S&P Global
Market Intelligence

DICK'S Sporting Goods, Inc. NYSE:DKS

Company Conference Presentation

Thursday, September 09, 2021 2:10 PM GMT

COPYRIGHT © 2021 S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved

Table of Contents

Call Participants 3

Presentation 4

Question and Answer 5

COPYRIGHT © 2021 S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved

Call Participants

EXECUTIVES

Lauren R. Hobart
President, CEO & Director

Lee J. Belitsky
Executive VP & CFO

ANALYSTS

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

COPYRIGHT © 2021 S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

Presentation

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

Hi, good morning. This is Kate McShane from Goldman Sachs. I'm the hardlines, broadlines and grocery analyst here. We're very excited to be welcoming DICK'S Sporting Goods back to our conference. DICK'S, as you probably know, is a leading omnichannel sporting goods retailer, offering an extensive assortment of authentic, high-quality sports equipment, apparel, footwear and accessories. DICK'S also owns Golf Galaxy.

Today, we have with us Lauren Hobart, President and Chief Executive Officer of the company. Lauren joined DICK'S in 2011 as Senior Vice President and CMO. And she became President of DICK'S in May 2017. We also have Lee Belitsky, Executive Vice President and Chief Financial Officer of DICK'S Sporting Goods. Lee joined the company in 1997 as Vice President, Controller and has held numerous roles throughout his tenure at DICK'S. So Lauren and Lee, thank you so much for joining us today.

Lauren R. Hobart
President, CEO & Director

Thanks for having us, Kate.

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

We're going to conduct this session as a fireside chat. And I have some planned questions here for Lauren and Lee and then we're going to leave about 10 minutes at the end for any kind of audience Q&A. [Operator Instructions]

COPYRIGHT © 2021 S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

Question and Answer

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

So Lauren, I wanted to direct my first question to you. It's been about a year since you've taken over the role of CEO. And I wondered if you could just talk about how entering that role has been in a time where there's been historic high demand and a constrained supply chain.

Lauren R. Hobart
President, CEO & Director

Thanks, Kate. Appreciate you having us, and thanks, everybody, who's listening on the call today. It's been actually this February, so it's been about 7 months since I took over the CEO role. And it's -- it was a very planned succession for many years. As you mentioned, I've been President for 4 years. So in many aspects, it was very seamless from that perspective. We've been working -- Ed and I, our former CEO and current Executive Chair, have been working on the strategies together for the last 10 years, so very seamless in some ways. But you raised a good point about joining -- becoming a CEO during a global pandemic, during the supply chain crisis.

And I think it's been -- it's -- for everybody in the world, it's been quite an 18 months. And I'm really, really proud of how our team navigated for the first part of the pandemic and then in the most recent 6, 7 months, continues to navigate. The energy is incredibly high. Morale is really high. Our team has developed a capability, a core capability in supply chain that has really helped us so that we are ahead of the curve in terms of meeting our consumers' demand and inventory needs. And generally speaking, I'm just absolutely thrilled with where the business is, where the team is and feeling really great about the business.

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

That's great. I guess, the pandemic has changed my view on time because a year -- 7 months has felt, I guess, a lot longer.

Lauren R. Hobart
President, CEO & Director

Right? And maybe it's from the announcement, it's been almost a year.

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

But with comping the comp, that is like the question that we've gotten since the beginning of 2021. And now as we go into 2022, we have 2 years, not just for DICK'S Sporting Goods but for a lot of retail, where you're lapping very, very strong compares. So I wondered if you could help us understand how you are viewing the sustainability of demand, both in the near term and the longer term.

Lauren R. Hobart
President, CEO & Director

Yes. Absolutely. The question all last year and continues on now was can we comp the comp and what's happening in

COPYRIGHT © 2021 S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

the COVID categories? And we're now 15 months into the surging of certain categories, be it outdoor, be it fitness, be it running and walking. People are -- golf. People have really adapted. Their consumer behavior has shifted into those categories. Another category that's seen a bump that I don't think is going anywhere would be athletic apparel and just the fact that people are wearing athletic apparel and footwear much more as a mainstay of their wardrobe.

So as we -- now after 15 months, we confidently can say that we do think there's been a rebaselining of our business. So there has been -- there's new athletes who've come into various sports. Golf is a perfect example of one where that doesn't just go away, that those people are in the category now. They are hopefully going to be upgrading their equipment. And we see a complete rebaselining of our business.

And at the same time, for small categories, some of our hardline categories that maybe were more COVID-related, so fitness, fishing, there's some very -- actually bikes, we do have confidence in that. So there's been some offsets, but they're nowhere near the scale of the upside that we have in our core categories of footwear, apparel, golf and team sports. So we feel really strong as we look to the future that we're in a great lane right now.

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

And I guess, in the same context, and this, I had it as a question a little bit later, but I thought maybe it would be good to ask now is, to the extent -- so maybe we've seen a thesis change in the health and wellness and in sports participation, which will help the sustainability of demand. What about market share? What is your view in terms of any kind of disruption that's happened to the competitive set? Or what do you think your core capabilities are and will be that will help you lean in and take more market share over time?

Lauren R. Hobart
President, CEO & Director

Yes. I agree with you. I think there is a two-pronged answer to the question about the thesis change. There's probably a third prong, which is profitability, but we'll get to that at some other point. But there's -- the market share, for sure, is a huge opportunity. And we have -- this is pandemic-related, as you said. But we have been able to grab market share over the past couple of years, partly because of just the strength of our delivery, our omnichannel execution, the strength of our stores, but also because our key brand partners are narrowing distribution.

And those strategic relationships with some of our key vendors are -- they've always been strong, but they're at an all-time high, and we're getting a better assortment of product. We're getting allocations of high heat product that we didn't use to get. So we feel overall that there should be ongoing market share opportunities as well. And just to tease the profitability question I'm sure we'll get into, but as that happens, we also get a lot more control over our pricing and the promotional environment. And so it's just a win-win.

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

That's great. And that kind of is a great lead into my promotions question because that's another one that we get quite a bit. The environment has been pretty much perfect in terms of keeping promotions at bay with a very tight supply, the very high demand. And Lee, I know you've talked a lot about all the tools that you have at your disposal now maybe versus a couple of years ago that you think can help you with your merchandise margin over time. So I wondered if you could talk a little bit about the role of promotions, how you see that evolving, particularly in sporting goods, as maybe demand-supply gets more imbalanced and why you have so much confidence in maybe higher merch margins versus pre pandemic.

Lee J. Belitsky

COPYRIGHT © 2021 S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

Executive VP & CFO

Do you want to take that first?

Lauren R. Hobart
President, CEO & Director

Yes, I'll start and you can weigh in. The promotional environment certainly has been a factor. There's been a supply and demand imbalance, as you say. And that has led to real evaporation of promotional activity. But on top of that, we believe -- we know there are structural things that have changed in our business that enable us to continue to drive that merch margin and gross margin. And some of that has to do with the assortment that I was just talking about.

So the fact that we have a highly differentiated assortment, the fact that we are -- that those products are not very promotional, that are high heat, that we just have a better assortment to avoid a promotional environment. And at the same time, we've evolved our marketing capability to such a large degree. So we used to be in print. We were in newspaper circulars. We -- I mean, we used to have to fill 8 to 16 pages full of sale items. And we had to do it 8 to 10 weeks prior to when the environment was here.

So we didn't even have visibility into what consumer demand was going to be or what inventory supplies would be. We'd have to abide to the sale before we knew if we were going to have to be on sale. So all of that, now that we've shifted to digital, has become incredibly more manageable for us. So we don't have to look multiple weeks ahead. We can look on a Thursday or Friday and decide what we're going to be doing on Saturday, Sunday. So that's also sustainable. What would you add, Lee?

Lee J. Belitsky
Executive VP & CFO

Yes. On the promotional side, I think the brands are helping as well because they've narrowed their channels of distribution along the way. I think that they've learned they can be more profitable by controlling promotions, by controlling the channels of distribution as well. So I think the brands are helping us. And the continued expansion of our private brands help us as well, where we can control the pricing there. So in addition to that, the development of our digital capabilities and personalization, we're really building out our data science capabilities.

We understand really 80% of our customers. We know who they are, we know how they buy. And we can target promotions to those customers, and we're building out our ability to run promotions regionally or locally as well, and we continue down that path. It allows us to be much more granular and specific about promotions rather than running broad-based promotions across category or across the whole website. And so we feel very strongly that we've improved our capabilities, which will continue to reduce promotions going forward.

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

Okay. Great. And then it goes without saying that there has been this tighter supply chain as a result of some of the disruption. I wondered if you could maybe just take a step back and walk us through -- because there have been supply chain issues, as you mentioned on the last conference call, for a while. It's just, I think, there's a little bit more of a fever pitch right now. But could you maybe take a step back and walk us through some of the supply chain challenges you've had over time, how you've mitigated it and how you see things playing out over the next few months as we get into holiday and see very strong demand in the face of a lot of disruption?

Lee J. Belitsky
Executive VP & CFO

COPYRIGHT © 2021 S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

Well, I'll start off by just putting the supply chain in perspective for a moment. And that is we drove a 50% increase in business in the first quarter over 2019 and a 45% increase in business over 2019 in the second quarter. So we've had a very significant flow of product into our stores that have supported really these outsized gains in sales on a 2-year stack with essentially the same amount of square footage in the store. So our product flow has been great. But the sales have been fantastic, too. And that's really created some out-of-stock positions for us along the way.

We ordered product very aggressively as you went back to last summer into last fall, believing that the consumer demand was going to continue and in fact has. The strength of our balance sheet allowed us to confidently order significant quantities for the spring season this year. We didn't get everything we ordered, but we got enough to support those gains. Our domestic supply chain is working very smoothly. Our inbound programs, our distribution centers, our outbound from the store, our delivery to customer, that last mile is running very smoothly, long-term contracts in most of those areas in place.

We've been able to get people in to work in our distribution centers and we've performed very strongly there. In cases where our brands have run into problems with their domestic supply chain, we've said, "Why don't you just defer truckloads and containers to us and we'll just handle everything in our buildings? You don't have to break it down by store, you don't have to ticket it. You don't have to hang it. Just send it to us and we'll handle everything." Because we've had the people and the capabilities, which has helped us along the way.

Yes, there have been container shortages. There's more product backed up in Asia than we would like to see, both in our private brands and the national brands, and that's been going on for months. We need longer lead times, and that's continuing. That's been going on all year and it's continuing. We don't see that abating. There have been new issues with factory shutdowns in Vietnam. There's a pretty fair amount of athletic apparel, athletic footwear and some golf equipment that comes out of Vietnam. We have given guidance for the balance of this year that suggests that we see the sales slowing down in the back half and particularly in the fourth quarter.

We have some caution around the fourth quarter within our guidance that some of the supply chain issues may be more impactful in the fourth quarter, really primarily related to the new issues in Vietnam because of the container stuff we've been dealing with all along. We're expecting higher supply chain costs as we get into the back half of the year as well, and that's been embedded within our guidance. But we've managed through it as well as we can. And I think we've kind of punched above our weight in terms of being able to get product in from overseas and keep aggressive product flow into our stores to support the significant sales increase that we had.

Now we have been out of stock in some categories. Customers understand that. There's been a lot of substitution going on. If we don't have product A, they'll buy product B instead. And that's really helped our inventory turn along the way. It's helped us not build up inventory that then has to be cleared. Remains to be seen how long that behavior will continue, but I think there are many product categories across retail and customers are getting used to that. And we expect it will continue for a while.

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

Okay. And when it comes to margins, I mean, I would imagine there's quite a bit of increased cost as a result of some of the disruption. But we also just had a meeting with NPD, who said that there has been just quite a trend for an upward trajectory of average selling prices across the board. So I wondered if you could help us understand, too, from a margin standpoint, how you're mitigating some of maybe the higher costs associated with the tightness in the supply chain and how we should think about that over time.

Lee J. Belitsky
Executive VP & CFO

COPYRIGHT © 2021 S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

Well, thus far, the cost increases that we're seeing have been relatively limited and primarily kind of in the big, bulky hardlines items that we've seen this year. And we've been able to -- able through an elimination of promotions and then taking some price increases along the way to cover that. We see some more price increases coming as we look out into the fourth quarter and into the early part of next year beginning to hit athletic footwear and athletic apparel and some of the products coming in from our brands at higher costs there. But they're also looking to take retails up to continue to cover to those costs. So AURs are continuing to increase. Some of it is driven by less promotions, some of it is driven by higher costs that we're covering with higher retails thus far.

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

Okay. I feel like one thing that kind of gets lost in the shuffle of all the volatility and all the discussion over the last 18 months is just the wins that you've made on the merchandising side of things. You have more premium product from the big brands that you mentioned before. You have greater access to some more popular higher-end brands, like Patagonia and YETI. I just wondered if you could talk a little bit about the composition of the merchandise within your store, how different it looks today versus it did maybe in 2019 and how you feel about the innovation of all those products going forward.

Lauren R. Hobart
President, CEO & Director

Yes, you're absolutely correct. The assortment in our stores has been elevated over time. And that is because of allocations from some of the brand partners, we're getting much more high heat. In terms of footwear, we've invested in premium full-service footwear decks so that enables that flow to happen. Our apparel is incredibly on trend and really great athletically and from a fashion standpoint, and we're getting allocations of all of that as well. But also point out that in team sports, we've also elevated our assortment. So we've invested in baseball shops. We have the HitTrax experience, where people can come in and swing a bat and elevated that entire assortment as well.

Now we're investing in soccer shops. So we have cleats that go up all the way to $279 and are really what the true athlete is looking for. So across the board, our access is far improved. And that's been a sustained effort on our part for many years now. We are absolutely focused on getting some of that exclusive high heat allocated product. But we've also just elevated the store in terms of we want to have things for opening price points. We have that with our DSG brand. We have things that can meet anybody's needs, but we also want to really make sure we are serving that enthusiast athlete. And we've done a much better job across the store with that.

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

Yes. And that's something that we've noticed, too, the private label initiative. Again, we have to step back before the pandemic. But it really does feel like there was a little bit of a tipping point in getting the private label strategy right with DSG. Because you just -- when you go into your store, there's not a category, I don't think, that DSG isn't really a part of. So I wondered if you could talk about why you think that's been so successful after a couple of years of trying to figure out private label. And ultimately, where do you think private label can go between DSG, CALIA and now VRST?

Lauren R. Hobart
President, CEO & Director

Yes. We are incredibly excited about our private label brands. I will just make a comment that we call them now vertical brands. And that's not just a name change, it's actually got a lot of meaning in it, that we are building brands that have consumer desire, consumer preference and are not just labels. So then you go to the brands like a brand like DSG. That was a white space. We felt it was a white space in our portfolio. We had customers coming in and -- coming in for team sports and perhaps going to one of the department stores and mass merchants for things like athletic apparel because the price point was more affordable.

COPYRIGHT © 2021 S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

And we did extensive consumer research and realized that DSG -- DICK'S Sporting Goods brand, which actually is a nod to -- DSG obviously stands for DICK'S Sporting Goods, but it's a very overt vertical brand, would have incredible credibility with consumers from a performance standpoint. And then the value becomes just a complete delight. So we've -- that brand quickly became our #1 vertical brand. It's in multiple categories. To your point, it's doing incredibly well from an apparel standpoint. But also some of the equipment is doing really, really well. And we continue to think there is tremendous upside in the DSG brand. It really is meeting a consumer need. And I would tell you if you haven't tried it, it's really great product. It's really great product.

The other thing I'll tell you to go try all of you on the call is we have CALIA, which is amazing and which many of us around here live in over the weekends and sometimes when we're at our desks as well. But it's incredibly attractive performance product that can be worn to/from the gym. And VRST, our new men's line, which is also a lifestyle apparel brand for men similar to CALIA. It's kind of the sister/brother of CALIA but very trend-right, very much athletic apparel brand that can take market share, we think, from some of our competitors. So we have incredible confidence in the vertical brand strategy. The last thing I'll just say about vertical brands is when we grow them, the margin rate is 600 to 800 points higher than normal margin rate, our average margin rate. So it really behooves us to push those brands.

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

And can you remind us if there's a goal in terms of -- there used to be a goal in terms of how many sales. Is it still...

Lauren R. Hobart
President, CEO & Director

Yes. It's $2 billion is still the goal that we are going for.

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

Okay. Great. And I guess in the same vein, I think it's introduced -- these new vertical brands have introduced the brand to newer customers. But new customers is also something again that you saw during the pandemic. And it seems like you acquired quite a few new customers as you take a look at other retailers and the numbers that they've thrown out over the last 18 months, and your number stands out. So I wondered if there was a way to delineate where those new customers came from. What are they coming to you for that they didn't come to you before? And how sticky do you think they can be over time?

Lauren R. Hobart
President, CEO & Director

Yes, great question. We did have extraordinary new customer growth. Last year, we grew 8.5 million new customers and the past 2 quarters, about 2 million each. And that, to shape the makeup of the new customers, is, I think, of interest. It's slightly -- it's different than our core customer base slightly. So it's slightly more young, which is very exciting to us so that we're bringing in people in a different life stage.

It's slightly more urban. And our hypothesis there is that a lot of people left the cities and maybe tried the brands, because we don't have a very strong presentation in cities like New York, we are more in the suburbs. And so we think people tried the brand there. And it slightly also skews a little more female. And we are -- unlike most retail, we're very balanced, male-female. So it's just nice to get more women shopping because we actually are hugely focused on the women athlete and also women's athletic apparel and lifestyle apparel as well, so really excited about the new customers generally.

COPYRIGHT © 2021 S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

We've turned our attention now to retaining -- obviously, we want to bring in as many people in the funnel, but we are really pleased with our retention statistic as well. That's a muscle that we've had for many years. I mean, our direct marketing muscle is strong. We've had our scorecard program for years, over 70% penetration in the scorecard program. But our data science capabilities continue to get stronger. And we can match more transactions to people and really dial up our marketing. So our retention rates are really strong. So we do think it has -- this has long-term potential.

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

Okay. And the time is actually moving very quickly, so I just wanted to get one more question to Lee and then we have four questions that we're asking every company that's attending our conference today. But I wanted to sneak in a question about capital allocation. Just you recently announced your $5.50 per share special dividend as well as a 21% increase to your regular dividend. I just wondered if you could just remind us your priorities for capital allocation at this point in time.

Lee J. Belitsky
Executive VP & CFO

So as you've all seen over the course of the last 15 months, the level of cash flow that we've thrown off in the business has really accelerated versus historical levels. And we've always said that our first priority is to invest back in the business. So we've been investing in technology. We've got some new concepts that we're trying out along the way. We're going to need to rebuild our inventories at some point because we don't feel good about the in-stock positions that we're in right now.

But -- and as the supply chain allows, we'll be able to kind of rebuild those inventories. But having said that, we believe there will be considerable excess cash flow that we continue to throw off. And while we will continue to run a conservative balance sheet here, as we throw off this excess cash flow, our attention would be to return net cash to shareholders either through accelerating share buybacks or -- and/or accelerating dividends as we go forward.

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

Okay. Just to quickly fit in these four questions that we're asking every company, it's multiple choice. So the first question is how do you think about consumer demand going forward as we get further away from stimulus payments? Do you expect to see momentum accelerate, decelerate or stay the same through the end of 2021?

Lauren R. Hobart
President, CEO & Director

Multiple choice. I would say, for us in our category, I have to answer it that way, we expect consumer demand to stay as strong as it is, so maintain but at a very, very high level.

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

Okay. The second question is how do you think about digital penetration in 2022 relative to what we saw in '20 and '21, higher or lower or the same?

Lauren R. Hobart
President, CEO & Director

COPYRIGHT © 2021 S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

Digital penetration will certainly be higher in '22 than it is in '21 whilst we continue to just lean into the omnichannel experience. 2020 was an unusual year with digital. But it's because we had stores closed and it was significantly penetrated. So we feel really -- so the multiple choice, I would say more in 2022.

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

Okay. Great. We asked about promotions before pretty extensively, but how should we think about promotions in '22 versus '21?

Lauren R. Hobart
President, CEO & Director

A slightly more promotional environment. I don't think this can replicate this lack of -- complete lack of promotion in the marketplace, but we don't expect to get heavily promotional.

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

And then the last question is if you had to pick your biggest lever to help mitigate the supply chain pressures, would it be increasing lead times, shifting production, air freight or other?

Lee J. Belitsky
Executive VP & CFO

Well, I'm going to say it's other. 85% of our product comes from national brands. So we're not really in control of the supply chain coming from Asia, wherever the products come from. So the other would be really leaning on our relationships, making sure we've got the best relationships we possibly can with the major brands along the way to ensure that we get as preferential treatment as we can with the flow of product that's coming in from those brands.

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

Okay. That's helpful. And this is part B of the fourth question. Do you expect your inventories to go faster or slower than sales in the second half of this year?

Lee J. Belitsky
Executive VP & CFO

Yes. We think the demand is going to continue to be strong. So I hope that the sales are stronger than the inventory growth, and we continue to turn the inventory very quickly.

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

Okay. That's great. I wanted to make sure we left enough time for questions from the audience. [Operator Instructions] So we might pause for 30 seconds just to see if we have any questions come in. And if we don't, I have plenty to keep going. Okay. There might be a little bit of a delay, so I'll throw in a quick one, and we'll see what else comes up.

Maybe -- we haven't really talked specifically about holiday. And one thing that we saw last year, and I think it was a result of Amazon Prime starting earlier in October, you saw just a very early start to holiday. Could you maybe talk about

COPYRIGHT © 2021 S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

what you're expecting in terms of timing, when we're really going to start to see some of the advertising around the events and any kind of product or trends that you're excited about for this holiday season?

Lauren R. Hobart
President, CEO & Director

Yes. Holiday, we think there will be incredible consumer demand as we talked about. But given that we are slightly concerned about supply chain issues and scarcity, I do expect that the sales are going to be at least as early as they were last year, if not even a little bit earlier. We personally don't plan to start holiday promotions before Halloween. I mean, we're not going to be promotional likely this holiday anyway. But our holiday messaging will be November -- turned on in November as it usually is. I just think the sales will shift a little earlier.

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

And any new products or trends? I mean, one thing that we've heard is one of the emerging trends out of the pandemic is pickleball. Is there anything like that, that you expect to see over the next 6 months or into the holiday?

Lauren R. Hobart
President, CEO & Director

Yes, you're absolutely right. Pickleball is absolutely on trend. But across the store, every category in our store is on trend and there's giftables from the big ticket items down to just helping people get the best -- their most favorite pair of running shoes. So we think there's excitement across the store.

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

Great. Great. And we're still waiting for a couple of questions, so I have another one. We talked about golf and golf as a category. But we haven't talked about Golf Galaxy. And I know you don't break out the sales for Golf Galaxy anymore. But I wondered if you could talk a little bit about just how that business has changed and some merchandising changes that you've made there and what the strategy is for that banner in particular going forward.

Lauren R. Hobart
President, CEO & Director

Yes, Golf Galaxy -- golf as a category is something we have tremendous excitement and confidence in. It's in the -- I would say it's in a super cycle. There's just a million people -- millions of people playing golf that didn't used to play and so we're really bullish on that. But even before the pandemic, we had a strategy to completely reinvent the Golf Galaxy brand and reinvented -- really reinvent the chain. And those efforts are all underway right now. So it includes -- we've invested in technology, TrackMan technology, across the entire Golf Galaxy chain, which is really an experiential desire in technology for people to come in and it's driving a lot of interest. We've invested in new store footprints. And 20 of our stores have been completely made over.

And then just about a month ago, we launched our new concept called Golf Galaxy Performance Center in Framingham, Massachusetts. If you have a chance to see it, go check it out. But it is a completely redesigned almost Golf Galaxy of the future. Obviously, it has TrackMan, but just a really engaging store experience. And across the whole chain, we are focused on service. So we have what we're calling our Trusted Advisor program, where our golf teammates: a, are knowledgeable in golf, passionate about golf; but also have a much deeper level of education and training than they would have had before. And that's resonating with golfers as well. So incredibly excited about what's going on in Golf Galaxy.

COPYRIGHT © 2021 S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

Lee J. Belitsky
Executive VP & CFO

Yes. One of the other exciting things about golf is as golfers move from beginner to intermediate and then move higher, they're looking to get custom fit for golf clubs, get lessons along the way. And all of those, you have to go into a store for. You can't do that online. And a lot of the investment we've made in Golf Galaxy is to build on those experiences and have a great fitting experience that can result in a high AUR transaction, where we're doing custom golf clubs and the lessons are recurring lessons that keep bringing that athlete back to the store for his lessons. So it's a consumer with a lot of disposable income and it's something you have to go to a store for, you can't do it online. And we want to make sure we have the best possible experience for that golfer that's out there in the marketplace.

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

Okay. Great. We did have a few questions come in. And one of the questions is focused on labor in the store. Just how you're -- how challenging it's been, what your view is on wage growth, again going into the next year, and any kind of insight on the labor trends?

Lauren R. Hobart
President, CEO & Director

Yes. Labor has been incredibly challenging across every industry. Everybody has seen the same effect. I think that -- I know that we are a little bit better off than many in terms of the fact that we have become a real employer of choice and people want to work at DICK'S Sporting Goods. And thankfully, the brand is -- has resonated with our customers as well as our teammates and people are having fun when they come to work. So we haven't had nearly what I've -- what you hear in the industry or other industries about having to change hours. I mean, we've been totally able to manage through this.

We have really focused though on the health and well-being and general salaries of our teammates, both hourly and full time because we do need the competitive wages. And we have been increasing our wage rate over time. We did a large increase after we took hero pay away. We sort of transferred it into early raises and more excessive raises than we would have done in the past. And then just this past quarter, we did another raise across the board for our teammates. So we are -- wage rates are going up, we are competitive and we're feeling pretty advantaged in terms of the labor market.

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

Okay. Great. And then our last question, we had a couple of questions come in on real estate. Just if you could remind us just what your plans are for more stores, for square footage and just any areas of market penetration, where you're underpenetrated at this time.

Lee J. Belitsky
Executive VP & CFO

Right. I'd expect to see low single-digit kind of square footage growth going forward through a combination of adding some more House of Sport stores, adding a handful of standard DICK'S Sporting Goods stores. We'll be adding a couple of Public Lands stores along the way to test out that concept, so -- and our fleet is extremely profitable right now. So I don't expect to see any significant store closings going forward, so low single-digit growth in square footage going forward.

Katharine Amanda McShane

COPYRIGHT © 2021 S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

Goldman Sachs Group, Inc., Research Division

Okay. Great. Well, we're out of time, but I wanted to thank you so much for joining us today, for always coming to our conference and having such great insights. It's a pleasure to talk to you. And thank you to the audience for joining us today.

Lauren R. Hobart
President, CEO & Director

Thank you, Kate. We appreciate being here. Thank you.

Lee J. Belitsky
Executive VP & CFO

Thank you.

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

Thank you.

COPYRIGHT © 2021 S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

Copyright © 2021 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.
© 2021 S&P Global Market Intelligence.