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Dick’s Sporting Goods, Inc. (DKS)

Goldman Sachs Global Retailing Conference

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CORPORATE PARTICIPANTS

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

Kate McShane
Analyst, Goldman Sachs & Co. LLC

MANAGEMENT DISCUSSION SECTION

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Okay. Good morning, everyone. We're going to get started. It's my pleasure to introduce DICK'S Sporting Goods to our fireside chat. Today, we have with us Lauren Hobart, President and Chief Executive Officer of DICK'S Sporting Goods. Lauren joined DICK'S in 2011 as a Senior Vice President and Chief Marketing Officer.

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

Yeah.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

And became President and CEO in – I don't know [ph] if it's (00:32) 2017. That's not right.

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

No. President in 2017...

Kate McShane
Analyst, Goldman Sachs & Co. LLC

President in 2017.

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

...and 2021 [indiscernible] (00:38).

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Kate McShane

Analyst, Goldman Sachs & Co. LLC

Thank you. Sorry about that. Yeah.

Lauren R. Hobart

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

Yeah.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

And we also have Navdeep Gupta, Chief Financial Officer of DICK'S. Navdeep joined DICK'S in 2017 as Senior Vice President, Finance and Chief Accounting Officer and became CFO in 2021.

Lauren R. Hobart

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

That's right.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Okay.

Lauren R. Hobart

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

That's correct. [indiscernible] (00:56)

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QUESTION AND ANSWER SECTION

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

Yeah. Okay. Okay. So, DICK'S just reported Q2 results yesterday, so I think we'll spend some time asking some questions about that. But, I thought we could maybe just kick-off what you're seeing with the consumer. Your comps yesterday were extremely strong.

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

A

Yeah.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

There's a lot of debate about what is going on with the consumer.

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

A

Yeah.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

And so, if you could maybe start there and tell us what you're seeing, that would be helpful.

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

A

Great. Thanks, Kate, and thanks for having us here. Thank you all for your interest in DICK'S Sporting Goods. For those of you who heard or didn't hear our call yesterday, we did deliver Q2, our comp of 4.5% on top of a 2% the year prior. And we are feeling really good about both the momentum in our business and the state of our consumer.

We call our consumer athletes. And this past quarter, we saw strength in our athletes in terms of increased ticket, increased transactions, more people joining our system. So, 1.6 million new athletes and we didn't see trade down in any – and we saw growth across every income demographic. So, that is maybe a little bit of an outlier. I think, it speaks to the fact that the value that people are putting on a healthy, active lifestyle, outdoor lifestyle, team sports. But it also speaks to the strength of our long-term strategies, which I think are working really – well, I know are working really well.

And I would speak to a couple of them in particular. One is differentiated product. So, we have made a really concerted effort over many, many years now. This is the long-term, I would say, five, six, seven or longer year strategy to make sure that we have the best product for people, whether, they're introducing to a new category or the most elite and looking for high performance.

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And we've worked particularly on our premium full service footwear experience, which enable us to bring in all of the product that people want from [Technical Difficulty] (02:48) – but also from a lifestyle standpoint, the cool shoes. So, the product – differentiated product is a huge piece of what's driving that engagement with our athletes.

And I would say the biggest, the second one I would love to talk about is, what we call athlete experience. So, how we treat our consumer, our athletes when they're in store, when they're online, the focus on service, getting them into the right product for them, and then the reinvention of our entire portfolio.

We've got House of Sport. Hopefully some of you guys have seen House of Sport. If you haven't, I strongly encourage you to come visit us. We'll give you a tour [indiscernible] (03:22). It's a complete reinvention of how we come to life. And it's bringing our brand partners to life in new and different ways that are very exciting for them. But, athletes are reacting in incredible ways. So, we keep reinventing ourselves. That learnings from House of Sport have translated down into what we're calling our Field House concept as well as across our entire portfolio.

And we feel really good about the state of the business. [ph] Proud of the (03:50) 4.5% comp, feel good about the consumer.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

Yeah. Well, that's great to hear. I mean, I think it's interesting to hear, too, that the health and wellness piece is driving a lot of this. But, I think you've said in the past, just for your expectations for 2024, that the industry in and of itself is pretty much flat. And whatever you're seeing in terms of growth is mostly market share gains. So, could you maybe talk about what you were seeing pre-pandemic when it came to industry growth and what you expect maybe will be normal for the industry...

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

Yeah.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

...once we get out of 2024?

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

Yeah. Good morning, Kate.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

Good morning.

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

Yeah. So, before I get started, Nate reminded me that, you know, I need to do the Safe Harbor disclosure, so...

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Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

Oh, yeah. Safe Harbor. Sorry.

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

A

You get that out of the way and then we can talk about the industry. So, Kate, thank you. Great question. First of all, let's start with the overall industry, the TAM that we operate in and that's $140 billion industry. Like Lauren said, our share is [ph] just under (04:40) 8.5% share today. So, when we see the opportunity ahead of us, not only it's about the industry growth itself, but we feel there is a tremendous amount of opportunity for us to continue to gain the share that we feel [indiscernible] (04:54) ours.

The work that we have done around House of Sport, the work that we have done on our Field House concept, the work that we have done on premium full-service footwear is allowing us to differentiate our – and showcase the product in a very different way and provide the experience and service to our athlete in a differentiated way as well. But then, coming back to the overall industry, it's [ph] $140 billion (05:13) industry and you look at it pre-pandemic was growing probably in [ph] low (05:19) single-digits.

And over the last six years, [indiscernible] (05:22) four – five years now, it's been growing at around 6% CAGR. There is a maturation that has happened in the industry since just there was such a demonstrable growth that happened right after pandemic. But, as we see it, we see the opportunity for us to continue to differentiate ourselves and gain share, even if the industry continues to remain relatively neutral to flat.

The other aspect that I would add is, what Lauren called out, the propensity for an active and healthy lifestyle. Three-fourth of the US population today is participating in an active lifestyle. There are 27 million kids that are active under the age of 17 that are active in youth sports. And those we see as the core customer that we are going after and trying to provide them a very differentiated product and an experience in our stores and on online.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

And you mentioned differentiation of products, too, which is very obvious as you walk through the store. And DICK'S has continued to benefit, we think, from more premium product from some of the bigger brands. How does the level of access compare versus pre-pandemic? And sorry to keep going back to pre-pandemic, but I do feel like, the business had a certain CAGR pre-pandemic and now it's a little bit different. So, I feel like that's why we keep comparing it to that. And just how do you think about the differentiation and your access of brand heat and exclusives going forward? Yeah.

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

A

Yeah. I think, you're right to point out that the business is meaningfully different and you could say pre-pandemic, you could even say longer. But, from 2016 on, we say nothing about our business is the same, absolutely nothing. And that's because we have invested so much in the athlete experience and that when they come in, they can have a premium experience, that – when in footwear, there's a premium [indiscernible] (07:07) environment that we do have access now to the cool footwear, the cool kids. And it used to be, we've always been rooted in sport and sports is always going to be our core heritage. But sport and culture have come together now in such a way that our House of Sport stores, for example, are [ph] just dead (07:27) right in the center of a sport and culture and lifestyle and performance.

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And so, we can now outfit the entire athlete. And it used to be that they maybe had to go somewhere else for the cool shoes. And so, access is a huge piece. Our merchant team has done an absolutely incredible job, getting – making partnerships with strategic, our vendor partners. In fact, those relationships are at an all-time high. And I think access will continue to be a really important part of our story. And it's not just footwear. It's across the board even the depth of soccer cleats that we're getting access to now, just really – and that is a piece of footwear. But it's performance footwear all different than it was before in much higher elevation.

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

Kate, if I could just build on. I think, so it's beyond product as well.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

Yeah.

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

If you think about it, right, the capabilities that we have in the company, how well our website is functioning, how differentiated the experience that we are able to provide within our stores. Even from a balance sheet and the financial transformation that we have done from the capital structure of the companies at a very different level than where we were pre-pandemic. So, that's where going back [indiscernible] (08:33) nothing about our business today is where it was pre-pandemic, literally every aspect of the business we have gone through a significant transformation.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

And I think that's – important to flag because one question we do get is that, there is a brand who might be looking to go back into wholesale distribution versus pursuing direct-to-consumer. And I think there's been some thought that DICK'S has been a beneficiary of being the preferred wholesale...

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

Yeah.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

...location for that particular brand. How do you think about something like that or a change like that?

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

Yeah, it's a great question. We are – many of our preferred partners, I think are realizing the benefits of wholesale and that's a positive for us. We are able to bring a brand to life in a way that's really unique. We've got the square footage to bring a brand's apparel and footwear performance and lifestyle and showcase. Like in the House of Sport, we have these collaborative spaces, the collab spaces, where we can tell a brand story in such an impactful way, be that one of our partner brands or a new brand.

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So, we view the return to wholesale – we had strong partnerships throughout some of the back and forth of the last few years, but even stronger now. And we feel very confident that we can bring our brand partners to life in a way that it's very unique in the industry.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

And how important of a role is your ScoreCard or your loyalty program with regard to those partnerships?

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

Our loyalty programs are incredibly important to us. Over 70% of our sales go through a loyalty [indiscernible] (10:07) ScoreCard program, which does several things. First of all, indicates just that people are finding value in the program. But, it also gives us a data set that we believe and what we know is the best data set in youth sports. And our data is such a powerhouse of an asset. And you think about working with some of our vendor partners, if they want to target a certain type of athlete.

We know the first party data we can actually work with them to target reaching those athletes and it's just going to keep growing. It's a big, big part. I think, our loyalty program – this is something that we've put – we've had in place now for 20 years at least and it is so ubiquitous in terms of consumer acceptance. There's only upside in terms of how we can make it even more exciting, more access to cool and different product. But it's a great, great foundation.

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

Kate, if I could build on one more point. So, yesterday we shared one of the [indiscernible] (11:09) important statistics about the GameChanger business. There are 6 million athletes on the GameChanger platform.

These athletes that are on the GameChanger platform, these are parents, coaches, they are families that are watching their youth athletes perform different sports in different stats. They had video highlights. What we are seeing is the athlete that is on the GameChanger platform and as part of the ScoreCard program that Lauren talked about. Their revenue is two times higher than an average ScoreCard user.

So, the profitability, the level of engagement, the level of relationship that we have with these 6 million athletes are significantly different than even on the ScoreCard. So, we see tremendous opportunity to continue to build that deeper relationship with the athletes that we have across the portfolio.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

I might skip around then and ask about GameChanger, if that's okay.

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

No problem. Yeah.

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Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

And then we can go back to some of the brand questions we have. But just since you mentioned it, GameChanger definitely seems to have gotten more airtime on the first quarter and second quarter call. I know it's been – you've owned it for quite some time, actually, I remember talking years ago at another conference about watching my son's baseball game. It was very different at the time...

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

A

Yeah.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

...that was really just...

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

A

You were watching DICK'S move...

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

A

[indiscernible] (12:20).

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

DICK'S move...

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

A

Yeah. Now, you're watching the kids. Yeah.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

Yeah. It's amazing how it's changed. But on a standalone basis, how big can this business be? What does it mean for your margins? Where can this take DICK'S?

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

A

I think, we're starting to talk more about it, because I think it is such a powerful asset, both in its own right, and then also to Navdeep's point, the collaboration that DICK'S and GameChanger can have to really develop an athlete experience. [indiscernible] (12:49) I'm looking for head nods if anybody uses GameChanger with their kids, anybody? All right. So I'm going to take time to explain what it is because you're probably all like, what the heck is GameChanger.

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But, it is the largest scoring and statistics app in youth sports started in Diamond Sports, baseball, softball and what keeps remembering is in the old days, literally, if you missed your kid's game, you could watch, so-and-so advance and you'd see it on a drawing, honestly, that the kid was moving and who scored this run and such. It's now been completely updated with video.

So, you cannot only – you can get highlights of just your kid and what they did in this past game. You get statistics on how they're performing, scatter charts on how the team is doing. You can use it as a recruiting tool. It's incredibly addictive, it's – Navdeep addictive, because it's such great content that people want for their families and addictive in the best way.

And the fact that they're spending 45 minutes a day really speaks to the fact, like that's like TikTok levels of engagement in terms of and it's because it's your kid. It's really, really engaging. So, we have – you asked about the financial aspect of it. We've said it's a $100 million in revenue this year. It's highly profitable Software as a Subscription. It's a freemium model. So, you can start. But the more you – if you engage and it's relatively inexpensive, you get access to some of those really cool video clips. It does a postmortem article about the game, [ph] like a wheel (14:24) there's radio where you can listen to the game and we think it's a huge huge asset in its own right. And increasingly with our data.

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

Yeah. And Kate to add to what Lauren said, the growth that we have seen in the recent five years is about 35% to 40% CAGR.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
A

Yeah.

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

So, we see this business continuing to evolve, continuing to go deeper. We started out with the Diamond Sports, but we have now expanded the product and the solution to include basketball, volleyball. The team is working on AI capability that, if you are sitting and watching the game and you are holding the camera right there, because you want to get the full view of the field, you no longer have to pan the camera there.

The AI capabilities that are now built into the app itself, that automatically pans the camera and it gives you that vital view of the field. It can actually automatically generate the highlights at the end of the [indiscernible] (15:14) based – and of the game to be able to – and then email directly to the families. And that's the reason that the engagement that we are seeing with this platform is, is really, really exciting.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

If we could go back to the merchandising and the store, we talked about national brands, but I think we should talk a little bit about private label too.

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

Yeah.

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Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

Because I think you have seen a lot of success in your private label. I can remember the days of exclusive partnerships with Umbro. I mean, I'm really going back here where there was a lot of testing about what you [ph] wanted – when you (15:47) wanted your private label business to be Nike, ACG was another one...

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

A

ACG. Yeah.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

...if I remember.

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

A

Yeah.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

But why do you think the suite of private label brands that you had now with VRST and CALIA in the DICK'S Sporting Goods brand?

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

A

Yeah.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

Why is that working? What has come together for that to be so successful?

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

A

Yeah. The one thing that, maybe it sounds like it's a word change, but it's really meaningful changes. We don't call them private labels anymore. We call it vertical brands. And that's because we have chosen as opposed to just filling whitespace gaps with products that doesn't have a personality or brand, we are now building brands and yes, they do fill some whitespace in our portfolio.

So, for instance, DSG is an opening price point brand that is incredibly attractive to somebody who's looking for high fashion, high function and a really attractive price point, something we didn't really carry. But we're building a brand here. So, it's filling an opportunity, filling whitespace and where – creating DSG has become a brand. We're advertising it. We're building it and it's doing incredibly well.

CALIA and VRST, CALIA is the women's apparel line. VRST is our men's apparel. Both have had incredible innovation. Both strong brand building, but the CALIA inspire collection for anyone who wants to go try it, I really recommend it. But it's also to from the gym, to from your life. So, you can live in it, you can work out in it. It's really

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taps into the insight that women want to have a comfortable, casual, but be able to work out and still have a decent, look good.

So – and then, for the men's brand VRST, there's a new Limitless Pant that, if you've tried the VRST pant before, I would say, come back, try the Limitless Pant. It's amazing. And we've built these brands into really – so, it's nothing like what you would remember when we were sort of [ph] swapping (17:38) labels and trying different things. These are meaningful brands and they're doing incredibly well.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

Part of what I think the vertical brands has done as well as contribute to your gross margin and gross margins do remain again back to pre-pandemic. Well above pre-pandemic levels. [ph] You've walked around several calls about (17:57) why you think the gross margins are structurally higher. What about going forward, in terms of how you think about gross margins and driving them short?

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

A

Yeah. I would say the same drivers that we have consistently said in the recent past that there are three big drivers of gross margin, merch margin improvement and – start with the merch margin, the differentiated product. There, this whole experience begins from the differentiated product, having access to a differentiated product, being able to really relate with the athletes with those differentiated products allows us to, one, [ph] of be (18:30) little bit more controlling of the pricing and the promotionality that is associated with these products. So, that is the first part of this.

The second, I would say the work that we have done on the vertical brand side, we said like for, even in Q2, the performance that we saw from the vertical brands, actually they outperformed the company average and these brands carry 600 to 800 basis points of higher margin rate. So, that's the mix that we are able to get from the vertical brand penetration. The third, the work that collectively our team has done over the last several years in pricing and promotions management capability.

So, we can be really selective and targeted on where and how deep do we want to partner, even if there is some promotionality within the marketplace, as evidenced by the fact, like, you know, lot of retailers have called out that the Q2 marketplace was much more dynamic compared to where the Q1 was. But if you look at it, we delivered 90 basis points of merch margin expansion, again, driven by the same three factors that I'm talking about. So, the same factors that have contributed to the merch margin expansion so far to-date, we continue – we believe are the continued drivers as we look into the future as well.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

And then, if I – I thought we could spend like the last few minutes talking about unit growth, House of Sports has been a big initiative. And again, it's a pretty different store experience than just a normal DICK'S store. And so, I wondered if you could talk a little bit about how the customer profile differs for House of Sports. And additionally, you mentioned that you're opening 75 to 100 locations by 2027. Can you walk through how you're thinking through store conversions, how you're picking the locations and a little bit more background on the concept?

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

A

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Yeah. I'll start just with a – for anyone who hasn't been in the House of Sport, these are over 100,000 square feet. They are fully experiential. There are lots of interactive elements. There's a track and field, there's a rock climbing wall there. You can swing [ph] a bat, (20:27) swing a golf club and higher levels of service. There's these collaborative collab spaces, as I mentioned, and elevated product as well, elevated fitting room experience. It's really the – it is the best expression of the DICK'S brand, but it is translating into our 50,000 Field House concept as well.

The House of Sport, it's -- I'll turn it to you to talk about the units, but it has done an incredible job resonating with athletes, with consumers, with communities, bringing to life in the community, but also our vendor partners who are excited to bring their brands to life. And then, mall developers and landlords who are noticing when they put in a House of Sport, they're seeing increased traffic to their malls, increased sales per square foot, and that's getting us access to a whole different real estate base.

So, it's been a win-win-win profitability we shared last quarter really great returns. And so, we are moving forward aggressively with 75 to 100. But also the Field House concept, which is the takedown of it, is really the scale model for the rest of our portfolio.

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

Yeah. So Kate, just to building on what Lauren said, we finished last year with 12 House of Sport location. Our goal this year is to open eight. We have opened two this year, so you can imagine there are six more that are coming here in the next. I would say, just [ph] quarter and plus (21:44). I couldn't be more excited about how well these stores are performing. In terms of the unit count we have, I would say that approximately about 15 locations as we see opening – being opened in 2025. So, what you are seeing is a little bit of a ramp up, because as like Lauren said, it's not just finding the real estate.

First of all, you have to be able to find 100,000 to 120,000 square foot location to be able to have the real estate available. You want to make sure that it is in the right [ph] node (22:15) as well. At the same time, we have also been learning as to what type of market, what the demographics work with it. And what we have been very, call it, encouraged by the fact that we opened our first location in Victor and then the next one opened in small markets like Knoxville and they have done fantastic.

And so, we are – now we are taking the learnings out of that and we have the confidence to open Prudential Center earlier this year. We have in our backyards, we have opened Ross Park Mall. So, what we are learning is that these stores can work really well in a small market to a mid-market as well as in a really urban location like Prudential Center. So, you will see us continuing to march towards that 75 to 100 locations by 2027. We'll finish with around 20 locations by the end of this year. And with the goal to open another 15 next year.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

And then, the next gen stores, the 50K stores you mentioned, can you just remind us, is that more being looked at as a store remodel of existing stores into this better concept or are you opening new doors?

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

It'll be a combination, very similar to what we said. You know maybe – maybe, I'll back up and say the premise that we talk internally a lot about is, we don't want to have a tired old chain. What we have done really well is

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invested into our store, into that athlete experience, providing that differentiated assortment and providing that excitement that the brands want to be represented when they come into our store in terms of the expression to the athlete. And that's what you are seeing us do, whether it is through House of Sport, through the Field House or what we are doing, even with the Golf Galaxy locations.

So, just on the Field House concept, which is [indiscernible] (23:54) internal name for the next-gen 50K square foot format store, which is a mouthful to say. So, we call them Field Houses. The expectation is that we will open about 11 of those this year and that will reach around 26. But keep in mind, we don't own any of our stores. A vast majority of the store except for the few exceptions that we have done with the House of Sport are all lease locations.

On an average, we have about 100 stores that come up for lease renewal each year. So, we see this as a great opportunity for us to reposition our store to what's needed to be repositioned or take or partner with the landlord to remodel the store and bring this new excitement and the new expression of DICK'S Sporting Goods to their model.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

And then, the same question for Golf Galaxy, because you're taking a look at Golf Galaxy as well in terms of unit growth, just what can we expect to see in some of the newer Golf Galaxy stores versus the Heritage stores?

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

Yeah. So, there's a little bit of a nuance in Golf Galaxy as well. We call them Golf Galaxy Performance Center because the focus is not just on having the product, providing that access to both equipment and the apparel side. The focus is as much on the fitting experience to be able to provide that differentiated and elevated level of specialty store experience in the Golf Galaxy performance location. So, our goal that we have stated is about 45 to 50 Golf Galaxy performance locations. Most of the new Golf Galaxy locations that we are opening are in the performance center type approach. Where we are – there is an elevated level of tracking – TrackMan technology...

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

Okay.

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

...that has been installed where you can go not only take – get fitted for the club, but you can actually go and take lessons with the PGA Pro. And so, that will continue to be our focus as we look at the Golf Galaxy.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

And then, anything from the Golf Galaxy Performance Centers that you bring into the Field House or is it going to be kept separate, because you'll have Golf in the Field House as well.

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

We will have Golf there as well, because there is a different athletes we feel we serve. There is an enthusiast level athlete that want the specialty store experience. They tend to go to a Golf Galaxy Performance Center location, but even in a Field House location, you're going to have the TrackMan technology installed in the base that we have within the store.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

Great. Historically, DICK'S has always experimented with new banners, and again, I might be dating myself, but there was a time where you could see a pop-up in Pittsburgh with some new concepts.

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

Oh yeah.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

Is that still part of the formula, or are you still looking to think outside the box when it comes to new retail concepts?

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

I think, what you're thinking of is like our True Runner concept...

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

Yeah. Yeah.

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

...and Chelsea Collective. Yeah. We are incredibly innovative at our core. We love to try things. And I think our newest baby is, is Public Lands.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

Yeah.

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

And so, we're iterating on that model to figure out what the right size of the store is, how we're going to serve our outdoor customers in that way. But I'll never say never, but that Public Lands is there. And as we've so much work we're doing right now in terms of just the reinventing of our entire portfolio, be it House of Sport, Field House, Golf Galaxy Performance Center that there aren't too many offshoots like...

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Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

Okay.

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

...that.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

Okay.

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

Yeah. We launched the Going, Going, Gone! chain...

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

[ph] Okay (27:08).

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

...which is about 50 stores on there and we are really happy with the performance that we are seeing from these [indiscernible] (27:11) location. It allows us to move the clearance out of the regular store into the Going, Going, Gone! store where you are able to provide a very differentiated service and experience with a much more value conscious athlete. So, it's bringing us new form of athletes to our overall database.

You're able to provide the full size and color [indiscernible] (27:29) sometimes that gets broken in a store and the activation and the engagement that we are seeing then on the online platform is fantastic. So, like Lauren said, we are never to comfortable with where we are, we are always trying to push ourselves [indiscernible] (27:44)...

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

Relentless improvement.

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

Relentless improvement. There you go. Thanks, Lauren.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

We're asking five questions of every company that sits on stage with us during the conference. So, we thought we'd go a rapid, rapid round in the last five minutes here with these questions. We talked about the health of the consumer. Just what are your expectations for the consumer environment in the second half of 2024 versus the first half? Same, better or worse?

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

We've seen strong momentum with our consumer and we expect that to continue into the back half. So...

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

And we actually raised our guidance.

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

We did raise our guidance a little [indiscernible] (28:18).

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

Yeah [indiscernible] (28:19).

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

[ph] Right (28:20).

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

On the topic of margins and cost pressures, we've seen some tailwinds this year with freight coming down and certainly inflation dissipating a little bit. But as we look to 2025, how are you looking at costs when it comes to materials, labor, maybe even tariffs, just same better or worse in 2025?

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

Yeah. I would say tariff is still unknown. So, I don't know if we can comment on that. In terms of the cost pressure, I would say that it will moderate compared to what we have seen in the recent past, but probably we'll see some pressure, especially on the labor side.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

One expression we've heard throughout the conference is about the consumer behavior of looking for a value. And we wondered in your opinion, is this more something that's happening because of what's happening with the macro? It's cyclical, or is it more of a secular trend in terms of what the consumer is looking for and how they're shopping?

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

I think consumers are choosing where to spend their money. And, of course, they're looking for value. But there's also opportunities where they're willing to spend if it's something that they're passionate about or that's part reflects who they are or their performance desire. So, we see it as both. And that's part of the – we're seeing growth across every income demographic.

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Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

Right.

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

A

Partly because of that.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

And we also kind of talked about this. We've been asked every company if they expect to have more or less points of distribution in the US. We just talked about more House of Sport.

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

A

Yeah.

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

A

Yeah.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

Yeah. Go ahead.

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

A

Yeah, we would – we see us having more points of distribution. We return to positive square footage growth this year. We are expecting our square footage to increase by about 2%. So, we see us continuing to evolve our points of distribution. We're also excited about the new distribution center that will be opening in 2026, which will allow us to continue to serve the athletes in a differentiated way, both from online as well as from our stores.

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

A

As we grow some square footage in stores, our stores are very critical points of e-commerce fulfillment and distribution for us, too. So, inherently there's more – just more fulfillment there, more distribution.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

And then, our last question is on promotionality, which we didn't talk about too much before, but just do you expect to be more or less promotional this holiday season versus last year?

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

A

I expect to be – us or the industry?

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Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

Well, us – well, you and then the industry?

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

A

The industry was extremely promotional last holiday. So, I would hope it will be slightly less so, but we would expect a level of promotionality. We navigated through it well last holiday. We'll navigate it well. I bet. I don't expect it to be materially different.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Thank you so much for joining us today. Appreciate the time.

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

Thank you. Appreciate it.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Thank you for taking the time.

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

Thank you.

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