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Dick’s Sporting Goods, Inc. (DKS)

Q3 2023 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen, and welcome to the Q3 2023 DICK'S Sporting Goods Earnings Conference Call. At this time, all participants are in a listen-only mode. And please be advised that this call is being recorded. After the speakers' prepared remarks, there will be a question-and-answer session. [Operator Instructions]

And now, at this time, I would like to turn things over to Mr. Nate Gilch, Senior Director, Investor Relations. Please go ahead, sir.

Nathaniel A. Gilch

Senior Director-Investor Relations, Dick's Sporting Goods, Inc.

Good morning, everyone, and thank you for joining us to discuss our third quarter 2023 results. On today's call will be Lauren Hobart, our President and Chief Executive Officer; and Navdeep Gupta, our Chief Financial Officer. Playback of today's call will be archived in our Investor Relations website located at investors.dicks.com for approximately 12 months.

As a reminder, we'll 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 our most recent Form 10-Q filing as well as 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 the reconciliation of our non-GAAP financial measures referenced in today's call. And finally, for your future scheduling purposes, we are tentatively planning to publish our fourth quarter 2023 earnings results on March 11, 2024.

With that, I will now turn the call over to Lauren.

Lauren R. Hobart

President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.

Thank you, Nate, and good morning, everyone. We are very pleased with our third quarter results, which demonstrate the ongoing strength of our business and the focused execution of our team. We had a very strong back-to-school season, driven by our best-in-class athlete experience and differentiated assortment. And we continue to gain market share as consumers prioritize DICK'S Sporting Goods to meet their needs.

Our third quarter sales increased 2.8% to $3.04 billion and our comps increased 1.7%, driven by increases in both transactions and average ticket. This strong comp was on top of a 6.5% increase from the same period last year. And during the quarter, we saw more athletes purchase from us while spending more each trip.

On a non-GAAP basis, our Q3 gross margin expanded by 88 basis points versus the prior year period. And looking to Q4, we expect to see continued year-over-year gross margin expansion. We achieved double digit non-GAAP EBT margin of 10.6% and delivered non-GAAP EPS of $2.85, up 10% over Q3 last year.

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As a result of our strong Q3 performance, we are raising our full year outlook. Our updated guidance balances the confidence we have in our key strategies with an acknowledgment of the uncertain macroeconomic environment. For the year, we now expect non-GAAP earnings per diluted share in the range of $12 to $12.60, compared to our prior expectation of $11.50 to $12.30. In addition, we now expect comparable store sales in the range of positive 0.5% to positive 2% compared to our prior expectation of flat to positive 2%. At the midpoint, GAAP EBT margin is expected to be approximately 10.4%.

We have a tremendous long-term growth opportunity ahead of us, and we're making strategic investments that position us well for growth and enable us to continue gaining share in a large fragmented industry. These investments include accelerating innovation in our omni-channel athlete experience and expanding our new concepts like House of Sport and our new 50,000-square foot prototype, which are resonating exceptionally well with our athletes.

As we outlined on our last call, we've done extensive work to optimize our business so we can capture the opportunity ahead of us. This includes better aligning our talent, organizational design and spending in support of our most significant growth opportunities while also streamlining our overall cost structure. First, as we discussed last quarter, we are resourcing DICK'S for growth and refocusing our team on our four key strategic pillars of differentiated products, athlete experience, teammate experience, and brand engagement.

Second, we are optimizing our outdoor specialty business. This primarily includes integrating the operations of Moosejaw and Public Lands to enhance our ability to fulfill outdoor athlete demand more effectively. This new structure immediately improves operational efficiency and strategically positions this business for profitable growth within the $40-billion outdoor industry. Navdeep will share more details about our business optimization plans, including the expected SG&A benefits and the charges related to executing these plans.

Innovating within the omni-channel athlete experience is at the heart of our growth strategy. Our newest DICK'S concepts have proven to be tremendously successful and are a key part of our future as we continue to reimagine our store portfolio and footprint. First, we continue to be pleased with the results from our DICK'S House of Sport locations. We opened 2 new Houses of Sport at the beginning of Q3 and now have a total of 12 locations opened, 9 of which we opened this year. We're excited to open approximately 10 additional locations throughout 2024, including at the Prudential Center in Boston, as well as locations in Pittsburgh, Miami and Tampa.

We continue to expect that by 2027 we will have between 75 to 100 across the country. In addition to House of Sport, we're rolling out our next-generation DICK'S store, which revolutionizes our most typical 50,000-square foot format. During Q3, we're excited to have opened another five locations. And earlier this month, we opened three more. With a total of 11 next-generation locations now open, we are pleased with the performance and confident in the long-term opportunity of this new 50,000-square foot prototype.

We're also growing our Golf Galaxy footprint through Golf Galaxy Performance Center, an immersive experience for golf enthusiasts of all levels. During Q3, we opened 7 new Golf Galaxy Performance Centers, expanding our Golf Galaxy chain to 104 locations, including 13 performance centers. We believe there is a significant long-term growth opportunity in golf.

Over the next four years, we expect to have as many as 40 to 50 Golf Galaxy Performance Centers across the US, including approximately 10 new locations in 2024.

In combination with our stores, our digital experience remains an integral part of our success, and the investments we are making in technology are strengthening our athletes' omni-channel experience and driving increased

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engagement. This quarter, we added 1.6 million new athletes and are further growing our base of omni-channel athletes. Omni-channel athletes make up the majority of our sales, and they spend more and shop with us more frequently than single-channel athletes. As we invest in data science and personalization, we're excited to continue building one-to-one relationships and better serving these athletes.

We remain focused on ensuring DICK'S is a convenient one-stop shop and have enhanced our multiple delivery and pickup options by expanding same-day delivery. In fact, athletes can now filter online for same-day delivery. And this holiday season, we will offer same-day delivery service up until 12 noon on Christmas Eve for last-minute gifting.

In closing, we're very pleased with our strong third quarter results and remain enthusiastic about the future of our business. We're excited for the upcoming holiday season and the product, service and experience we're providing to our athletes. I'd like to thank all of our teammates for their hard work and commitment to DICK'S Sporting Goods and for their upcoming efforts during the fourth quarter.

With that, I'll turn the call over to Navdeep to share our financial results in more detail.

Navdeep Gupta

Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.

Thank you, Lauren, and good morning, everyone. Let's begin with a brief review of our third quarter results. We are very pleased to report consolidated sales increased 2.8% to $3.04 billion as we continued to gain market share. Comp store sales increased 1.7% on top of a 6.5% increase in the same period last year. Our strong comps were driven by a 1.1% increase in transactions and a 0.6% increase in average ticket. Collectively, our back-to-school categories did very well and we were pleased with the results from our House of Sport locations. Our non-comp sales growth of roughly 110 basis points this quarter was primarily driven by sales at Moosejaw.

On a non-GAAP basis, gross profit in the third quarter was $1.07 billion or 35.1% of net sales and improved 88 basis points compared to last year. This improvement was driven by lower supply chain costs, which leveraged 78 basis points. Merchandise margin increased 23 basis points and, as expected, this increase was primarily driven by anniversary of our clearance activity from last year and partially offset by higher shrink of approximately 50 basis points. To be clear, absent the shrink headwind, our merchandise margin would have increased over 70 basis points. Combating theft remains a top priority, and we continue to invest in efforts to keep our stores, teammates and athletes safe.

On a non-GAAP basis, SG&A expense increased $50.1 million to $729.9 million and deleveraged 102 basis points compared to last year. This was favorable versus our expectation due to better-than-expected sales, targeted actions to control discretionary costs and benefits from our business optimization actions. As we have highlighted on prior calls, the year-over-year deleverage this quarter was driven by our investments in our wage rates, talent and technology to create a better athlete experience, as well as investments in marketing. These areas of investments were partially offset by $8.2-million of expense reduction or 26 basis points of leverage associated with changes in the investment value of our deferred compensation plan, which is fully offset in other income.

Interest expense was $14.4 million, a decrease of $11.7 million compared to the same period last year. This decrease was primarily due to the inducement charges incurred in the prior year related to the exchange of our convertible senior notes and the interest savings this year from the retirement of those notes.

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Other income totaled $10.1 million compared to $4.8 million in the same period last year. This $5.3-million increase in income was driven by a $13.3-million increase in interest income as a result of higher average interest rates on our cash and cash equivalents. This increase to other income was partially offset by $8.2-million expense increase from change in the value of our deferred compensation plans, which fully offsets the SG&A expense reduction I mentioned earlier.

Driven by our strong sales, higher gross margin, along with lower interest expense, non-GAAP EBT was $321.1 million or 10.6% of net sales. This compares to an EBT of $304.2 million or 10.3% of net sales in 2022. In total, we delivered non-GAAP earnings per diluted share of $2.85. This compares to a non-GAAP earnings per diluted share of $2.60 last year, an increase of 10%.

As Lauren said, to continue fueling our long-term growth, we have optimized our organization to better align our talent, organizational design and spending in support of our most critical strategies while also streamlining our overall cost structure. First, we are resourcing DICK'S for growth. As we discussed on our last call, during the third quarter, we took actions to change our resourcing and organizational structure, primarily at our customer support center.

Second, we are taking steps to optimize our outdoor specialty business and are forming one team that will support the operations of Public Lands and Moosejaw. This will allow us to quickly leverage the best practices across our outdoor specialty business to drive growth while operating more efficiently. We started to see the SG&A benefits from these actions during the third quarter and expect to see continued benefits into Q4 and 2024. These actions, along with our overall focus on improving productivity and reducing discretionary costs, will help enable us to significantly moderate our SG&A expense growth in 2024 as compared to this year.

As a result of these actions, we incurred pre-tax charges totaling $52.5 million during the third quarter. This included a $6.3 million of inventory-related write-down associated with rationalization of non-go-forward Moosejaw inventory. These charges were included in our GAAP earnings per diluted share of $2.39. For additional details on this, you can refer to our non-GAAP reconciliation table of our press release that we issued this morning.

Now looking to our balance sheet, we ended Q3 with approximately $1.4 billion of cash and cash equivalents and no borrowings on our $1.6-billion unsecured credit facility. Our quarter end inventory levels decreased 2% compared to Q3 of last year. Our inventory is well positioned, and we are excited about our assortment for the holiday season.

Turning to our third quarter capital allocation. Net capital expenditures were $151 million, and we paid $81 million in quarterly dividends. We also repurchased 3.5 million shares of our stock for $388.1 million at an average price of $112.46. Year-to-date, we have returned over $900 million to shareholders through share repurchases and dividends.

Let me wrap up with our outlook for 2023. As Lauren noted, as a result of our Q3 performance, we are raising our full year outlook. We are confident in our key strategies and are well positioned to execute against what is in our control. At the same time, we are being appropriately cautious, particularly at the low end of our expectation, considering the ongoing macroeconomic uncertainties.

For the year, we now expect non-GAAP earnings per diluted share in the range of $12 to $12.60 compared to our prior expectation of $11.50 to $12.30. This continues to include approximately $0.20 coming from the 53rd week. In addition, we now expect comparable store sales in the range of positive 0.5% to positive 2% compared to our prior expectation of flat to positive 2%.

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Including the 53rd week, we expect roughly 250 basis points of non-comp sales growth for the full year. Specifically, this includes approximately $150 million in sales from the 53rd week, which is a smaller than average sales week for us. At the midpoint, non-GAAP EBT margin is expected to be approximately 10.4% compared to our prior expectation of 10.2%. We expect modest improvement in gross margin for the full year, which continues to include an approximate 50 basis points unfavorable impact from higher shrink compared to 2022.

Specific to Q4, we expect to deliver continued gross margin and merch margin expansion on a year-over-year basis, with some improvement versus our Q3 expansion. We also continue to expect SG&A expenses to deleverage on a full year, primarily due to the proactive investments in our growth strategies. Specific to Q4, we expect SG&A to deleverage by a similar magnitude as the third quarter.

Our earnings guidance is based on an effective tax rate of approximately 21% and an approximately 86 million average diluted shares outstanding compared to our prior expectation of approximately 87 million average diluted shares outstanding. In addition, we expect net capital expenditures between $550 million to $600 million for the year.

As part of our business optimization, we incurred pre-tax charges totaling $52.5 million during the third quarter and currently expect to incur charges of approximately $10 million in fourth quarter. These charges were excluded from today's non-GAAP outlook. We are still conducting our business optimization review, which we expect to be completed during fiscal 2023.

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

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] We'll go first this morning to Simeon Gutman at Morgan Stanley.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Q

Hey. Good morning, everyone. My first question is on the comps of the business, which have been much better than most retail categories and more resilience over the last couple of years. So, you see the detail. You see the product categories, the trends. As you look at this composition and how the consumer is going, I'm trying to assess what the puts and takes are as you look forward. And if you want to share how you think about 2024, fine, but more interested in what gives you confidence and what gives you pause.

Lauren R. Hobart
President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.

A

Thanks, Simeon. Yeah. We are pleased with how our consumer is holding up within the sporting goods industry and then particularly that they're choosing DICK'S increasingly to meet their needs. People are prioritizing a healthy and active lifestyle. They're prioritizing team sports, outdoors, living, running, walking, all of those things. And so, we felt in this past quarter particularly pleased with an increase in transactions and ticket and the fact that our consumers are not trading down, that our consumer has held up very, very well.

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So, as we look into Q4, as you've heard in our guidance, we are very excited about what we have within our control for Q4. Our products are in stock. We've got tremendous gifts. And if you look at LinkedIn, I know you follow #dsglife, but you'll see what we call Reindeer Runs going on all across the country and the teams are pumped to deliver an amazing holiday experience. We're balancing all of that with caution about the macroeconomic environment and the consumer because we know that consumers are going through a lot right now. So, I think, we've been reasonably cautious in our guidance, but we're very excited about how our consumer is holding up.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Q

Okay. I'll shift the follow-up to gross margin, although I have some more on top line but do it offline. On the gross margin, so in the last two years, last year you had – you worked with a vendor to move some inventory. This year, you had some outdoor markdowns. So, if you think about gross margins rebasing, do you look at those events as anomalies and you recapture that margin? Or is this level the right baseline that gives you flexibility and then you could offer some upside from here?

Lauren R. Hobart
President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.

A

Thanks, Simeon. I think it's important when you look at the gross margin to understand that our product mix has become increasingly differentiated. And as a result of that, one of our core operating philosophies is always to be very decisive and move inventory so that we can make room for clean and fresh receipts. And that is really what – that's what drove our comp this past quarter and what's been driving our comp for some time.

Last year, what you're mentioning, there were a few unusual events. There was a lump in outdoor equipment related to the pandemic. There was a lump in apparel related to the pandemic. That is not the story of this quarter. This quarter, we are very happy with the inventory that we're bringing in. And we move decisively to move the product that's in the stores through to clearance and to outdoor into online channels that we could make room to have an amazing Q4 and amazing holiday season.

I do think that's what drove our comps. And I would remind you that we are still – you take out the impact of strength, we are still 50% higher on a merch margin basis from where we were before. So, we're very proud of where we are from a gross margin standpoint and expect it to continue to improve.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Q

Fair enough. Thanks and happy Thanksgiving.

Lauren R. Hobart
President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.

A

Thank you.

Operator: Thank you. We go next now to Robby Ohmes at Bank of America.

Robert F. Ohmes
Analyst, BofA Securities, Inc.

Q

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Hey. Good morning, guys. Great quarter. Really just two questions. The first was just on House of Sport, any more color you can give on how the ones that are comping are comping? And, also, is the store economic model outlook improving? You mentioned the Prudential Center in Boston. I'm assuming you might be getting great lease rates on that relative to that location. Maybe some thoughts on that.

And then the second question is just Going Going Gone! and pop-up stores, can you tell us what kind of role they played in non-comp sales in the third quarter and how you're thinking about those for the fourth quarter? Thanks.

Lauren R. Hobart
President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.

A

Thanks, Robby. I'll start, and I'll turn it over to Navdeep. House of Sport stores are performing very, very well. I think it's important to note that as much as we got a positive impact from those stores, both the first three that we opened more than a year ago and the new stores that just opened in the past six months, we also had growth across the balance of our portfolio and our omni-channel business as well. So, it was a very balanced portfolio, which we're very happy with from a comp standpoint.

The economics of House of Sport are very good. I'll turn it over to Navdeep to talk about our lease rates and such. We're probably not going to get into that. But we have a very high standard for how we look at our real estate investments, and we don't do anything unless we hurdle a certain amount of ROI. So, Navdeep, anything you would add?

Navdeep Gupta
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.

A

Yeah. Robby, thanks for your comments. And as far as the House of Sport is concerned, like we have talked about – we continue to be, first of all, pleased with the performance of the 12 stores that we have opened. And the benefit is not just coming from an economic point of view, which is also great, but we are also seeing our ability to be able to attract new brands and new partners that are coming to showcase their product at House of Sport location.

And we feel Prudential Center will be another kind of the top-notch location where the brands would love to showcase their product. We'll share more details about the economics of these boxes when we share our 2024 expectations because we – our plan is to open 10 additional locations in 2024.

Coming to your question about the Going Going Gone!, the Going Going Gone! chain and the warehouse plus locations, as we call them, continue to play a very important role in our overall clearance strategy. Like Lauren talked about, the core differentiator for us continues to be the product assortment that we have available to drive the engaged relationship with our athletes. We are seeing our assortment resonate really well with the athletes, and having fresh and new vibrant assortment available in stores is a key part of that strategy. And Going Going Gone! allows us to move any excess or clearance inventory very efficiently into those locations and get a much better economic return than we were able to get in the past.

In terms of the non-comp impact, it didn't have a significant non-comp impact because the number of stores that we had in Q3 this year are very comparable to the number of stores that we had last year. So, 58 stores this year compared to, call it, 56 stores last year in Q3. So, it's a very comparable view. The non-comp benefit in the Q3 of this year was driven by the Moosejaw business.

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Robert F. Ohmes
Analyst, BofA Securities, Inc.

Q

Got you. That's helpful. And just, Navdeep, for 4Q, do you expect sort of similar number of stores versus last year for Going Going Gone!?

Navdeep Gupta
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.

A

Yes, we expect similar store count to be – because we feel like we have reached a good point where we can operate those number of stores very efficiently. The non-comp in fourth quarter will be Moosejaw as well as the 53rd week, as we have called out.

Robert F. Ohmes
Analyst, BofA Securities, Inc.

Q

Fantastic. Thanks so much.

Navdeep Gupta
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.

A

Thanks, Robby.

Operator: Moving next now to Kate McShane at Goldman Sachs.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

Hi. Good morning. Thanks for taking our question. I wondered if you could talk to any category performance during the quarter, just maybe how apparel and footwear looked relative to the second quarter year-over-year. And are you seeing any stabilization in some of the bigger ticket categories that maybe were COVID beneficiary categories a couple of years ago?

Lauren R. Hobart
President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.

A

Thanks, Kate. Yeah, the story in Q3 from a category level really was about the strength of our back-to-school business. We saw strength as back-to-school has different cycles throughout the country, early, mid and late back-to-school, and we could literally see the comps follow those trends. The back-to-school categories were performing so well. So, collectively, that is footwear and apparel and hydration, which is doing incredibly well, and then other accessories like backpacks, socks and those sorts of things. So, we're very pleased with overall how our key categories performed in Q3.

Looking at the higher ticket, the COVID categories, I wanted to just remind you, they are a smaller percentage of our business. And across the board, they remain significantly higher than our pre-COVID levels. We do expect long-term growth in those categories. We're just managing through them. But they are a small percentage of our business relative to the rest.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

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Thank you. And if I could just have a follow-up question with regards to your commentary around House of Sport brands. Can you talk at all as to what those are and maybe how the brand distribution or just what brands you're carrying?

Lauren R. Hobart
President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.

A

Yeah, sure. I think House of Sport is unique in that it is totally rooted in sport and it's a fantastic destination for all of our brands. So, if you look at some of our bigger brand partners, it's one of the best presentations – they've said, one of the best presentations of their brands that they see. It's also an opportunity because of the size and the level of service where we can bring in new and emerging brands. And through that channel, we brought in brands like FP Movement and On and HOKA. And those then have ability to transfer down to the rest of the chain as we become partners.

So, our vertical brands also have incredible presence in our House of Sport stores. We lead with them across the board in many of our entrances and they're doing quite well, too. So, overall, just – it's a fantastic presentation and really puts brands in their best light.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

Thank you.

Operator: Thank you. We'll go next now to Mike Baker at D.A. Davidson.

Michael Baker
Analyst, D.A. Davidson & Co.

Q

Okay. Thanks, guys. So a couple of margin questions. One, you talked about SG&A growing less next year. Can you talk about what your breakeven comp is in terms of SG&A? What kind of comp do you need next year to leverage your SG&A? And maybe along the same lines, what kind of comp you need for total EBT margins to be up, in other words, incorporating what might go on a gross margin in that as well?

Navdeep Gupta
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.

A

Yeah, Mike, thanks for the question. Maybe I'll start with the Q3 performance that we saw in the SG&A. So, the SG&A came in – from a rate perspective, it still deleveraged 100 basis points but it was lower than the expectation that we had given at the end of Q2, driven by three primary things. First, the top line came in at the higher end of our expectations. So, we're very pleased with the productivity that we were able to drive from just the leverage on the higher level of top line performance.

Second, really, really focused about the work that got done within the collective organization to be able to drive productivity and efficiency pretty much in the discretionary areas away from the core strategies of the company. So, you saw the results of that manifest through the P&L that we delivered. And then some of the actions that we undertook here in the business optimization, the early parts of those benefits were also in Q3. And we expect a similar outlook as we shared for Q4. We expect SG&A to deleverage in the similar zone as where the deleverage in Q3 came in.

In terms of 2024, here's the way I'll say it because we are not ready to provide guidance as yet for 2024, but here's a framework to think about it. The business optimization actions that we have taken, particularly in the

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Moosejaw and Public Lands businesses being brought together, that benefit will continue into 2024. And that's the reason we said our SG&A will significantly moderate in terms of the growth as we go into 2024.

In addition, the work that we are doing currently and have done in the discretionary cost area in Q3 and in Q4, we expect that benefit also to continue into 2024. So, we'll share more at the next earnings call about 2024 expectations, including the top line and the SG&A and the profitability expectation.

Michael Baker
Analyst, D.A. Davidson & Co.
Q

Okay. Fair enough. One other, I guess, follow-up but candidly, a different topic. Historically, in a lot of ways, back-to-school is a very good leading indicator for holiday sales. You had a very good back-to-school. Historically, in your business, have you seen that kind of correlation between holiday sales and back-to-school?

Navdeep Gupta
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.
A

I would say what we are really pleased is the fact that our consumer is holding up really well. We are seeing growth both in our transaction and in our ticket. And as Lauren indicated, we have not seen any trade downs. And all income demographics across our portfolio actually grew. However, the competitive set in holidays is different than back-to-school season.

So, we are very optimistic about the things that are within our control, our assortment, our service levels, as well as the experience in the stores are ready to serve our athletes. And we couldn't be more excited about the holiday season.

Michael Baker
Analyst, D.A. Davidson & Co.
Q

Great. Fair enough. Look forward to seeing the new store in the Prudential Center up here in Boston.

Lauren R. Hobart
President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.
A

Us too.

Navdeep Gupta
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.
A

Us too.

Operator: Thank you. We'll go next now to Warren Cheng at Evercore ISI.

Warren Cheng
Analyst, Evercore ISI
Q

Hey, good morning, guys. Just to follow-up on your answer to Simeon's question on the 4Q comp. So, the guidance implies a deceleration from that $1.7 billion from 3Q. So, if we use that 3Q $1.7 billion levels as an anchor, the compares get easier going in the fourth quarter on both a year-over-year and multiyear basis. It sounds like the inventories are well stocked. 3Q had some unseasonal weather. So, as we think about that 3Q to 4Q sequential slowdown, are there factors that we should consider? Or is that entirely just the macro caution that you talked about?

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Lauren R. Hobart
President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.

A

Yeah. Warren, we are being conservative on the low end of our guidance just given – Navdeep just said, first of all, we compete with everyone in the world during the fourth quarter and, also, the consumer is going through an awful lot and we're just – we're trying to be cautious. And so, I wouldn't read into anything other than we are trying to model in an appropriate level of caution due to the uncertain macroeconomic environment.

Warren Cheng
Analyst, Evercore ISI

Q

Got it. Thanks. And then a follow-up on margins. So, just on freight, I think it flipped to a big tailwind around third quarter or fourth quarter last year. How should we think about the spillover into 4Q and 2024? And then, also just on – to round up the gross margin piece, how should we think about occupancy expense growth in next year as you sort of ramp up Golf Galaxy and – sorry, Golf Galaxy and House of Sport?

Navdeep Gupta
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.

A

Yeah. Warren, I'll stay away from 2024 guidance. We'll provide that at the next quarter. But I'll – maybe I'll answer your first part of the question. In terms of the freight expenses, I would say that the freight expenses, to your point, did start to moderate in terms of the growth last year. Also, we started to see the benefits of the lower freight expenses in the back half of last year, and I would say they were a little bit more pronounced into Q4. So, if you look at our prepared comments from last year, you will be able to – you'll be able to get to a good approximation for the Q4 expectations.

And about the occupancy, we'll talk about more between House of Sport and Galaxy because that all ties into how we think about the overall operating model. But like Lauren said, the core growth opportunities that we see between the House of Sport locations, the next-gen 50,000, as well as Golf Galaxy, we are very excited about all of those opportunities and we'll share more at the next quarter meeting.

Warren Cheng
Analyst, Evercore ISI

Q

Thanks, Navdeep. Thanks, Lauren. Good luck.

Lauren R. Hobart
President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.

A

Thank you.

Operator: Next now to Christopher Horvers at JPMorgan.

Christopher Horvers
Analyst, JPMorgan Securities LLC

Q

Thanks, good morning. So, just following up on – you talked about strength in the business. You talked about strength in back-to-school, in demographics and so forth. A lot of retailers have talked about some moderation in October. So, I know you don't give monthlies, but is it fair to say that there was – the strength was – the comps were highest around back-to-school season and then moderated?

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And then, I guess related to that, how are you thinking about how the holiday season plays out? Are we reverting back to like 2019 where sales are very focused around events, whether that's Black Friday and Cyber Monday and then the last two weeks for Christmas?

Lauren R. Hobart
President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.

A

Yeah, Chris. So, in terms of the strength of our quarter, the calendarization of our quarter, you are correct. The back-to-school strength drove significant comps in August and September. We did see a moderation in October of comps, but we also had unfavorable weather – warmer weather as an impact. So, nothing significant. But, yes, we saw a moderation in October.

As we look to the holiday season, obviously, we have the biggest weeks coming up ahead of us, and it will be busy right until December 25. And we are seeing holidays kicking off, and this has been going on now for a few years, earlier in November. We've been talking about that for some time. We're seeing it now, and we expect it will be a key five or six weeks here, and it will be similar timing to what it was before with events driving a lot of the excitement.

Christopher Horvers
Analyst, JPMorgan Securities LLC

Q

And then my follow-up is I just think about innovation in 2024 across different categories. You've had a lot of success this year on having high heat product on the apparel side. You've also had expanded a few key brands around in the footwear category. So, thinking about those categories in particular, how are you thinking about innovation as you look at 2024, and maybe as well on the golf side?

Lauren R. Hobart
President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.

A

We're excited – generally speaking, we're excited about the innovation in our business. We're excited about the new formats that we're innovating. We're excited about innovation in our service model. And we're excited about the product that we're seeing from many of our brand partners. We think it's going to be very – it will be a great year from – without me giving guidance, and I'm excited about the product that I'm seeing 2024.

Innovation across the board, categories get interestingly hot from time to time. It's interesting to see what's happening with hydration in the past few years. There could be other categories that pop next year, but we see really exciting product in all the key categories of apparel and footwear and golf.

Navdeep Gupta
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.

A

And maybe I'll add one more point. We still see organic opportunity for us to continue to expand our premium full service footwear decks into the larger part of the overall company portfolio of stores. And as we do that, that opens up more access to brands as well as deeper access within those brands as well. So, there are organic actions that we have at our disposal and quite frankly, that have done really well that give us confidence as we look to 2024.

Christopher Horvers
Analyst, JPMorgan Securities LLC

Q

And, Navdeep, could you just remind us where you are from a penetration perspective on the footwear decks and where it's going?

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Navdeep Gupta
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.
A

Yeah, about 75% of the stores today have that capability.

Christopher Horvers
Analyst, JPMorgan Securities LLC
Q

Got it. All right. Thanks very much. Have a great Thanksgiving.

Navdeep Gupta
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.
A

Thank you. You too.

Operator: Thank you. We go next now to Michael Lasser at UBS.

Michael Lasser
Analyst, UBS Securities LLC
Q

Good morning. Thank you so much for taking my question. Last quarter, you had planned some gross margin pressure to keep your inventories fresh as you move through the course of the year. Have you used more or less of that flexibility than you anticipated? And would consider that now just the cost of doing business that's going to be part of the cost structure moving forward?

Lauren R. Hobart
President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.
A

Hi, Michael. Yes, we are – I would say, one of our core operating philosophies and what is driving our top line sales is our ability to keep our inventory fresh and clean. and especially the more that the inventory has become highly differentiated, it's important to bring it in when it's hot, when it's – and keep the stores constantly evolving.

And so, we are – as our gross margin materialized through the quarter, we were slightly more aggressive in terms of moving stuff out, the environment was slightly more promotional than we had originally expected. But generally speaking, we were decisive just to keep the stores clean. Nothing extraordinary or out of the ordinary, I should say, happened during the quarter. And we're very pleased that we were able to grow gross margin. As we look to Q4, we are expecting accelerated gains. We're also very pleased with the overall profitability of the business.

Michael Lasser
Analyst, UBS Securities LLC
Q

And, Lauren, your comment that the environment was a bit more promotional than you expected, how does that feed into your expectation for 4Q? And is the fact that your gross margin expansion going to accelerate in this quarter simply a function of an accelerating benefit from the lower freight cost?

Lauren R. Hobart
President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.
A

Yeah. Actually, the Q4 gross margin acceleration also factors in the fact that Q4 was a very promotional clearance time as the industry had a glut of apparel last year at this time. And so, when we're saying we are looking to Q4, we are seeing some increased promotional activity. We're seeing more MAP breaks, and we will be

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participating surgically where and when we feel it's necessary for us to stay competitive. We have factored all of that into our guidance and still expect gross margin to accelerate in Q4.

Navdeep Gupta
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.
A

Michael, let me add one more thing. I'll just clarify on the last part of the question. As in my prepared comments, I talked about that we expect both the gross profit as well as the merch margin to expand as we go into the fourth quarter. So, the merch margin would be on like the things that Lauren talked about would be kind of the annualization of the actions and the capabilities that we have. And to your last part of the question that lower freight cost benefits would be part of the gross profit.

Michael Lasser
Analyst, UBS Securities LLC
Q

Got you. I hope everyone has a great holiday season. Thank you so much.

Lauren R. Hobart
President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.
A

You too. Happy Thanksgiving.

Navdeep Gupta
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.
A

Thanks, Michael.

Operator: Thank you. We go next now to Paul Kearney at Barclays.

Paul Kearney
Analyst, Barclays Capital, Inc.
Q

Hey, good morning. Thanks for taking my question. Just on the promotional conversation, wondering if you can comment on maybe by category what you're seeing is more promotional. Is it that apparel is just more promotional than you would expect it to be? Or are you seeing promotions elsewhere in the store in footwear and hardlines? And could you comment on the level of vendor support relative to last year? Thanks.

Lauren R. Hobart
President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.
A

Yeah. In Q4, as I mentioned, we compete with everything from jewelry to appliances to everything that could possibly be a gift. And so, the promotions by category are what you would expect. I wouldn't say there's an area of the store that's more promotional. We're making sure we have hot deals for consumers who are coming in and excited to shop during the holiday season.

Vendor support, we work ongoing with our vendors. This is week in, week out, month in, month out. And it's something we're not going to comment on specifically but continues to be a key part of our operating model.

Paul Kearney
Analyst, Barclays Capital, Inc.
Q

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Okay. Great. And just a quick follow-up. Could you maybe just refresh us on the capital allocation priority as we think about next year and into the future? Could we be assuming a continuation of share repurchases as part of that strategy? And where does that fall? Thank you.

Navdeep Gupta
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.
A

Yeah. Paul, consistent with what we have said, the capital allocation priority continues to remain consistent. We are focused on maintaining an appropriate level of cash on the balance sheet. And the second is to continue to maintain our investment grade status that we have. And the third priority continues to be invest into the business. And as part of our updated guidance, we have maintained the capital investment expectation of $550 million to $600 million.

What you saw us do in Q3 is when we see that as an opportunistic or a dislocation in our stock price, we will step in based on where the stock price is and the long-term confidence we have in our company. And we stepped in and bought $388 million worth of stock. And from a return to the shareholders, our priority continues to be able to give a good return in terms of the dividend, which we doubled this year, as well as continuing to opportunistically buy back shares.

Paul Kearney
Analyst, Barclays Capital, Inc.
Q

Thank you so much. Best of luck in the holidays.

Navdeep Gupta
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.
A

Thank you.

Operator: Thank you. We go next now to Paul Lejuez at Citigroup.

Kelly Crago
Analyst, Citigroup Global Markets, Inc. (Broker)
Q

Hi. This is Kelly on for Paul. Thanks for taking our question. I just want to follow-up on House of Sport stores. I hope you could parse out the performance of some of the newly converted House of Sport stores that are included in the comp base relative to how legacy DICK'S stores performed in third quarter. I just have a follow-up.

Navdeep Gupta
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.
A

Yeah. Kelly, thanks for that question. Let me clarify one thing. We never took out those stores that were converted into House of Sport out of the comp base. So, they were part of our comp base even in the first half of this year. And quite frankly, we had talked about that they were an unfavorable impact as we were converting them.

In terms of the performance that we have seen from these stores, we couldn't be more excited. There are only 8 of them that – collectively 12 of them, but the original stores are doing really well. The new group of stores are doing extremely well as well. And, yes, they had a favorable impact to our comp, but we were very pleased with the overall portfolio of the brick-and-mortar and the omni comp that we were able to deliver. So, overall, very pleased with the performance of House of Sport location as well as the core business that we saw in Q3.

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Kelly Crago
Analyst, Citigroup Global Markets, Inc. (Broker)

Q

Got it. And on the Public Lands, Moosejaw plan, can you just give us an update on how many Public Lands stores you have and whether your plan for these businesses includes more stores? What's sort of the go-forward plan for that outdoor category outside of the core DICK'S store? Thanks.

Navdeep Gupta
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.

A

Yeah. Let me start on that. First, let's talk a little bit about our overall excitement about the outdoor category. Like we have talked about, Moosejaw and Public Lands collectively serve the outdoor athlete, and that industry is a $40-billion highly fragmented industry but not a clear leader. So, as we see the collective capability that we have between the Moosejaw brand as well as the Public Lands brand, we are extremely excited about that opportunity to continue to differentiate and provide a much more synergistic way of serving that athlete as we look forward.

So, what we talked about in Q3 was we were – as you can imagine, after the acquisition, we are integrating the back office operations of the Moosejaw and Public Lands team and bringing one team together to serve these athletes. In terms of the number of Public Lands stores that we have, we have seven Public Lands locations right now, and we are excited about the ongoing business that we see here collectively between both these brands.

Kelly Crago
Analyst, Citigroup Global Markets, Inc. (Broker)

Q

Any plans to open more?

Navdeep Gupta
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.

A

We'll share more details in 2024. But, yes, our plans are to continue testing and learning into this brand and opening more stores as we go look into the future.

Kelly Crago
Analyst, Citigroup Global Markets, Inc. (Broker)

Q

Got it. Thank you.

Operator: Thank you. We go next now to John Kernan at TD Cowen.

John Kernan
Analyst, TD Cowen

Q

Good morning. Thanks for taking my questions. Keeping on the House of Sport theme, how should we think about the contribution to unit growth and top line into next year? And then also, how should we think about the four-wall margin on these stores versus the existing chain?

Navdeep Gupta
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.

A

Yeah, John. I would say, first of all, as we have talked about, most of the 12 stores that we have opened are either a conversion or a relocation of an existing store. So, what you're looking here is not a significant expansion

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in the square footage of the overall company, but what we are seeing is a very differentiated experience that we are able to provide in these stores.

We'll share more specifics in fourth quarter, but I can give you that from a sales productivity perspective as well as the contribution perspective, we are very happy with the financial returns that we are delivering on these investments.

John Kernan
Analyst, TD Cowen
Q

Got it. And then maybe just a quick follow-up on SG&A and some of the cost savings that you're looking at from some of the business optimization initiatives. How should we think about the net savings that you see into 2024 and beyond?

Navdeep Gupta
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.
A

So, in our prepared comments, what we shared was that we expect our SG&A growth to significantly moderate, especially considering the growth that we have seen in our SG&A this year. But as you can imagine, it's a combination of multiple things, what do we expect the sales growth to be next year.

But – so we'll share more, but the framework that I would use is, first of all, the business optimization work that we are doing, especially with bringing the Moosejaw and the Public Lands business together will have continued benefit, actually bigger benefits into 2024, as well as the productivity and the efficiency conversation that we talked out about in Q3 and Q4, those actions will continue to kind of help us mitigate the growth in SG&A as we look to the future.

John Kernan
Analyst, TD Cowen
Q

Got it. Thank you. Happy Thanksgiving.

Navdeep Gupta
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.
A

Thank you, you too

Operator: Thank you. We'll go next now to Joe Feldman at Telsey Advisory Group.

Joseph Isaac Feldman
Analyst, Telsey Advisory Group LLC
Q

Great. Thanks, guys. Congrats on the quarter. Wanted to go back to the comments you made about weather, and how much of a factor does weather have for you guys in the fourth quarter? Like will apparel be an issue if weather doesn't really get cold here? And – because it seems like it did – it was softer for everybody, not just you, in October because weather was a little more warmer than normal. So, just wondering how to think about the fourth quarter in apparel.

Lauren R. Hobart
President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.
A

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Yeah. Thanks, Joe. Certainly, Q4 is the most weather-dependent category. We've over time mitigated some of the volatility of that factor because we can't control the weather by just making sure we have all sorts of lightweight fleece is a big driver for us and things that don't depend on super extreme cold. That said, we like cold. So, I'm hoping for a snowy Thanksgiving and Christmas.

Joseph Isaac Feldman
Analyst, Telsey Advisory Group LLC
Q

Got it. Okay. And then another question just – I know inventory is in good shape, but how are you guys planning to end – get through the fourth quarter? And then your initial thoughts on 2024, like how you'll plan, Will it be up? Will it still be down a little bit like we've been seeing this year? How should we think about it?

Navdeep Gupta
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.
A

Yeah. I would say that we haven't given the guidance for Q4 on inventory. But I would start to say by the fact that if you look at our sales were up 3% almost in Q3 and our inventory was down 2%. So, that kind of indicates how well we are managing the overall inventory position, and I would say a similar sentiment as we look to Q4 as well.

We are right now in the middle of our budget season for 2024, and we are planning through the top line, the bottom line expectations and the inventory. So, we'll share more about exact 2024 working capital investment as we share the guidance in next quarter.

Joseph Isaac Feldman
Analyst, Telsey Advisory Group LLC
Q

Got it. Thanks guys. And good luck this quarter. Happy Thanksgiving.

Lauren R. Hobart
President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.
A

Thank you, you too.

Operator: We'll go next now to Will Gaertner at Wells Fargo.

Will Gaertner
Analyst, Wells Fargo Securities LLC
Q

Hey, guys. Thanks for squeezing me in here. Could you guys just give us a breakdown of store openings for the balance of the year, and perhaps into next year how you're thinking about store openings and how we should be modeling that?

Navdeep Gupta
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.
A

Yeah. The store openings for Q4 are primarily done with the holiday season. So, not too many stores are expected to open here in the fourth quarter. What we have guided in terms of the preliminary 2024 expectation is 10 House of Sport openings. You can see us continuing to open more Golf Galaxy locations into 2024. We continue to be really pleased with the overall performance of the Galaxy Performance Center.

In addition, we will also be remodeling our stores to continue to keep our overall assortment within those stores fresh and have the right capability and experience investment in the core part of the DICK'S stores as well.

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Will Gaertner
Analyst, Wells Fargo Securities LLC

Q

Got it. And then maybe just talk a little bit about inventory in the channel. Where are you seeing – what categories are you seeing are heaviest? Which are lean? Just give us a little bit of context in what categories you're seeing from an inventory perspective.

Lauren R. Hobart
President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.

A

Yeah. Well, there's nothing extraordinary or out of the ordinary going on with the inventory and the categories we're appropriately moving through product, the whole industry is. But it isn't the way it was last year where there was really distorted levels of inventory.

Will Gaertner
Analyst, Wells Fargo Securities LLC

Q

Got it. Thanks. I'll pass it along.

Operator: Thank you. We go next now to Joe Civello at Truist. Hey, Mr. Civello. Your line is open, sir, if you do have question.

Joseph Civello
Analyst, Truist Securities, Inc.

Q

Hi, sorry about that. Thanks so much for taking my call. Quick follow-up on the House of Sport locations. Can you guys call out anything in terms of like ticket or transaction benefits that you see at House of Sport versus other locations?

Navdeep Gupta
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.

A

Yeah. I would say, first of all, our overall portfolio of the House of Sport is resonating really well with the athlete. So, we see benefits in how many athletes and how far they are traveling to come and visit these experiential locations that we have. In addition, we are also seeing benefits in the overall basket size. So, I'm really encouraged by the makeup of the athletes, the engagement that we are able to drive with those athletes, as well as the basket size.

Joseph Civello
Analyst, Truist Securities, Inc.

Q

Great. Thanks so much.

Operator: We'll go next now to Justin Kleber at Baird.

Justin E. Kleber
Analyst, Robert W. Baird & Co., Inc.

Q

Yeah. Hey, guys. Good morning. Thanks for taking the question. Just one for me on the implied 4Q revenue guide. If I take the midpoints of the comp and the non-comp benchmarks you shared, it looks like guidance assumes that revenues will lift sequentially kind of in the high teens range, if I exclude the extra week. And if I go back pre-pandemic, your 4Q revenues used to grow north of 30% quarter-over-quarter. So, just – can you help

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me, I guess, reconcile why that's not the case anymore, why that relationship doesn't hold? Are you just more disciplined with promotions around the holiday? Or is the mix of the business that much different? Just trying to understand that. Thank you.

Navdeep Gupta
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.
A

Yeah. Justin, this is Navdeep. I'll take an attempt at that. The way we have thought about fourth quarter is very comparable to how we think about the holiday season. Holiday season is a very distinct and a different season when we compare that to the back-to-school season. So, we look at it much more on a sequential year-over-year basis versus the 3Q to 4Q build.

But to your point, when we look at the fourth quarter expectation that we guided to, first of all, we are up against a 5.3% comp. It's a much more wider competitive set compared to the back-to-school season. And we continue to be really confident on the high end of the expectation that we have driven about the things that we have within our control. We moderated the low end of our Q4 expectation just considering the macroeconomic landscape that we'll be competing with everybody else in the fourth quarter. So, we feel we have appropriately balanced the outlook and maybe we can take that offline if you have a deeper question on that.

Lauren R. Hobart
President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.
A

Yeah. Justin, I would just add one thing that – again, we don't have the numbers compared to multiple years ago on this particular topic. But I would hypothesize that the strength that we've had in our business in Q3 between back-to-school categories, team sports over the years and just footwear and apparel is probably – has even smoothed out that curve a little bit.

Justin E. Kleber
Analyst, Robert W. Baird & Co., Inc.
Q

Yes. Okay. That's makes sense, guys. Thanks so much and best of luck over the holidays.

Lauren R. Hobart
President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.
A

Thank you.

Operator: Thank you. And our final question comes from Daniel Imbro at Stephens.

Daniel Imbro
Analyst, Stephens, Inc.
Q

Yeah, hey. Good morning, everybody. Thanks for taking the question. Maybe my first one just on inventory and then the optimization actions. I guess, the inventory write-down, Navdeep, is that all within the outdoor categories that were maybe left over from last quarter? And is there anything left to do on the inventory side? It does look like on the website there's still some decent promotions in bikes and outdoors. So, trying to think about are we through that inventory kind of write-down or optimization.

Navdeep Gupta
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.
A

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Yeah, Daniel, let me clarify. The two things are totally separate and distinct. The onetime action that is included in our GAAP outlook and the inventory write-down actually is associated with the Moosejaw brand. We have some tertiary SKUs in that business. That will not be part of the go-forward assortment as we look to bring the two brands together. And so, that's what you're seeing is the action around the Moosejaw business, not necessarily anything to do with the actions that we talked about in Q2.

Overall, our inventory is really clean and we are really excited about the assortment that we have available for Q4. And if you look at the overall inventory, we were down 2% on top line growth of 3%. So, we continue to manage the overall inventory really well and excited for the holiday season.

Daniel Imbro
Analyst, Stephens, Inc.

Q

Great. And then maybe as a related follow-up, Lauren, you're not seeing any trade down today, and that's maybe surprising but encouraging. I'm curious how you're thinking about buying inventory or how you're telling your buyers today to handle that. Are you preparing for a further trade down? Are you building inventory in that part of the price spectrum? And maybe if not, if we see a trade down, could there be a mismatch between the inventory you built and where the consumer shakes out?

Lauren R. Hobart
President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.

A

Daniel, it's a great question. We make sure that we have inventory for every single shopper at every sale price point. So, while some of our products have become even more premium as we've got access to premium footwear and just hotter products in general we, at the same time, have made meaningful inroads with our DSG brand, which is an opening price point brand that has tremendous value and tremendous fashion and a great price point.

So, I think, we're perfectly suited to match the consumer needs, and we've been very happy to see that the consumer isn't shifting down, but we can flex and we'll have what they need when they need it.

Daniel Imbro
Analyst, Stephens, Inc.

Q

Great. I will leave it there. Thanks so much for the color.

Operator: Thank you. At this time, I would like to turn things back over to you, Ms. Hobart, President and CEO, for any closing comments.

Lauren R. Hobart
President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.

Well, thank you very much. I hope everybody has a wonderful Thanksgiving. Thanks for your interest in DICK'S Sporting Goods, and we'll see you in New Year. Thank you.

Operator: Thank you, Ms. Hobart. Ladies and gentlemen, at this time, that does conclude the Q3 2023 DICK'S Sporting Goods earnings conference call. Thank you so much for joining us, and we wish you all a great day. Goodbye.

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