just curious what you're seeing now. Where are you light on inventory? Where would you prefer to be more heavily invested? And where do you anticipate you might run into some

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of the challenges on the supply chain?

Lee J. Belitsky
Executive VP & CFO

I mean, we have pockets of low inventory -- lower inventory than we'd like kind of across the store, a little bit in golf and apparel, primarily also in footwear. But the customer, over the past 15, 18 months or so, has proven that they're willing to substitute. If we don't have exactly the right kind of hoodie that they might be looking for, they'll switch to another style of hoodie or another brand. So the -- we're turning the inventory a lot faster, so we're not too concerned about that. Going forward, we feel better about our in-stock positions for Q3 than Q4. There's a little less clarity around Q4 right now, but that will remain to play out, really, here over the next 90 days or so.

Operator

The next question comes from Michael Lasser with UBS.

Michael Lasser
UBS Investment Bank, Research Division

Lee and Navdeep, congratulations on your new roles. Lee, in your prepared remarks, you said our sales outlook balances the enthusiasm with the impact from the global supply chain challenges impacting product flow and availability, and it could affect our ability to capture the kind of sales upside we've had so far this year. So does that mean if -- even if you saw demand that would drive, call it, 20% comps for the next couple of quarters, you would only do, I don't know, 15% because you wouldn't have the inventory to meet the demand? Is that the right ballpark for the number?

Lee J. Belitsky
Executive VP & CFO

Yes. I don't think, Michael, we have exactly the kind of clarity to get that specific around what the guide may be. We certainly improved our guidance for the back half of the year, was low, negative double digits, and we're now low single to middle digits -- mid-single-digits, excuse me. We have been able to beat that guidance that we've given throughout the year this year and expect that if the demand continues to be there, which we believe it will, we could beat that.

But getting to the plus 20% kind of comp we've seen the last couple of quarters could be more challenging as we get into the back half of the year based upon what could be happening with the product flow, particularly looking into Q4. But there's a long way to go between now and then. We're still working very hard with our brands to get us the right product.

We believe that demand is going to continue to be very strong, and we've just got to let it play out a little bit. And we're chasing inventory as hard as we can, and we're doing all that we can to get the product into our stores and onto our websites so that we can satisfy the Christmas demand. But it's hard to say exactly what that means. We have been a little bit more -- we have been conservative on our guidance, but we think appropriately so, given some of the potential constraints that are out there.

Michael Lasser
UBS Investment Bank, Research Division

Understood. My follow-up question is, at this point, the market's really focused on what your earnings stream is going to look like for 2022. And recognizing you're resistant to provide forward guidance to that degree, can you provide some actual backward guidance? Meaning to the extent that we want to base our earnings expectations off of 2019, given all these very lucrative margin drivers that you outlined, if you apply those to your gross margin in 2019, what would have looked like knowing what you know now? Is it reasonable for us to believe that in 2019, had all these factors been there, you would have had a 31% or 32% gross margin at that point?

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Lee J. Belitsky
Executive VP & CFO

Yes. I can't answer that one specifically right now, Michael, but it would be substantially better than 2019.

Operator

The next question is from Joe Feldman with Telsey Advisory Group.

Joseph Isaac Feldman
Telsey Advisory Group LLC

Great. Again, congratulations on the strong quarter. Wanted to ask a little bit about House of Sport. And how many do you kind of want to have? I know this is like a flagship format, that it's not going to be everywhere. But should we think about a handful a year or 10 a year? And will there be more relocations? And the other thing as part of it, you mentioned elements that you've liked so far that you could bring to the existing stores, and I was just wondering if you could maybe give us an example or 2 of things that you're excited about that could be transferable to the rest of the chain.

Lauren R. Hobart
President, CEO & Director

Yes. Thanks, Joe. The House of Sport is doing amazing, as we've discussed. And while we have 2 locations now, we have a third one under construction. We are actively looking for other opportunities, but it is still a very new concept. So we're going to watch it and continue to learn and continue to talk to partners and see just how many we want to have. So we don't have a firm answer to that, other than we're very excited by the early results and are continuing to pursue both other opportunities, and then also, as you mentioned, bringing some of the core benefits back into the core DICK'S stores.

So some examples of some of the elements of House of Sport that would potentially be brought back into DICK'S, one of them is the entire fitting room experience. There is a much more elevated model in the fitting rooms where people are bringing outfits and helping people outfit themselves. That's something that we're looking to try in the DICK'S store, even the idea of having stylists do that. There's an incredibly strong service model throughout the entire store, and then there's just experiential aspects to the store that have been really, really positive.

So there's a field that is -- outside field that is completely booked. There's a rock-climbing wall that is full every single minute of the day that you can sign up. And so it just -- it makes us more bullish on looking into experiences and perhaps not those 2 at every location. Those are large investments and large space requirements, but more experience seems to be working really well.

Lee J. Belitsky
Executive VP & CFO

And I'll just add to that, we've been really pleased with the amount of golf business we can drive from within a House of Sport store. We're always concerned about how much golf business can we do outside of a specialty golf store. But with the experiences we've built into the DICK'S stores, the golf business has really been outstanding there. We may try to incorporate some of that golf -- those golf elements into our DICK'S stores as well.

Lauren R. Hobart
President, CEO & Director

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I have one more, which is just there's a really nice merchandising strategy in the House of Sport of combination of hardlines and softlines. So that when you walk around the store, you're getting holistic solutions, and that's something else that we're really looking into for the DICK'S stores.

Joseph Isaac Feldman
Telsey Advisory Group LLC

That's terrific. And then the other question I had was with regard to the wages. I know we're going to see wage pressure probably just in the future. But can you share like, is it -- what the average wage rate did go up? And is that kind of the new standard that we should expect? And also, are you finding it difficult to get employees? We're starting to hear that from a lot of companies as well that -- or even when you have them, having them show up on time is not the easiest these days.

Lee J. Belitsky
Executive VP & CFO

Yes. So we have had 2 kind of across-the-board wage increases this year. One went into effect back in February. Another one in August across the board for our hourly teammates. I would say, overall, upper single digits to low double-digit kind of wage increases, depending on the position, in total, across the 2.

Lauren will speak to this, but we think we are an employer of choice right now, and we have been able to get the people we want. Part of that is due to the fact we're paying folks fairly, and we're doing well as a business. So we're able to share some of the profitability we have with our teammates across the board that are making it all happen for us.

Going forward, I would expect we'll continue to see some more wage inflation. Labor markets are tight right now, and I don't really see much of a change in that going into next year. But we're pleased with where we are. And Lauren?

Lauren R. Hobart
President, CEO & Director

Yes. To the second part of your question about difficulty hiring and employees showing up on time, I do think we -- to Lee's point, we are an employer of choice in many ways, and that's partly because it's fun to work at a DICK'S Sporting Goods. We have great management team, but it also has to do with how the family of DICK'S and teammates came together during the pandemic. And so there's just -- there's a lot of caring, a lot of taking care of people, a lot of open discussions. And so the team is as pumped as I've ever seen them, and that energy is contagious. And so I think we feel really -- there's obviously pockets where we can't hire exactly how many people we want, but that's not a widespread problem for us.

Operator

The next question will be from Chuck Grom with Gordon Haskett.

Charles P. Grom
Gordon Haskett Research Advisors

Great results. In your slide deck, you called out 20 million members in the ScoreCard, but I think 140 million members in your database. Given the higher sell rates with ScoreCard members, I'm just curious what the strategy is to continue to convert even more to the loyalty program.

Lauren R. Hobart
President, CEO & Director

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Yes. We are capturing data from every single athlete who transact with us in every way, so we are always working to try to get people to convert to ScoreCard. But even when they're not, we've said our active database member is over 30 million active e-mail addresses that we can speak with, even if they don't join the program.

But the way we're working to get them into the program because there's obviously benefits for them and benefits for us in terms of loyalty and engagement is with member benefits. So we have a Gold Program now where they can get triple-point days and special services. And we're making it much easier throughout the entire experience, both online and in-store, to see and activate your points. So that if you're a logged-in user, you are going to have a lot of benefits. That's going to continue as we roll out our new mobile app this summer, and people will be finding the benefit of ScoreCard just keeps getting bigger and bigger. So we'll be growing that percentage of our base.

Charles P. Grom
Gordon Haskett Research Advisors

Okay. That's helpful. And then my follow-up is on sales productivity. On a per square foot basis, looks like you're going to end the year around $275, up from around $210 in 2019. And I think everybody knows it's hard to handicap what's going to happen next year. But I'm curious when you look at your best stores, what are they in, in sales productivity? And I guess, ultimately, what do you think the ceiling could be as you continue to drive better productivity through the store?

Lee J. Belitsky
Executive VP & CFO

Well, yes, again, I don't want to guide to new sales per square foot going forward. We've obviously seen a big increase in it. Our best stores are certainly upwards of $400 a foot, so we have the capability of getting that high. But you always have the -- your best stores and your stores that aren't as good averaging out to $275. We think we can continue to get better than that, but I don't want to give specific guidance to it at this point.

Operator

The next question is from Adrienne Yih with Barclays.

Adrienne Eugenia Yih-Tennant
Barclays Bank PLC, Research Division

Great. And I think I said this last time, but I mean this is an incredibly tough backdrop to navigate, and you guys are doing it so well. So Lee, thanks for getting us through last year with all the ups and downs. So my question, most of them have been answered, but mine is actually more philosophical in nature. It looks like you've accelerated almost 2 to 3 years of market share gains in the past, call it, 18 months. I'm wondering what the next kind of long-range plan outlook might be. I might be premature in asking this, but international markets, I know, Ed, we've talked a little bit about that in the past. So that's my first question.

And then my second one is for Lee. I mean the return of capital to shareholders is astounding this quarter. I don't think anyone else is doing this. So on a normalized basis, how should we think about the payout ratio? And again, great job.

Lee J. Belitsky
Executive VP & CFO

Well, a few things. I believe we're still focused on domestic expansion. We have some new concepts we're looking at. We're really excited about the kind of business we're driving in House of Sport. We have a long way to go with our e-commerce business as well. We're really pleased with the profitability there and the sales growth over the last couple of

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years, but we still think we're just scratching the surface there.

And we'll continue to invest in experiences within our DICK'S stores. And I think we've shown with the 40% comp over last year and upper 30s over 2 years ago in the brick-and-mortar comp, that our brick-and-mortar stores are here to stay. But we do have a lot of opportunity for expansion within the United States, and we're going to continue to be focused for at least the next couple of years within the U.S. going forward.

With regard to return to capital to shareholders, it's a little hard to figure what the normalization of it will be going forward. We're really pleased to be able to do the special dividend. Our free cash flow as a percent of sales has been outstanding lately, and that's really opening up the possibility for more returns to shareholders.

We continue to look at potential acquisition candidates that are out there, but we've been -- candidly, we've been looking at it for a number of years now. We haven't found the right partners out there, and we're not going to just jump into a transaction just because we have a lot of cash and a lot of liquidity. So we're going to invest in the business, invest in new concepts, invest in technology, in our e-commerce business. And as we continue to generate cash flow, we'll continue to return to shareholders going forward.

Lauren R. Hobart
President, CEO & Director

Yes. Adrienne, I just want to echo what Lee is saying. We have so much market share opportunity in the United States at DICK'S and Galaxy. We're opening our new Public Lands concept. We feel incredibly lucky to have so much opportunity right in front of us.

Operator

And the next question comes from Sam Poser with Williams Trading.

Samuel Marc Poser
Williams Trading, LLC, Research Division

I just have a couple. One, are you seeing with certain vendors price increases on existing orders getting into holiday?

Lee J. Belitsky
Executive VP & CFO

No. Our orders -- our outstanding orders are staying the same price. We're not getting price increases on existing orders.

Samuel Marc Poser
Williams Trading, LLC, Research Division

And then as we think about -- I have 2 more. As we think about going into spring '22, what are you doing to make sure -- because, I mean, a lot of the issues that seem to be happening in Asia right now are -- look like they're going to impact very late Q4 into spring, into early or next year for order flow. How -- what are you -- how are you working with the vendors to do that? And in general, what are they doing to try to keep you whole during this time because it just sounds like it's an exceptionally difficult situation?

Lee J. Belitsky
Executive VP & CFO

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Well, Sam, this is a rapidly evolving space right now with COVID issues in South Asia -- Southeast Asia right now. We're working very closely with our vendor partners and with our private brand factories to try to figure out the most expeditious way of getting product to the U.S. As we said, we think there'll be higher supply chain costs through the balance of the year and really into next year. But we will do what we need to do to get the product in here to satisfy our customers along the way. So you're right. Some of the things we're seeing right now could affect supply chain going into Q1, and we're actively working on that with our vendor partners to try to mitigate that exposure.

Samuel Marc Poser
Williams Trading, LLC, Research Division

And this also means that you're going to -- I would assume, continue to narrow your focus on the product that you're carrying. And given that there are likely to be some product shortages, that would be very good, let's just put it that way, for your merch margins between product availability and the mix moving into next year. Am I thinking about that properly?

Lee J. Belitsky
Executive VP & CFO

I think so. We're not really seeing -- we're seeing pretty light inventories going into next year. And the lighter the inventories, the less pressure it's going to be from a promotional perspective, particularly if demand remains strong, which we believe it will.

Operator

And our final question today will be from Mike Baker with D.A. Davidson.

Michael Allen Baker
D.A. Davidson & Co., Research Division

Okay. Believe it or not, I still have a couple after all those questions. One, I just wanted to ask you about the golf business specifically. Rounds played flattened out a little bit in June. I think they're up slightly, and comparisons get tougher. We know we're up against tough comparisons in the golf business. How are we thinking about that in the back half? Is there a risk that that business does slow against tough comparisons, particularly as people are sort of able to get out and do other things that they weren't able to do as much the last summer and last fall?

Lee J. Belitsky
Executive VP & CFO

So Mike, we're looking -- really looking at the golf business compared to LLY because there were very unusual spikes kind of last year in the business. But we've seen -- we've continued to see consistent growth in the golf business versus LLY and no change in trend versus where it was 2 years ago. So rounds may be going up or down a little bit, but we're really pleased with the return of team sports and more people vacationing over the summer than there were last year, but the golf business has remained very strong for us.

Michael Allen Baker
D.A. Davidson & Co., Research Division

Okay. Okay. That's encouraging. And then one more. People have asked this a couple of different ways, but your gross margins on a last 12-month basis right now are around 36% or so, a little south of 36%. It's up 500 to 600 basis points. Some of that is because of having fewer markdowns. We get that a lot of it are structural changes that you've done, but every vendor said the same thing that industry -- that inventory is really tight, and there's not a lot of markdowns, et cetera. Presumably, some of that will come back at some point. So can you ballpark how much of that 500, 600 basis

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point improvement over the last couple of years is due to having less clearance? And I think it will -- it's probably healthy if it comes back a little bit. So how much generally are markdowns as an impact to your gross margins?

Lee J. Belitsky
Executive VP & CFO

Yes. As Lauren said earlier on, we think that most of it -- most of the improvement is really permanent in nature due to changes we've made in the business and narrowing of distribution channels by our vendors along the way that we believe we'll be able to hold on to. Of course, we're going to -- at some point, we're going to have to add back some promotions. We don't know exactly when that will be, but we're expecting it. But we believe most of the improvement, we can hold on to.

Michael Allen Baker
D.A. Davidson & Co., Research Division

So again just maybe, we're just not comfortable putting a number to it. But when you say most, is that 400 of the 600 basis points? Is it 500? Just trying to think about it longer term.

Lee J. Belitsky
Executive VP & CFO

Yes. Mike, I don't want to put a number on that one at this point.

Operator

Ladies and gentlemen, this concludes our question-and-answer session. I would like to turn the conference back over to Lauren Hobart for any closing remarks.

Lauren R. Hobart
President, CEO & Director

Well, thanks, everybody, for your interest in DICK'S Sporting Goods. I want to send a thank you to our teammates, who I know are listening, for their amazing efforts, and we will see you next quarter. Thank you.

Operator

And thank you. The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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