14-Mar-2024

Dick’s Sporting Goods, Inc. (DKS)

Q4 2023 Earnings Call

Copyright © 2001-2024 FactSet CallStreet, LLC

CORPORATE PARTICIPANTS

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

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

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

OTHER PARTICIPANTS

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Adrienne Yih
Analyst, Barclays Capital, Inc.

Christopher Horvers
Analyst, JPMorgan Securities LLC

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Robert F. Ohmes
Analyst, BofA Securities, Inc.

Brian Nagel
Analyst, Oppenheimer & Co., Inc.

John Kernan
Analyst, TD Cowen

Joseph I. Feldman
Analyst, Telsey Advisory Group LLC

Warren Cheng
Analyst, Evercore ISI

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

Copyright © 2001-2024 FactSet CallStreet, LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Dennis, and I will be your conference operator today. At this time, I would like to welcome everyone to the DICK'S Sporting Goods, Inc. Fourth Quarter 2023 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

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

Nathaniel A. Gilch

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

Good morning, everyone. And thank you for joining us to discuss our fourth quarter and full year 2023 results. On today's call will be Lauren Hobart, our President and Chief Executive Officer; and Navdeep Gupta, our Chief Financial Officer. A playback of today's call will be archived on our Investor Relations website located at investors.dicks.com for approximately 12 months. As a reminder, we will be making forward-looking statements which are subject to various risks and uncertainties that could cause our actual results to differ materially from these statements. Any such statements should be considered in conjunction with cautionary statements in our earnings release and risk factor discussions in our filings with the SEC, including our last annual report on Form 10-K and our most recent Form 10-Q 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 a reconciliation of our non-GAAP financial measures referenced in today's call. And finally, a few admin items. First, a reminder about our comparable store sales reporting for fiscal 2023. It's important to note that fiscal 2023 was a 53-week year. Our comp sales calculations exclude the extra week from both our full year 2023 and fourth quarter 2023 results. Thus, these metrics have been calculated on a 52-week and 13-week comparable basis. Second, beginning in fiscal 2024, we are revising our comparable store sales calculations to include revenue from our GameChanger business.

Next, we'll be playing a short year-end video in advance of our prepared remarks and starting toward the end of Navdeep's prepared remarks, we'll also be sharing slides to visually support key discussion points. And finally, for your future scheduling purposes, we are tentatively planning to publish our first quarter 2024 earnings results on May 29, 2024.

With that, let's play the video.

[Video Presentation] (00:02:44-00:04:38)

Lauren R. Hobart

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

Good morning, everyone. I hope you enjoyed the video. DICK'S is a really special company with 75 years of history reinventing sport. It's been a terrific year, and I'm really proud of the team for their extraordinary efforts. Since our founding in 1948, DICK'S had believed in the power of sports to change lives. We bring this to life every day through the experience we provide for our athletes, the differentiated products we offer, the marketing we create to connect our athletes deeply with our brand and most importantly, our teammates. Through these strategic pillars, we are actively creating and defining our future. And during this past year, it's evident just how far

Copyright © 2001-2024 FactSet CallStreet, LLC

we've extended our leadership position. For the full year, we delivered record sales of $13 billion. On a 52-week comparable basis, our comps increased 2.4%, driven by growth in transactions as we continue to gain market share.

We added nearly 7 million new athletes during the year and reached record highs in our active athlete database. It's clear that sport and leading healthy active lifestyles are priorities for our athletes, and they are increasingly looking to DICK'S Sporting Goods to meet these needs. With our industry-leading assortment and strong execution, we capped off the year with an incredibly strong fourth quarter and holiday season. Including week 53, our quarterly sales grew 7.8% to $3.9 billion. On a 13-week comparable basis, our comps increased 2.8%, which was on top of a 5.3% comp increase last year. On a non-GAAP basis, our gross margin expanded more than 200 basis points, driven by higher merchandise margin. Our non-GAAP EBT margin was 11%. And we delivered non-GAAP EPS of $3.85, which included $0.19 for the extra week. On a 13-week comparable basis, our non-GAAP EPS was $3.66, an increase of 25% versus the prior year.

For 2024, we're guiding to another strong year and expect to grow both our sales and earnings through positive comps, higher merchandise margin and productivity gains. Our inventory is well positioned, and we're excited about the assortment we have curated for our athletes. We expect our comp sales to be in the range of 1% to 2% and expect our EPS to be in the range of $12.85 to $13.25. We're excited to continue redefining the future of retail. With the continued success of our growth initiatives, we will increase our capital investment to drive our business forward, both digitally and in-store, and continue gaining market share in this fragmented $140 billion industry. A key driver of this growth is the repositioning of our portfolio, including House of Sport, our next-generation 50K which completely revolutionizes our most typical 50,000 square foot DICK'S store, and Golf Galaxy Performance Center.

Navdeep will share greater detail on House of Sport's compelling unit economics. I'd like to thank all our teammates for delivering another strong year and for their passion, hard work and dedication to our business. At DICK'S, it's our people who make us great and none of what we accomplished is possible without our exceptional team.

Before I go deeper into our growth strategies, I'll first turn the call over to Navdeep to share more detail on our financial results, 2024 outlook and capital allocation.

Navdeep Gupta

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

Thank you, Lauren, and good morning, everyone. Let's begin with some highlights of our full year 2023 results, which was a 53-week year. Consolidated sales increased 5% to $12.98 billion, which included $170 million from the 53rd week. On a 52-week comparable basis, our comps increased 2.4% and we continue to gain market share. Our comps were driven by a 1.6% increase in transaction and a 0.8% increase in average ticket. On a non-GAAP basis, gross profit for the full year was $4.55 billion or 35.01% of net sales, an increase of 36 basis points from last year. This increase was driven by lower supply chain cost, which leveraged 80 basis points. This was partially offset by lower merchandise margin of 53 basis points which was entirely due to higher shrink. To be clear, absent the headwind from shrink, our merchandise margin would have been flat.

Non-GAAP EBT was $1.4 billion or 10.8% of net sales and we delivered non-GAAP earnings per diluted share of $12.91 which included $0.19 from the 53rd week. On a 52-week comparable basis, our non-GAAP earnings per diluted share were $12.72. This compares to a non-GAAP earnings per diluted share of $12.04 in 2022, an increase of 5.6% on a 52 to 52-week basis. I will remind you that our 2023 tax rate was lower than our typical tax rate driven by the favorable impact of vesting of employee equity awards and exercises during the year. This

Copyright © 2001-2024 FactSet CallStreet, LLC

positively impacted earnings per diluted share by $0.44 compared to the prior year. As we have discussed on our prior calls, to continue fueling our long-term growth, during the second half of 2023 we took actions to better align our talent, organizational design, and spending in support of our most critical strategies while also streamlining our overall cost structure.

This included actions to change our resourcing and organizational structure primarily at our customer support center as well as the optimization of our outdoor specialty business. As part of this, we integrated operations of Moosejaw into Public Lands and made decisions about the go-forward outdoor inventory assortment consistent with our prior expectations. Additionally, we conducted a comprehensive review of our store portfolio with respect to our outdoor specialty business. We completed our business optimization review during the fourth quarter. In total, we incurred pre-tax charges of $84.8 million for the full year 2023. These charges were included in our GAAP earnings per diluted share of $12.18. For additional details, you can refer to the non-GAAP reconciliation in the tables of the press release issued this morning.

Now, moving to our results for Q4 which also included the extra week. We are very pleased to report a consolidated sales increase of 7.8% to $3.88 billion which included $170 million from the 53rd week. On a 13-week comparable basis, this was the largest sales quarter in the history of the company. Also, on a 13-week comparable basis, our comps increased 2.8% on top of a 5.3% increase in the same period last year. Our strong comps were driven by a 2.8% increase in average ticket on flat transactions. Within our portfolio, we were very pleased with the performance of our key holiday category modestly offset by the performance of our outerwear business due to warm weather. On a non-GAAP basis, gross profit in fourth quarter was $1.34 billion, 34.57% of net sales, and expanded 213 basis points compared to last year. This year-over-year expansion was a sequential improvement from Q3 and in line with our expectations.

Gross margin expansion for Q4 was driven by higher merchandise margin of 124 basis points as well as lower supply chain cost and leverage on occupancy cost. This increase in merchandise margin was primarily driven by the quality of our assortment and favorable sales mix. This was partially offset by higher shrink of approximately 50 basis points, in line with prior quarter. On a non-GAAP basis, SG&A expenses increased 12.6% to $915.8 million or 23.63% of net sales and deleveraged 102 basis points compared to last year. As we have highlighted on prior calls, the year-over-year deleverage in fourth quarter and throughout 2023 was driven by investments in our hourly wage rate, talent, and technology to create better athlete experience as well as investments in marketing. Savings from our business optimization actions helped to offset these investments.

Driven by our strong sales and higher gross margin, non-GAAP EBT in the fourth quarter was $427.7 million, 11.03% of net sales. This is up from non-GAAP EBT of $350.5 million or 9.74% of net sales in Q4 of 2022. In total, we delivered non-GAAP earnings per diluted share for the quarter of $3.85 which included $0.19 from 53rd week. On a 13-week comparable basis, our non-GAAP earnings per diluted share were $3.66. This compares to a non-GAAP earnings per diluted share of $2.93 in 2022, an increase of 24.9% on a 13 to 13-week basis. During the quarter, we incurred pre-tax charges of $32.3 million related to our business optimization. These charges were included in our GAAP earnings per diluted share of $3.57. For additional details, you can refer to the non-GAAP reconciliation in the tables of the press release issued this morning.

Now, looking to our balance sheet, we ended Q4 with approximately $1.8 billion of cash and cash equivalents and no borrowings on our $1.6 billion unsecured credit facility. Our year-end inventory levels increased 1% compared to last year. We believe our inventory is clean and well-positioned. And in fact, our clearance penetration ended the year amongst the lowest it's ever been. Turning to our fourth quarter capital allocation, net capital expenditures were $151 million and we paid $81 million in quarterly dividends.

Copyright © 2001-2024 FactSet CallStreet, LLC

Now, moving to our outlook. In 2024, we expect to grow both sales and profitability. Consolidated sales are expected to be in the range of $13 billion to $13.13 billion. We anticipate comparable store sales growth in the range of 1% to 2%. EBT margin is planned to be at 10.9% at the midpoint. We anticipate gross margins to be approximately 35% and in line with 2023 non-GAAP results.

Within this, we expect merchandise margin to expand modestly, offset by occupancy deleverage as we invest to reposition our portfolio. SG&A expenses are expected to leverage modestly compared to 2023 non-GAAP results, driven by our ongoing focus on improving productivity and reducing discretionary cost as well as the expected benefits from our business optimization action. We anticipate full year earnings per diluted share to be in the range of $12.85 to $13.25. Our earnings guidance is based on approximately 83 million average diluted shares outstanding and an effective tax rate of approximately 24%. As we model 2024, I want to point out a few things that we expect to impact comparability of our financial results. First, keep in mind that the extra week in 2023 will create a shifted calendar. As a result, when we report our comp sales results, we will compare week 1 through 52 in 2024 with week 2 through 53 in 2023.

We do not expect this shift to have a material impact on comp sales for the full year. However, we do expect our reported sales to be positively impacted by the shifted calendar in the first half, with an offset in the second half. During the first quarter, we will be investing in several exciting brand campaigns as well as support our Q1 House of Sport grand openings. Next, as a reminder, in Q1, we will see an unfavorable impact to our gross margin from higher shrink rates, which we will anniversary starting in Q2. And finally, recall that our Q1 2023 tax rate was meaningfully lower than normal, driven by favorable impact of the vesting of employee equity awards and exercises. We do not anticipate this again in 2024. I'll now discuss our capital allocation priorities. Investing in our business to drive profitable organic growth remains our top priority.

And as Lauren said, in 2024, we will increase our capital investment to drive our business forward. For 2024, our capital allocation plan includes net capital expenditure of approximately $800 million. As we continue to reposition our portfolio, these investments will be concentrated in store growth, relocations and improvements in our existing stores, along with ongoing investments in technology and supply chain expansion. Our 2024 CapEx plan also includes purchase of certain real estate assets related to House of Sport, for which we are evaluating potential sale-leaseback opportunities. House of Sport is one of the most exciting concepts in retail today. And in 2024, we expect to open eight new locations. As we elevate our store portfolio, seven of these are planned relocations or conversions of existing DICK'S stores, along with one new store at Prudential Center in Boston.

We expect to begin construction on approximately 15 House of Sport locations that are scheduled to open throughout 2025. We will also open 16 next-generation 50K DICK'S stores in 2024. As part of this, we will relocate or remodel 12 existing DICK'S stores into this innovative new format and open four new locations. Across our footprint, we will add approximately 50 premium full-service footwear decks, taking this elevated athlete experience to nearly 90% of our DICK'S locations. In 2024, we are also excited to grow the footprint of our Golf Galaxy business and plan to open 10 Golf Galaxy Performance Center locations. As part of this, we will relocate or remodel five existing Golf Galaxy stores into this immersive new format and open five new Golf Galaxy Performance Center locations.

Through these investments, we expect to increase our square footage by approximately 2% in 2024, marking our most significant expansion since 2017. Lastly, we plan to begin construction on a new regional distribution center opening in 2026. This new DC will play an important role in supporting the long-term growth of our business. Before continuing, I want to share why we are so excited about these investments, especially the House of Sport and our next-generation 50K DICK'S locations. As you will see on the slide, for a new House of Sport, in year one, we expect approximately $35 million in omnichannel sales and a very strong profitability, with a target of

Copyright © 2001-2024 FactSet CallStreet, LLC

approximately 20% EBITDA margins. In terms of capital, it'll take about $11.5 million of net CapEx to open House of Sport location, resulting in an expected year one cash-on-cash return of approximately 35%.

We also expect attractive returns from our next-generation 50K DICK'S store investments, where we are targeting approximately $14 million in year one omnichannel sales and a comparable EBITDA margin of approximately 20%. We also remain committed to returning significant capital to our shareholders through our quarterly dividend and opportunistic share repurchases. During 2023, we returned $1 billion to shareholders, while continuing to invest in the profitable long-term growth of our business. All of this is underpinned by our commitment to healthy balance sheet and maintaining our investment-grade credit ratings. Today, we announced an increase in our quarterly dividends of 10% on an annualized payout of $4.40 per share or $1.10 on a quarterly basis. This is on top of a 105% increase last year and marks the 10th consecutive year that our shareholders have benefited from a dividend increase.

In addition, our 2024 plan includes our expectation for share repurchases of $300 million, which is included in our EPS guidance. As always, we will opportunistically look at additional share repurchases throughout the year.

With that, I'll turn it back over to Lauren to review some of the key initiatives that'll drive our profitable growth in 2024 and over the long term.

Lauren R. Hobart

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

Thanks, Navdeep. As we turn to 2024, our focus is on driving sustained profitable growth by innovating within the omnichannel athlete experience, curating a compelling and differentiated product assortment, providing a best-in-class teammate experience and driving deep engagement with the DICK'S brand. Industry leaders consistently innovate from a foundation of strength, positioning themselves ahead of the curve. With this mindset, a key part of our growth strategy for this year and future years is continuing to drive omnichannel athlete engagement by repositioning our portfolio and experiences through House of Sport and our next-generation 50K DICK'S store.

With House of Sport, we are truly redefining sports retail. Since we launched our first location in 2021, this highly experiential destination has brought very strong engagement with our athletes, brand partners and communities and has delivered powerful financial results. Compared to a typical DICK'S store, athletes are traveling farther to visit House of Sport, increasing the time they spend in the store and visiting more frequently. Because of the engagement and experience at House of Sport, our national brand partners are providing access to unique and expanded assortments, while new and emerging brands see it as a platform for growth. With a total of 12 House of Sport locations now open, we look forward to opening another 8 locations in 2024.

Next month, we are so excited to open a House of Sport in our hometown of Pittsburgh, and at the Prudential Center in downtown, Boston. We will support these grand openings with high-impact marketing. With the compelling economics Navdeep outlined, House of Sport is a significant part of our future growth story. As we said, by 2027, we expect to have between 75 to 100 House of Sport locations across the country. The vast majority of these will be relocations or conversions of existing DICK'S stores into House of Sport. At the same time, we're continuing to innovate with our next-generation 50K, which completely revolutionizes our most typical 50,000 square foot DICK'S store. Inspired by House of Sport, this store has a similar elevated assortment and service model, premium experiences and enhanced visual expressions. And the format is delivering great results.

We opened 11 next-generation 50K locations in 2023 and are excited to open another 16 locations in 2024. This one-two punch of House of Sport and our next-generation 50K is the future of our DICK'S stores and will serve as the hub for our athletes' omnichannel experience. Golf Galaxy is another important part of our growth story. This

Copyright © 2001-2024 FactSet CallStreet, LLC

past year, we grew our Golf Galaxy footprint to over 100 locations. As Navdeep said, we plan to further grow our footprint through Golf Galaxy Performance Centers, which offer an immersive experience for golf enthusiasts of all levels. With 14 performance centers now open, we're excited to open another 10 locations throughout 2024. This spring, we're investing in marketing to drive market share and elevate the Golf Galaxy brand perception in a memorable and relatable way for golfers.

During 2023, golf rounds played in the US hit an all-time high and we believe golf is a compelling long-term growth opportunity. When we talk about drivers of success, it's critical to mention our strong brand relationships. With these strategic partnerships, we've built our industry-leading assortment, making DICK'S the go-to destination for differentiated and on-trend product. We'll continue to make big bets with our partners, while also actively seeking to work with new and emerging brands. At the same time, we will continue to invest in our highly profitable portfolio of powerhouse vertical brands, including VRST, DSG and CALIA that are gaining meaningful traction with our athletes. For DSG, which is our largest vertical brand, we expect to build on the success of our Q4 campaign with an always-on approach, focused on family, value and sports.

With CALIA, our second largest women's apparel brand behind only Nike, we recently launched the Inspire collection. This is our most versatile collection yet and features an innovative new fabric. We're supporting this important launch through a campaign that uniquely positions CALIA as a performance brand that embodies strength and beautiful. Our digital capabilities are also core to our omnichannel success, and we continue to see growth in our omnichannel athletes to spend more with us and shop more frequently than single-channel athletes. As part of this, we continue to rapidly advance our capabilities in getting products into the hands of our athletes very quickly. And throughout 2024, we'll look to drive consideration for dicks.com through a marketing campaign, where we're teaming up with A-list celebrities and adding some humor to really make it memorable.

As we expand our leadership position in youth sports, GameChanger, another incredibly strong digital capability we have, plays a pivotal role. GameChanger has become a leader in the multibillion-dollar youth sports technology market. It is a go-to destination for millions of parents, grandparents and fans to watch games, track stats and share video highlights for athletes of all ages. Last year, over 1 million teams used GameChanger to capture moments from 7 million games and create 110 million highlight clips. In fact, more games are covered on GameChanger in the single spring months that have been played in the entire history of Major League Baseball. As a recurring revenue, Software as a Service platform, GameChanger is very profitable and has grown sales at over a 35% CAGR since 2017. We expect GameChanger to reach approximately $100 million in sales this year.

Importantly, GameChanger families are some of DICK'S Sporting Goods' most valuable customers. A GameChanger customer who also has a DICK'S ScoreCard spends over two times more per year at DICK'S than a typical ScoreCard member. With customers visiting the app over 13 times a month, we believe there are numerous opportunities for DICK'S to reach these customers in unique and authentic ways to drive brand loyalty and sales. Lastly, we will continue to invest in DICK'S brand building through our Sports Change Lives campaign. At DICK'S, we believe sports have the power to change lives, and our objective with this work is to unequivocally communicate who we are and what we stand for. We're pleased with the first year results and the way the campaign is resonating with our athletes and increasing brand connection.

In the second year of this campaign, you'll see new creative expressions during high-profile sports moments like the NCAA tournament, Summer Olympics, and NFL game. In conclusion, we are extremely optimistic about our future and the opportunities ahead of us. We're very pleased with our results and accomplishments in 2023, especially our progress in advancing House of Sport, our next-generation 50K-square foot, and upgrades to our existing footprint to enhance the athlete experience. We're continuing to innovate our omnichannel approach which is further improving convenience and satisfaction and driving higher sales and market share gains. Our

Copyright © 2001-2024 FactSet CallStreet, LLC

decision to step up our investments in 2024 to fuel our future growth clearly demonstrates the confidence we have in our business and our team.

I'm incredibly proud to be working alongside such a talented and motivated group across every part of our company, from stores, to our corporate team, to our distribution centers, to our GameChanger team, and I'm so excited about the future.

This concludes our prepared remarks. 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] Your first question is from the line of Simeon Gutman with Morgan Stanley. Please go ahead.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Q

Hi. Good morning, everyone. My first question is on margins and growth going forward. The business looks like it's rebased and you now have the House of Sport coming in which sound very positive to both growth and to margin. Curious how we should think about the business from this point going forward. Are you thinking about in terms of earnings growth or should we think about the margin growing and making this a margin story as well?

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

A

Thanks, Simeon. We are incredibly excited about the momentum that we have in our business just coming off of this Q4 with a 2.8% comp on top of a 5.3% comp. And then looking forward to the year, we are driving growth in top line, margin, and profitability overall. And I think the key driver of the margin story is really the differentiated product that we continue to have access to and expand access to. That product is resonating with athletes, it's creating newness and innovation and just a feel in the store of energy. And it's also enabling us to navigate, this past Q4, a fairly promotional environment where we were able to navigate without having to be extremely promotional; and actually, we drove over 200 basis points of gross margin.

So House of Sport is a great lever in that it enables us to provide a completely immersive experience for athletes. We've got rock climbing walls and track and field and a whole bunch of elevated service and visual presentation. But importantly, from a margin standpoint, House of Sport does encourage our brand partners, both our strategic partners and our new and emerging brand partners to experiment. We can bring a brand to life in our co-lab space in a really exciting way and it's, therefore, enabling us to drive even deeper partnerships and more access to new and different product. So, overall, very confident about the long-term margin story.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Q

Okay. And I'll paraphrase but I don't want it to be my follow-up. But to paraphrase, it sounds like in the future, a combination of margins and earnings growth. It's not just about dollar growth but margins can expand as well. And then my follow-up is thinking about the industry and market share for 2024 among the categories that you sell, it's just hard because we don't see a clean benchmark for what the industry can grow. But do you assume the

Copyright © 2001-2024 FactSet CallStreet, LLC

industry grows? And are we reaching some type of normal industry growth CAGR and market share growth CAGR? And how do you – how should we think about that for the next several years?

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

A

Yes. So, our strategy is to continue to gain market share in this industry, and we're doing that in several ways. We're doing it with the strategic pillars that we talked about, be it the differentiated product, our investment in athlete experience, our investment in our brand and our teammate experience which is really an incredible asset that we have because we have the best teammates in the business and they have incredible momentum. So, when we look at the growth, it's coming from market share gains. We're also re-imagining our portfolio such that we're going to have 20 House of Sports and 27 new prototypes of our 50,000-square foot new experience which is really a takedown of House of Sport and a super exciting place.

So, to answer your question directly, we're not counting on a significant amount of category growth as we think we have so much momentum to drive share.

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

A

Simeon, I'll just build on what Lauren said. If you look at it, right, it's a $140 billion overall industry which is highly fragmented. And what we reiterated today is our core strategies are working really well and we actually gained almost 50 basis points of market share over 2023, so really exciting about the results we are posting as well as the core strategy and how those core strategies are resonating with our athletes.

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

A

I'm going to add one last thing to Navdeep's comments which is the consumer has held up incredibly well. We saw that in Q4, we saw it all last year where we didn't see a trade-down from best to better, better to good. We saw growth across all income demographics. So, we do have a healthy consumer, and they are increasingly choosing DICK'S to meet their needs.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Q

Okay. Thanks. Good luck.

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

A

Thanks, Simeon.

Operator: Your next question is from the line of Adrienne Yih with Barclays. Please go ahead.

Adrienne Yih
Analyst, Barclays Capital, Inc.

Q

Good morning, Lauren and Navdeep. Congrats on the quarter and the year. Really great, phenomenal execution. So, Lauren, I'm going to stick with the House of Sports (sic) [House of Sport] (00:37:39). The notion that the kind of four wall EBITDA is higher than the core, what exactly – and I know you touched on this earlier, but can you describe sort of the revenue model? How much of it's from goods, I guess, primarily versus services? The goods

Copyright © 2001-2024 FactSet CallStreet, LLC

that are in there, I assume they sound like they're better and best. And then how much of the House of Sports (sic) [House of Sport] (00:37:57) is sort of exclusive and differentiated versus core DICK'S? And then for Navdeep, my follow-up is, I mean, inventory is so clean, right, across kind of like the landscape. So, two things here. Can you first discuss the level of innovation and trends that you're seeing in 2024?

And then secondarily, can you talk about sort of the need and the potential for replenishment given that inventory levels are pretty low? Thank you.

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

A

Thanks, Adrienne. Yes. So, when you look at a House of Sport store, it's important to note that all of our core strategies are coming to life in just even a dialed-up way. So, our differentiated product, the access we have there, the service model, the experiences, all coming to life in a really fantastic way. So, the vast majority of our revenue still comes from product. Obviously, we also have service revenue in there, but it's a typical business model. And I think what's really driving that is how the athlete is responding. We've got athletes who are driving further. They're coming more frequently. They're spending more time when they get to a House of Sport and overall, the sales per square foot as a result of that is higher. So, it's really – it's our core business model just really elevated.

I'll start with the answer to the question you asked Navdeep, just about the newness and the innovation for 2024. We are really excited. And I would say if you go into our stores right now, you can see our spring set and you can see the – on the softline side as well as the hardlines and team sports. We are very excited about the innovation that's coming down the pike and our increased access to some of the very hot product that people are reacting – the athletes are reacting really well to. Navdeep, I'll turn it to you for the inventory question.

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

A

Good morning, Adrienne. Thanks for the question. So, we really are pleased with the overall inventory and the quality of the inventory that we finished 2023 with. Our inventory grew just about 1% on top of a 5% growth in sales. And as we reiterated this morning, that the focus that we have of keeping our inventory clean and well positioned is the core tenet and the core strategy of the company. And that is what is allowing us to continue to differentiate our results versus our competition. And in terms of our expectations for 2024, like Lauren said, there is so much of innovative and newness available to us in the market, and not only from the national brands, but also from the emerging brands.

So, looking deeper into it and really excited about the spring assortment as well as the more assortment that we see coming into our stores, both in House of Sport and in the next-gen 50K location.

Adrienne Yih
Analyst, Barclays Capital, Inc.

Q

Fantastic. Great job.

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

A

Thank you.

Operator: Your next question comes from the line of Chris Horvers with JPMorgan. Please go ahead.

Copyright © 2001-2024 FactSet CallStreet, LLC

Christopher Horvers
Analyst, JPMorgan Securities LLC

Q

Thanks. Good morning, everybody. So, my first question is trying to pull together some of the different commentary and questions that we've already had. As you think about you gave the EBITDA, four-wall EBITDA margin for both concepts. Can you talk about the merch margin? It sounds like it's higher. How does that – how do you think about the other lines in the P&L? Is the occupancy cost higher? And then what about the cost to actually operate the store in terms of trying to understand the breakdown to get to that 20% four-wall EBITDA margin? And how does that compare to the existing box?

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

A

Yeah, Chris. First of all, really excited to be able to share the economics of our House of Sport location and the 50K, our next-gen store. This has been something that has been requested for a while, but we wanted to make sure we had enough maturity as well as enough time behind us to be able to share these economics. So, let's start with the top line. Really, great to see, first of all, our stores open at full maturity because of the strong brand awareness and the brand positioning that we have in these markets. The House of Sport locations are opening, on an omnichannel basis, almost about a $35 million in top line sales and almost about $14 million when it comes to the next-gen 50K. And like I think that you called it out that we have a comparable EBITDA margins between both these boxes.

And as you can expect that there's a little bit of an interplay that happens between the margin and the SG&A, you have a little bit more of the elevated experience being provided in House of Sport locations and so therefore, there is a little bit of a higher service level component to it. But the service also comes with the revenue associated with it. So, there's a little bit of a higher margin you get from that. I would say – and I think that you called out occupancy. There's a little bit of a more capital investment that we are putting into it. So, that plays into the depreciation. But when you look at the overall, just the operating or the EBITDA margin rates that we are driving, we are very happy with the returns that we are driving and the strong profitability that we are delivering out of both these boxes.

Christopher Horvers
Analyst, JPMorgan Securities LLC

Q

Got it. So, succinctly, it allows you – and I think, Lauren, you said this earlier, it's basically this is the next sort of lever to continue to gain share. And the components might be different, but at the end of the day, the margin returns are comparable and it's the opportunity to continue to grow?

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

A

Yeah. Chris, I will build on what we have been saying that the financial returns are great. But what is even better is how well this overall concept is resonating not only with our brand partners, with our athletes and also with the community. And that's what we see as the long-term drivers of the differentiation of getting better access, getting more allocated product available to us. Having the emerging brands come to us and want to partner with us in these really, really experiential destination and that is what we consider as a true differentiator for DICK'S Sporting Goods.

Christopher Horvers
Analyst, JPMorgan Securities LLC

Q

Copyright © 2001-2024 FactSet CallStreet, LLC

Understood. That's very helpful. And my follow-up is, Navdeep, you talked about some particular headwinds in the first quarter. Maybe is there – maybe could you just bring those all together? And is there a certain way that we should be thinking about the investments and how that's going to affect the SG&A? And you talked about shrink in terms of the gross margin, would you still expect merchandise margin to be up? So, maybe just a finer point around the first quarter. Thank you.

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

Yeah. So, a few comments that we gave out in our prepared comments today, first of all, I'll start with the sales, right? We're going to have a shifted calendar. So, there'll be a little bit of an impact to our total top line sales, total revenue, but not a significant impact when you think on a shifted basis on comp. What we did call out was just a reminder, we saw the elevated levels of shrink in Q2 of 2023. So, in Q1, we haven't lapped that as yet. So, as you all are modeling, it will be helpful to keep that in mind. The other is the tax rate. If you remember, our tax rate in Q1 was significantly low compared to a normalized tax rate and you will see that piece play out as well.

And finally, hopefully, you all have bought some of the exciting brand campaigns that we have going on right now between brand campaigns associated with our launch of our CALIA Inspire Collection, our DICKS.com Campaign, and so we are investing into that. In addition, we're going to be opening two really exciting House of Sport locations here in Q1 between Ross Park Mall here in Pittsburgh and our Prudential Center. So, you will see some of the investments associated with those two stores in Q1 as well. So, slightly elevated levels of preopening expense, maybe I'll just put a finer point on that one.

Christopher Horvers
Analyst, JPMorgan Securities LLC
Q

Got it. Thank you very much.

Operator: Your next question is from the line of Kate McShane with Goldman Sachs. Please go ahead.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

Hi. Good morning. Thanks for taking our question. I wanted to ask about just if there was any more detail on the performance of footwear versus apparel versus hardlines in the fourth quarter. And our second question was if there was any impact to the 2024 comp guide, as a result of the relocations that you're doing for House of Sport?

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

Thanks, Kate. So, in terms of category performance, with the 2.8% comp this past quarter, we saw growth across all of our key categories. So, growth in footwear, growth in apparel and growth in some of the key hardlines categories. So, really it was across the board. The only area of softness was the cold weather didn't come as we had hoped it would and so there was some softness in outerwear, but across the board, really strong growth in our core categories. I'll turn it to Navdeep for the next question.

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

Yeah, Kate, in terms of the comp guidance, overall, like we said, because of the shifted calendar, no material impact to the comp cadence itself when you look at it. However, keep in mind, last year, we were converting eight

Copyright © 2001-2024 FactSet CallStreet, LLC

combo locations into House of Sport, which were closed during the first half of last year. So, we expect our comp in the first half to be slightly stronger than the comps in the back half of the year.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

But there won't be any impact from store closures as you relocate this year?

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

No. We're not doing the closed remodels as we did last year.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

Got it. Okay. Thank you.

Operator: Your next question is from the line of Robby Ohmes with Bank of America. Please go ahead.

Robert F. Ohmes
Analyst, BofA Securities, Inc.
Q

Oh, hey, guys. Great quarter and thanks for all the commentary on the store economics, really appreciate that. A couple of follow-ups on just the fourth quarter. Can you give us a sense of sort of digital transactions versus in-store transactions in the fourth quarter? Were in-store transactions positive?

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

Hi, Robby. Thanks for the question. We're not guiding to digital versus in-store overall. In the fourth quarter, transactions were flat. Most of the growth came from ticket. However, it's really important to note that in Q4 of last year, we were up over 7.6% in transaction. So, from a two-year basis on – from an omnichannel standpoint, really, really strong growth in transactions. Digital business remains really strong, but we're not going to get into more details on that.

Robert F. Ohmes
Analyst, BofA Securities, Inc.
Q

And then just for the comp guidance you're giving for 2024, should we – how should we think about the ticket versus transaction component?

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

Yeah. Robby, we won't break that down any further. Really excited about to be able to guide on a positive basis on top of a 2.4% comp from last year. And our focus is continuing to be about driving sales and profitability growth for the business.

Robert F. Ohmes
Analyst, BofA Securities, Inc.
Q

Can I just...

Copyright © 2001-2024 FactSet CallStreet, LLC

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

Overall, last year, we did have – the majority of growth did come from transaction growth, if you look at the 2.4%. So, we are very confident in our comp guidance.

Robert F. Ohmes
Analyst, BofA Securities, Inc.
Q

And then just one quick clarification, on the – for the store economic models, when you guys say omnichannel sales, is it – is that – is it a web sale that's fulfilled by the store to – what gets included in omnichannel sales at a House of Sport or the new 50K store?

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

Yeah. No, Robby, that's exactly it is. It's not only the stores that are fulfilled from a store with an athlete walking in even on omnichannel sale – or a digital sale that gets fulfilled by the store is also included in that because that's what we look as the four wall performance of the store, including, the work that our team members are doing in fulfilling an omnichannel order.

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

Yeah. And the stores are fulfilling over 80% of e-com orders, 90% of orders across the board if you include the brick and mortar. So, it's appropriate to think of it as omnichannel sales.

Robert F. Ohmes
Analyst, BofA Securities, Inc.
Q

Got it. That's really helpful. Thanks so much, guys.

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

Thank you.

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

Thanks, Robby.

Operator: Your next question is from the line of Brian Nagel with Oppenheimer. Please go ahead.

Brian Nagel
Analyst, Oppenheimer & Co., Inc.
Q

Hey, good morning. Congrats on another nice quarter.

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

Thank you.

Copyright © 2001-2024 FactSet CallStreet, LLC

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

Thank you.

Brian Nagel
Analyst, Oppenheimer & Co., Inc.
Q

First question I have, just to go back – it wasn't that longer, we were talking a lot about shrink. Looking at the results today and your commentary, it seems as though you've done a nice job kind of getting your arms around the shrink. The question I have is, as we're looking down to 2024, how should we be thinking about the trajectory in shrink or the mitigation efforts that are ongoing at DICK'S to manage shrink?

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

Thanks, Brian. Yeah. So, we do feel that we are appropriately reserved for shrink. We've been doing significantly more inventory pulses and, do believe that we have an appropriate reserve going forward. In Q1, it's important to note that we are still up against the headwind of the fact that we didn't put the extra shrink reserve in until the end of Q2 last year. But overall, we're doing a lot of things in-store to mitigate, we're working with loss prevention and local law enforcement as well as moving products to the back of the store that are high-shrink. So we have a lot going on but overall, we are appropriately [ph] reserved (00:51:11).

Brian Nagel
Analyst, Oppenheimer & Co., Inc.
Q

Got it. Thank you. And then my follow-up question, this is a bit of, I think, a follow-up to the prior question. But just with regard to transaction growth, so DICK'S has done a phenomenal job here driving transaction growth and you're clearly a standout amongst most retailers doing so. Recognizing all the changes that have happened in the business and the merchandising, is there anything you can kind of help us understand better underlying drivers of that transaction growth? Are you seeing any type of variability across the chain, maybe within departments so we can get a better understanding of kind of the sustainability of that?

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

Brian, I really think the transaction growth has so much to do with things like our differentiated product and the access that we have. But on top of that, when athletes are coming into our stores, our team – or shopping online, our team is striving to make that omnichannel athlete experience really satisfy and they're making great progress there. And then also, I think the brand and the fact that we are a brand that is very much based in our values and we continue to talk about the power of sports, so all of those things are working together and driving strong transactions.

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

Yeah. Brian, I'll add to the fact that if you look at it in 2023 and in fourth quarter, we gained 7 million new athletes in 2023 and just in fourth quarter alone we gained 2 million new athletes. So, back to Lauren's point, the athlete database that we have, the work that we have been doing around personalization and the loyalty in our ScoreCard program in addition to having the right product, ability to be able to go and address and discuss those type of features and product availability in our store is resonating very well as well with our athletes.

Copyright © 2001-2024 FactSet CallStreet, LLC

Brian Nagel
Analyst, Oppenheimer & Co., Inc.

Q

Very helpful. I appreciate it. Congrats again.

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

A

Thank you.

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

A

Thank you.

Operator: Your next question is from the line of John Kernan with TD Cowen. Please go ahead.

John Kernan
Analyst, TD Cowen

Q

Thanks for taking my question. Congrats on another great year.

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

A

Thank you.

John Kernan
Analyst, TD Cowen

Q

Navdeep, I think you said the House of Sport, they open at maturity. How do we think about the comp contribution from both House of Sport and the next-gen 50,000-square foot stores if they're opening at maturity? How do we think about them, the comp contribution in year two and beyond going forward?

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

A

Yeah. John, I think [indiscernible] (00:53:34) a two-part question there, so I'll start with the second part in terms of the comp contribution as we look at the growth in the second year, and that has been one of the questions. We are very optimistic and confident in the results that we are seeing. So, first of all, we don't have a large sample. There are two stores of our stores that got opened in 2021 and 2022 that actually have comped the second full year, and what we saw was in 2023 they actually posted comp sales growth again in year two, so really happy with the overall performance. In terms of the comp contribution and the opportunities when we are relocating let's say a 50,000 or an 80,000-square foot box that goes from somewhere to $19 million to $20 million going to closer to a $35 million omnichannel sales, that's the comp contribution that we are really excited about as well.

And then – and I would be remiss if I didn't add the differentiated product that we are able to get through these things, through the next-gen 50,000-square foot or House of Sport location, that allows us to cascade the renovation and newness down into our – into the normal DICK'S stores as well is allowing us to continue to elevate the overall portfolio of the stores and the performance that we are seeing out of those.

Copyright © 2001-2024 FactSet CallStreet, LLC

John Kernan
Analyst, TD Cowen

Q

That's helpful. Thanks. I guess my follow-up is just more of a category level. Softlines, apparel, footwear I think is going to be around 60% of the business this year. It's not terribly different from where it was historically, but I think we can all see that the allocations from vendors have gotten significantly better, the private label offering has clearly increased as well. I think this has contributed to 255 basis points in merch margin expansion since pre-COVID levels. How should we think about future merch margin particularly as all of the softline categories seem to be elevated at this point?

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

A

Yeah. So, John, I would say that the overall – the composition of the product continues to be the biggest driver of our merch margin expansion when you look at it versus 2019, and we are confident that that will continue to be one of the biggest drivers. The two other drivers that we talk about internally a lot is our excitement about the vertical brand work. And hopefully, you have seen some of the work that we have recently launched in terms of the CALIA Inspire product that we launched here in 2024. The DSG brand is resonating really well with our athletes, we actually have now an always-on kind of a message around DSG brand. So, the softline vertical brand product is resonating really well with our athletes.

So, the vertical brand and continuing to lean into that with moving towards the $2 billion long-term goal that we have will be another big driver of the margin in the recent years as well as we look forward on a go-forward basis. And finally, we are constantly evaluating our – some of the promotional optimization and pricing optimization capabilities as well, so we'll continue to lean into the same things that we have leaned on and really confident about the differentiated product.

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

A

John, it's also – it's across the board. It's not – there isn't just a softline story here. We are focused on margin gains across the entire portfolio.

John Kernan
Analyst, TD Cowen

Q

Understood. Thank you.

Operator: Your next question is from the line of Joe Feldman with Telsey Advisory Group. Please go ahead.

Joseph I. Feldman
Analyst, Telsey Advisory Group LLC

Q

Hi. Good morning, guys. Thanks for taking the question and great quarter. I was wondering if you could share a little more thought on the share gain that you're seeing and where that may be coming from. Like, is it – I'm just curious. I mean, you guys continue to execute so well and maybe you could share some thoughts there.

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

A

Copyright © 2001-2024 FactSet CallStreet, LLC

Thanks, Joe. I mean, we are gaining market share due to our differentiated experience, the re-imagining of our portfolio, the experience we're providing. I think it's coming from a lot of places. And as we continue to get differentiated access to product, I believe it will continue to come.

Joseph I. Feldman
Analyst, Telsey Advisory Group LLC

Q

Got it. And then just a quick sort of unrelated follow-up, but with regard to freight, it's been a tailwind for you guys. When does – do we lap some of that? And also, have you seen any pressure on future costs related to what's going on in kind of the global supply chain network with the Red Sea, the Panama Canal issues, all those kinds of things?

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

A

Yeah. Joe, like you called out, in 2023, we saw the tailwind from the freight. As we look to 2024, we are not expecting any kind of tailwind or headwind right now. But to your point, we are definitely evaluating the evolving situation that we have across the world right now. But overall, we feel great about the inventory position, and we'll continue to monitor how the overall situations evolve.

Joseph I. Feldman
Analyst, Telsey Advisory Group LLC

Q

Got it. Thanks. Good luck with this quarter.

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

A

Thank you.

Operator: Your next question is from the line of Warren Cheng with Evercore ISI. Please go ahead.

Warren Cheng
Analyst, Evercore ISI

Q

Hey, good morning, Lauren and Navdeep. I was wondering how the shift to the newer concepts and also the rollout of the footwear decks will impact the assortment on a couple dimensions. So, first, if we think about sort of the big global brands versus smaller brands or your own private label, how's that mix shift skew as you build out some of the newer concepts? It sounds like, from your answer to an earlier question, that vertical brand penetration is going to go up from here. Like, curious on the global brands aspect.

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

A

Yeah, Warren, we are excited, I would say, across the board, right? Our partnership with national brands is an all-time high. We continue to differentiate not only our service levels, but the experience that we provide within our stores. And the national brands, all of them, want to be rooted in sports, so when they look to a partner that can not only bring their full assortment and breadth of product alive, but actually can bring that to life across the nation, we are the destination for that. So, we continue to see a very strong level of partnership and interest and the innovation and newness that is coming into our store. Likewise, we are very excited about some of the emerging brands like ON and HOKA and Free People Movement. And we see the opportunity not only to continue to have deeper partnership with these brands, but also expand that relationship deeper into our own chain.

Copyright © 2001-2024 FactSet CallStreet, LLC

And finally, the work that our vertical brand team has done is phenomenal. Really excited about the launches that we have done this year and what more is to come in 2024.

Warren Cheng
Analyst, Evercore ISI

Q

Thanks, Navdeep. And I also wanted to ask about your latest view on where you see long-term normalized gross margins and EBIT margins as you shift to these newer concepts. There's a lot of moving parts here and curious if you can give us your view on the level, and also the ongoing drivers that will shape margins out this year?

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

A

Yeah, Warren, today, we are not going to be providing the long-term algorithm, but what we are – we have consistently said is and what we are consistently delivering is the fact that we are confident in driving the long-term sales and profitability of the company, leaning into the core strategies that Lauren has laid it out today. So, we'll continue to execute and confident in the guidance that we have provided to be able to drive positive comps in 2024 on top of a strong 2.4% comps that we posted in 2023.

Warren Cheng
Analyst, Evercore ISI

Q

Thanks Navdeep. Thanks, Lauren. Bye.

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

A

All right. Thank you.

Operator: Today's final question will come from the line of Mike Baker with D.A. Davidson. Please go ahead.

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

Q

Okay. Thanks. I wanted to ask a follow-up on the outdoor concept. So, you talked about bigger picture restructuring or changing some things there. But more specifics, what is the plan in terms of store count there? Are you closing those stores down? And just longer term, a couple iterations you've had on the outdoor business in your history, what's sort of the long-term thought process there? Thanks.

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

A

Yeah. Mike, we continue to be really excited about the outdoor category. When you look at it at the macro level, this is a $40 billion highly fragmented TAM that is out there. And we know there is an opportunity to similarly differentiate in terms of service, product experience, as well as the overall assortment that we can provide. So, what we have done in 2023, we've acquired Moosejaw and the work that we did last year was actually bringing the back office operation on Moosejaw and Public Lands together to be able to drive the long-term profitability in that business. And what we have called out in the business optimization actions are actually rationalizing some of the investments that we have made. We are not – we are closing Moosejaw locations, but we are confident in the go-forward business, and we'll continue to evaluate that space.

Copyright © 2001-2024 FactSet CallStreet, LLC

But overall, on a long-term basis, continue to remain really confident about the opportunity in the outdoor segment.

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

Q

Okay. Thanks. One quick follow-up. I may have missed it. Just looking for a number. Did you tell us how much it cost, the cost to build the 50K stores? So, I think you gave us the sales volume and the EBITDA margin, I may have missed it. I didn't hear the cost to build, and therefore, the cash-on-cash returns.

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

A

Yeah. Actually, Mike, both these metrics are in the slide that will be there on our Investor Relations webpage, both the net capital investments, inventory, as well as the preopening and then the cash-on-cash return.

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

Q

Got it. Sorry, doing the call on the phone, so I missed that. Appreciate the color. Thank you.

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

A

We appreciate the flexibility of the joining us early here.

Operator: This concludes the question-and-answer session. I will now turn the call over to Lauren Hobart, President and Chief Executive Officer, for closing remarks.

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

Thanks, everybody, and thanks for your interest in DICK'S Sporting Goods, and I wanted to shout out to our 50,000 teammates who really are the reason that we are driving these incredible results. Thank you all very much. See you next quarter.

Operator: That concludes the DICK'S Sporting Goods Fourth Quarter 2023 Earnings Conference call. Thank you so much for participating. You may now disconnect.

Copyright © 2001-2024 FactSet CallStreet, LLC

Disclaimer
The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2024 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.