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Dick’s Sporting Goods, Inc. (DKS)

Q4 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. My name is Krista, and I will be your conference operator today. At this time, I would like to welcome everyone to the DICK's Sporting Goods, Incorporated Fourth Quarter 2024 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] Thank you.

And I would now like to turn the conference over to Nate Gilch, Senior Director of Investor Relations. Nate, you may begin.

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 2024 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 in 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 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

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

And finally, a few admin items. First, we previously expected our Warehouse Sale's stores to be temporary in nature and, therefore, excluded revenue from these locations from our comparable sales calculations. With these stores now operating longer than originally planned, starting in fiscal 2025, we will include them as part of our comparable sales beginning in the stores' 14th full month of operations. Similar to our other store locations, these stores will also be included as part of our store counts and square footage. Next, at the end of today's prepared remarks, we have a short video to share with you. And finally, for future scheduling purposes, we are tentatively planning to publish our first quarter 2025 earnings results on May 28, 2025.

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

Lauren R. Hobart

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

Good morning, everyone. 2024 was another outstanding year for our company. Powered by our strategic pillars of compelling omnichannel athlete experience, differentiated product assortment, deep engagement with the DICK's brand and the strength of our culture and our 50,000-plus teammates, we achieved another year of growth and strong performance, while continuing to extend our leadership position in the market. Our long-term strategies are clearly working.

Before diving into our results, I want to take a moment to recognize the passion, hard work and dedication of our entire team. At DICK's, it is our people who make us great, and the strong performance we're discussing this morning is a direct result of their efforts.

For the full year, we are very pleased to have delivered record sales of $13.4 billion. Our comps increased 5.2%, driven by growth in average ticket and in transactions and we continue to gain market share as consumers prioritize DICK's Sporting Goods for all their athletic needs. Through growth in sales and gross margin expansion, we achieved double-digit EBT margin, above 11%, and EPS of $14.05, both well ahead of last year.

Our fourth quarter was an exceptionally strong finish to another great year. Our Q4 comps increased 6.4%, driven by growth in average ticket and in transactions. To put this in context, this growth was on top of a 2.9% increase in 2023 and a 5.3% increase in 2022. During Q4, we drove continued gross margin expansion and delivered EBT margin of 10.2% and EPS of $3.62.

DICK's is the largest omnichannel sports retailer in the United States, now commanding just under 9% of the highly fragmented $140 billion industry. This represents an increase of approximately 50 basis points in our share over the prior year. We provide an unrivaled experience for our athletes and are an important US retail partner to the world's leading sports brands. Our disciplined execution of our four strategic pillars has driven strong, consistent performance.

Over the past two years, we've delivered nearly an 8% stacked comp, gained approximately 100 basis points of market share, and expanded our gross margin by approximately 125 basis points on a non-GAAP basis. Our business has incredible momentum.

We also see tremendous strength and momentum in the US sports industry, a trend we expect to continue through 2030 and beyond. With the continued excitement around women's sports, the enthusiasm surrounding next year's Soccer World Cup matches on US soil, and the anticipation for the 2028 LA Olympics and the 2031

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Rugby World Cup, which will be held in the US for the first time, the convergence of sport and culture has never been stronger, and DICK's sits squarely at the center of this exciting intersection. We're a nation obsessed with sport, and no one is better positioned to harness this opportunity than DICK's Sporting Goods. From this position of strength, we will make significant investments in digital and in-store opportunities to drive our business forward and further expand our market position.

Leaning into our strategic pillars, our focus is on three exciting growth areas, each with significant potential: repositioning our real estate and store portfolio, driving continued strong growth in footwear, and accelerating our e-commerce business. Our first key growth area is delivering an elevated omnichannel athlete experience through the ongoing work to reposition our real estate and store portfolio with House of Sport, Field House and Golf Galaxy Performance Center. Since opening our first House of Sport location in 2021, our excitement and conviction in this innovative concept continues to build. Over the past four years, House of Sport has disrupted and redefined sports retail. And at approximately $35 million in year one omnichannel sales, this highly experiential destination is delivering powerful financial results, which Navdeep will speak to shortly.

House of Sport has also driven strong engagement with our athletes, brand partners and communities. In fact, we see our House of Sport locations attracting more athletes who not only spend more time in the store, but have a significantly higher spend than our typical DICK's athletes. Importantly, House of Sport is opening doors to new brand partnerships and strengthening existing relationships as this concept showcases our brand partners in a way no one else can.

In addition to driving strong athlete excitement, House of Sport is drawing unprecedented landlord interest, which gives us the opportunity to join some of the best retail centers. After opening seven more House of Sport locations during 2024, we ended the year with 19 total locations, and we look forward to adding approximately 16 more in 2025. By the end of 2027, we expect to have between 75 to 100 House of Sport locations across the country.

We've also completely revolutionized our most typical format, our 50,000 square foot DICK's store into our Field House concept. Field House is inspired by House of Sport and includes a similar elevated assortment and service model, premium experiences, and bold visual expressions. Like House of Sport, Field House is delivering incredibly strong results. After opening 15 additional Field House locations during 2024, we finished the year with a total of 26 locations and expect to add approximately 18 more this year. As we've said previously, this one-two punch of House of Sport and Field House is the future of our DICK's stores.

Our second key growth area is driving continued strong growth in our footwear business. Footwear is the one product every athlete needs. And at DICK's, we say footwear is the engine that pulls the train. Over the past decade, we've transformed our footwear experience through our premium full-service footwear decks, which are now in approximately 90% of our DICK's locations. We provide our brand partners the ability to showcase their premium footwear for every sport, every athlete, and every occasion, and key brands provide us with premium product access, driving sustained and robust sales growth. Even with this success, we have a great opportunity to gain share.

With a strong product pipeline across performance and lifestyle, combined with the success of our footwear experience, we're targeting this opportunity through strategic investments in high impact marketing and a dedicated focus on footwear across our in-store and digital channels. We'll partner with key brands and the athletes and celebrities who resonate most with our customers to enhance our position as the destination for all the on-trend shoes, both on and off the field. We're kicking the year off by going big during March Madness with an exciting campaign that we can't wait for you to see.

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Our third key growth area is accelerating our multibillion-dollar, highly profitable e-commerce business through strategic investments designed to drive substantial long-term market share gains online. While we've seen strong e-commerce growth over the years, we see an opportunity to significantly expand our online presence and capture share. We are attacking this opportunity with aggressive investments in technology and marketing aimed at enhancing the omnichannel athlete experience and driving greater consideration for dicks.com.

Our technology investments will lean into our speed and convenience and will include a focus on our DICK's app, which attracts our most loyal athletes. We'll continue to leverage our 800-plus store network for online fulfillment, which positions us closer to our athletes for speedier and more efficient delivery. And to further dial up those benefits, we're expanding the use of RFID technology in store, which enables our teammates to get products into our athletes' hands even faster.

As part of our broader digital strategy, we're also enthusiastic about two long-term growth opportunities, GameChanger and the DICK's Media Network. GameChanger provides an innovative platform to engage with our athletes in new and compelling ways. In 2024, approximately 9 million unique users were active on GameChanger, with an average of nearly 1.8 million daily active users. And we're proud to say that as a highly profitable recurring revenue SaaS platform, GameChanger's surpassed $100 million in revenue in 2024. We've seen close to a 40% revenue CAGR since 2017, and we're bullish about GameChanger's long-term growth opportunity. In 2025, we expect GameChanger to reach approximately $150 million in revenue and also to continue positively impacting our gross margin.

DICK's Media Network is our emerging retail media network that harnesses the unique power of our robust and growing scorecard, loyalty program and database, which is the best dataset in youth sports. While it's in the early stages, we are very pleased with initial interest in the platform and believe DICK's Media Network will become a driver of long-term sales growth and an important driver of long-term gross margin expansion as we scale and optimize the network.

With all of this in mind for 2025, we expect to drive continued comp growth, strategic expansion of our square footage, and improved gross margin. We anticipate our comp sales to be in the range of 1% to 3%, which at the midpoint represents nearly a 10% three-year comp stack. We expect our EPS to be in the range of $13.80 to $14.40. Our consistent execution and strong performance give us deep confidence in the growth opportunities we've identified.

Great companies invest from a position of strength, and we are leaning into our momentum with strategic investments in the areas that matter most to our athletes and enable us to seize the significant market share opportunity ahead of us. With a clear strategy, a disciplined approach, and a commitment to innovation, we are well-positioned to drive sustained sales and profitability growth over the long term.

With that, I'll turn it over to Navdeep to share more detail on our financial results, 2025 outlook, and capital allocation. Navdeep, over to you.

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 2024 results. Our comp sales increased 5.2% and we continued to gain market share. This was on top of a 2.6% increase in the comp sales last year. These strong comps were driven by a 4% increase in average ticket and a 1.2% increase in transactions.

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Consolidated sales increased 3.5% in 2024 to a record-setting $13.44 billion. As a reminder, last year's sales were positively impacted by $170 million from the 53rd week. On a 52-week comparable basis, our consolidated net sales increased 4.9%. Driven by a strong sales and gross margin expansion, EBT was $1.52 billion, 11.3% of net sales, and increased $116 million, or 49 basis points from last year's non-GAAP results. For the full year, we delivered earnings per diluted share of $14.05. This compares to last year's non-GAAP earnings per diluted share of $12.91, which included approximately $0.19 from the 53rd week. On a 52-week comparable basis, this is a year-over-year increase of 10.5%.

Now, moving to our results for Q4, we are very pleased to deliver a Q4 comp increase of 6.4%. This represents nearly a 15% three-year comp stack. Our strong comps were driven by a 4.4% increase in average ticket and a 2% increase in transactions. Consolidated net sales for Q4 increased 0.5% to $3.89 billion. This was the largest sales quarter in the history of our company.

As we previewed during our prior calls, net sales comparison for Q4 were unfavorably impacted by approximately $200 million. This included the extra week last year, which added $170 million in sales in Q4 2023, as well as the impact of the calendar shift, which was neutral for the full year, but unfavorably impacted Q4 sales by $30 million.

Gross profit for the fourth quarter remained strong at $1.36 billion, a 34.96% of net sales, and increased 39 basis points from last year's non-GAAP results. This increase was driven by lower shipping costs and higher merchandise margin, which was partially offset by expected deleverage on the occupancy costs due to the 53rd week last year.

On a non-GAAP basis, SG&A expenses for the quarter increased 4.8% to $957.6 million and deleveraged 101 basis points compared to last year's non-GAAP results. This year-over-year deleverage was expected, and due to the strategic investments in our technology, talent, and marketing, based on the strength of our business, and also included higher incentive compensation. Q4 pre-opening expenses were $10.7 million, an increase of $5.3 million compared to the prior year. This expected increase was driven by the timing of our new store openings.

EBT in the fourth quarter was $397.3 million, a 10.2% of net sales. This compares to a non-GAAP EBT of $427.7 million, or 11.03% of net sales in Q4 of last year. EBT margin comparisons were unfavorably impacted by approximately 27 basis points due to the extra week last year, plus the impact of the calendar shift.

In total, we delivered Q4 earnings per diluted share of $3.62. This compares to last year non-GAAP earnings per diluted share of $3.85. Like sales and EBT margin, EPS comparisons for Q4 were unfavorably impacted by approximately $0.29 per diluted share due to the extra week last year, which added approximately $0.19 per diluted share in Q4 2023, plus the impact of the calendar shift, which was neutral for the full year, but unfavorably impacted Q4 EPS by approximately $0.10 per diluted share.

Now, looking to our balance sheet, we ended the year with approximately $1.7 billion of cash and cash equivalents and no borrowings on our $1.6 billion unsecured credit facility. Our year-end inventory levels increased 18% compared to last year. We believe our inventory is well-positioned with clearance levels at historic lows.

As we have discussed, to maximize the benefit of our differentiated assortment, we have made a deliberate decision to lean into key items and categories. We also invested in earlier spring receipts to more effectively transition seasons in warmer climate markets. These investments play a vital role in driving our continued strong sales momentum, which we expect to carry into 2025.

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Turning to our fourth quarter capital allocation, net capital expenditures were $215 million and we paid $89 million in quarterly dividends. We also repurchased 428,000 shares of our stock for $98 million at an average price of $228.17.

Now, moving to our outlook, which balances the strong confidence we have in our strategic initiatives and operational strength against the dynamic macroeconomic environment. Consolidated sales are expected to be in the range of $13.6 billion to $13.9 billion. As Lauren mentioned, we anticipate comp sales growth in the range of 1% to 3%, which at the midpoint represents nearly a 10% three-year comp stack.

We expect comps to be closer to the high end of our guidance through the third quarter, though in Q4 we'll be lapping very strong results from 2024. Driven by the quality of our assortment, we expect gross margins to again expand year-over-year, which at midpoint we expect to improve approximately 75 basis points. This brings total expected gross margin expansion over the three-year period from 2022 to 2025 to approximately 200 basis points.

As Lauren discussed, from this position of strength, we plan to make strategic investments digitally, in store, and in marketing to better position ourselves over the long term. Thus, we anticipate gross margin expansion to be offset by SG&A deleverage. From a pacing standpoint, we expect greater SG&A expense deleverage in the first half, with moderation in the second half as we lap the higher investment levels from the second half of last year.

Pre-opening expenses are expected to be in the range of $65 million to $75 million, with approximately one-third incurred in the first half of the year and the remaining two-thirds in the second half. We expect both EBIT and EBT margins to be approximately 11.1% at the midpoint. At the high end of our expectations, we expect to drive approximately 10 basis points of EBIT margin expansion on a non-GAAP basis. We expect interest expense to remain roughly flat year-over-year, while we are modeling other income, which is comprised primarily of interest income, to decline due to the lower interest rate environment compared to the last year.

We expect full year earnings per diluted share to be in the range of $13.80 to $14.40. From pacing perspective, we expect EPS to decline year-over-year in the first half and increase year-over-year in the second half. Our earnings guidance is based on approximately 82 million average diluted shares outstanding and effective tax rate of approximately 24%.

In terms of tariffs, given the evolving nature of the discussion and number of unknowns, our guidance does not contemplate changes in tariff at this time. We successfully managed through tariffs in the prior cycle. Along with our brand partners, we have been diversifying our vertical brand sourcing for several years and will continue to do that going forward. We will remain flexible and nimble to adapt to the changing environment.

I'll now discuss our capital allocation priorities. Investing in our business to grow our leadership position and drive profitable organic growth remains our top priority. For 2025, capital allocation plan includes net capital expenditure of approximately $1 billion, of which a portion is a shift from 2024 due to the timing of the spend.

As we continue to reposition our real estate and store portfolio, these investments will be concentrated in store growth, relocation, and improvements in our existing stores and in support of our ongoing investments in supply chain and technology. Our CapEx plan also includes the purchase of certain real estate assets related to House of Sport.

In 2025, we plan to open approximately 16 more House of Sport locations, which will bring the total to approximately 35 by the end of the year. We also expect to begin construction on approximately 20 House of

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Sport locations that are scheduled to open throughout 2026. And for the Field House, we expect to open approximately 18 additional locations for a total of approximately 44 locations by the end of the year.

Before continuing, I'm excited to provide a brief update on why we are so bullish about these new formats. For a House of Sport for in year one, we continue to expect approximately $35 million in omnichannel sales and a very strong profitability with an EBITDA margin of approximately 20%. In terms of capital, our updated expectation is slightly over $20 million, which includes the acquisition of certain real estate. We are also seeing very attractive returns from our Field House locations, where we continue to target year-one omnichannel sales of approximately $14 million and an EBITDA margin of approximately 20%.

In 2025, we are also excited to grow the footprint of our Golf Galaxy business and plan to open approximately 14 Golf Galaxy Performance Center locations. We focus on maintaining real estate flexibility within our portfolio and expect approximately 70% of our 2025 openings will be relocations or conversions of existing stores into these innovative new formats. Collectively, these investments are expected to drive nearly a 3% increase in our square footage in 2025, representing an acceleration from our 2024 growth rate.

To support our growth, our supply chain investments include the new distribution center we are building in Fort Worth, Texas, which is expected to open in 2026. We are evolving our supply chain to better support our growing business and enhance the omnichannel athlete experience through improved cycle times and product availability.

Lastly, we continue to invest in technology that will enhance the omnichannel athlete experience and our teammate experience, along with exciting growth opportunities like GameChanger and DICK's Media Network. We also remain committed to returning significant capital to our shareholders through our quarterly dividend and opportunistic share repurchases. Over the past three years, we have returned approximately $2.2 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 a healthy balance sheet and maintaining our investment-grade ratings.

Today, we announced a 10% increase in our quarterly dividends to an annualized payout of $4.85 per share or approximately $1.21 on a quarterly basis. This marks the 11th consecutive year that our shareholders have benefited from a dividend increase. Today, we also announced a new five-year share repurchase program of up to $3 billion. Our 2025 plan includes our expectation of share repurchases to offset dilution, the effect of which is included in our EPS guidance.

I'd like to end our prepared remarks with a brief video that captures the energy and the enthusiasm we all feel for what we are achieving here at DICK's. After the video, we'll open the line for questions.

[Video Presentation] (00:28:21)

Operator: Ladies and gentlemen, this is the operator. Before we play the video, please ensure you refresh your webcast page now. We will pause briefly to allow attendees to do so.

[Video Presentation] (00:28:54-00:30:57)

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QUESTION AND ANSWER SECTION

Operator: And ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions] Your first question comes from Adrienne Yih with Barclays. Please go ahead.

Adrienne Yih
Analyst, Barclays Capital, Inc.

Q

Great. Good morning. Congratulations. I think, 6.4% is the biggest comp that we've seen in the entire holiday. I may be mistaken, but I doubt it. So, congrats.

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

A

Thank you.

Adrienne Yih
Analyst, Barclays Capital, Inc.

Q

Lauren, can you talk about sort of the tariffs, but not necessarily sort of like what's happening to you? I know you're 85% branded, 15% private label, not a lot in China. So, that's kind of like the facts of it. But can you talk about kind of what happened the last go-around, whether the brands made an attempt to pass through pricing to you? When we talked to some of the footwear brands, they're largely in Vietnam, so don't really have as much of this pricing exposure. So, just kind of what you're seeing on the footwear landscape relative to apparel, and then progress that you're having on the Texas market. Thank you.

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

A

Thanks, Adrienne. Yes, we are so proud of the team, the 6.4% comp, and I'd point out the full year being a 5.2% comp. It was just a tremendous, tremendous year. We actually – we feel terrific about our core strategies, and they are working. And our strategies involve differentiated assortment. And we look at this past quarter, we saw growth across every aspect of our business, so soft lines, footwear, and hard lines. And that's a credit to our merchant team for bringing in unbelievably desirable product across the board. Our team is executing at an incredibly high level, and we've seen a real focus – we've all been putting a focus on athlete experience, but similarly on teammate experience and making sure that we hire the best team and provide them with the tools they need, and they are an incredible team. And that's been a huge advantage to us.

And I would also talk about the consumer and the fact that our consumer has held up really well. And if you look at Q4 and the full year, we saw growth in ticket and transactions. We saw growth across every single income demographic in Q4 as well as the full year. We didn't see trade down from best to better or better to good. And over the course of the year, we gained 7 million new athletes, 2.2 million in just the fourth quarter. So, I want to – I'll turn it to Navdeep to talk about your specific questions, but I think it's important to start with the fact that we have unbelievable momentum as we go into the year.

And when you look to our guidance at 1% to 3%, which is a 10% three-year stack comp, we are very confident that we can deliver the guidance regardless of what happens in the marketplace with tariffs and such. Very proud also of our EBIT margin at 11.1% at the midpoint. That's a very strong projection and we're very confident we'll be able to hit that guidance. Navdeep, I'll turn it to you to talk about tariffs.

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

Good morning, Adrienne. And thanks for your recognition for the work that the team has done in Q4 and all of 2024. In terms of tariff, what I said in our prepared comments today, there is a lot that is still evolving and that is still – that is unknown from a tariff perspective. So, that is not specifically contemplated in our guidance.

As far as the work that we do we have, meaning, including our own vertical brand teams and our national brand partners, over the last several years, have diversified their production facilities across, and not just from a dependence from China perspective, actually even looking outside, on the footwear side as you called out, there has been a lot of diversification that has happened.

However as we see the landscape of the tariff continuing to evolve, and so we'll follow what we did back in 2018, 2019, that we'll continue to work very closely with our brand partners, appropriately balancing what is the right pricing decisions for our athletes as well as what is the right pricing decision for our own business. So, we'll continue to lean into a strong partnership with our vendors, balancing the actions from a pricing perspective and continuing to make sure that we are providing a well-diversified portfolio of products to our athletes who are continuing to come to us, and are really excited about the offers that we have within the store as well as the service.

Adrienne Yih
Analyst, Barclays Capital, Inc.
Q

Great. Thank you very much. One [ph] net (00:35:41) question. On the pre-opening expenses, you gave us the first half. I think last quarter we kind of had more of it in the fourth quarter. So, can you give us any more quarter-specific commentary just so we can – because they're kind of just – they're just there. So, the Q1 to Q2, the pre-opening would be great, thank you, for our models.

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

Yeah, Adrienne, I would say, the pre-opening expenses, like you called out, vary depending on the number of new store openings. And we'll give a little bit more clarity in terms if you need be on a quarterly basis in the subsequent calls.

Adrienne Yih
Analyst, Barclays Capital, Inc.
Q

Perfect. Thank you very much. Great job. Best of luck.

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 comes from Simeon Gutman with Morgan Stanley. Please go ahead.

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Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Q

Hey. Good morning, everyone, and good fourth quarter. My question on the 2025 guide, your EBIT margins up a little bit or flattish, I think, year-over-year, I think you said up 10 basis points, Navdeep. I wanted to ask, SG&A dollars within that look like they're going to be up 5%, gross margin up about 75 bps. Can you share or would you be willing to share how the guide was built? Did you start with gross margin assumptions on product margin and supply chain, and then invest a level of SG&A based on that? Or is there a bottom-up level of SG&A that you plan to spend and then create a plan to drive a similar amount of gross margin expansion to offset that deleverage? Thanks.

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

A

Simeon, thank you. Again, thanks for the comments on the Q4 performance. I would say – maybe I'll clarify one thing, just to make sure everybody has that captured appropriately. What we said at the high end of our guidance, we expect our EBIT margins, our operating income margins to expand 10 basis points on a year-over-year basis. In terms of the makeup of the SG&A and the margins, I think that it started out with how we are thinking about the overall top line sales expectations. So like Lauren indicated, at 1% to 3% comp, at the midpoint, you have a 2% comp expectation, which is a 10% three-year stack comp.

And then we'll look at some of the investments that we have been making over the last few years in the SG&A, the benefit of that SG&A investment actually shows up in gross margins. So, the two things that we have talked about today in my prepared comments was the work that we have been doing around DICK's Media Network. GameChanger, which is a recurring revenue and a SaaS business, as you can expect, has a much higher gross margin. So, the benefits of these two capabilities are starting to show up in the gross margin. But the cost associated with that is within the SG&A. So, that was the other thing that we factored in.

And then the third thing that we factored in is the three exciting growth opportunities, and these are existing growth opportunities that are already doing really well. We said how do we go faster in those between e-commerce, footwear as well as repositioning our store and the real estate portfolio? So, we said, what is the right level of investments that are needed to continue to fuel these trajectories and these strategies? And then we balanced that against the overall confidence in our product portfolio. So, that's the makeup of the guidance that we have shared here today for 2025.

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

A

Yeah. Simeon, I would just add that the opportunities that we see ahead of us are so vast, so exciting, such market share opportunities to gain that we are going to aggressively invest so that whatever ups and downs happen in the short term, so that we are set up for success in the long term. As you know, this company always has a long-term perspective on how and when we invest. And we see – between the competitive landscape and the momentum we have in our business, we want to go for it. And that's exactly what we are going to do this year.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Q

The quick follow-up, within the gross margin, I assume most of that expansion is product margin, not supply chain, or how does supply chain or supply chain factor into it? And then, related to the House of Sport math, it looks like the return went down a little bit, but that's because you're choosing to buy these real estate. It sounds

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like you're buying the physical real estate. It looks like that's the only difference in the assumption. Just clarifying that. Thank you.

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

Yeah. Simeon, you're right, the gross margin expectations, we haven't broken that any further than between merch margin and supply chain, but you are right to call out that we have continued to expect our merch margin to expand on a year-over-year basis. Pretty consistent themes. The quality of the product, the access that we have, which is so differentiated, our merchants do a great job in making sure we are not only buying the right product, but we are managing the pricing and promotions around that as well. And then we talked about the two new capabilities with DICK's Media Network and GameChanger. We do expect slight favorability in supply chain, but we'll continue to watch and see how the overall year unfolds.

In terms of the House of Sport math, you are right, we reiterated today, with a much larger sample compared to a year ago, now we have the knowledge of the 19 stores, actually 21 stores that we have opened as of the year, and expect to finish the year with 35 stores. We have not only seen the actual performance of the stores that are already open, but looking to – the confidence we have of the stores that will be open this year, our expectation continues to be that these stores can deliver a $35 million omnichannel sales with a very strong EBITDA margins.

Yes, the CapEx has gone up a little bit, but that – like you called out, the access to real estate that we have is so different than we have ever had in the past. The excitement from the landlord community is really high. And at the same time, considering the strength of our balance sheet, we are making the investments to actually buy some of these real estate. And that's the reason you have slightly higher level of CapEx than last year. But overall, very happy with the returns, both on the top line, bottom line, as well as how well these strategies are resonating with our landlord partner and the brands.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC
Q

Thanks. Good luck.

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 Kate McShane with Goldman Sachs. Please go ahead.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

Hi. Good morning. Thanks for taking our question. Our question centers around the footwear strategy that you mentioned within the three pillars that you're investing in this year. It sounds like there will be more of a marketing effort behind that. We wondered what that looked like. And will we be seeing anything different in the store from an assortment standpoint?

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

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Thanks, Kate. Great question. We are very, very excited about footwear. And as you know, we have spent many years now completely revolutionizing our footwear portfolio. We've got footwear – premium full-service footwear decks in 90% of our doors, which enables us to get access to the really best assortment of product and increased allocation. And online, we can also leverage those styles online. And so, footwear has become a very, very important business to us. Just as a data point, when our 10-K comes out, you're going to see that our footwear penetration is now at 28%. So, over 10 years, it's gone up 900 basis points and half of that has happened in the last three years.

So, footwear is one of our most important, it's a signature business for us. And we continue to drive increased assortment, increased focus on athlete experience, both in store and online. We really feel, at DICK's, we've got footwear for every single occasion. So if you take an athlete, they, of course, have their needs on court, on field, but they also need a pair of running shoes, a pair of training shoes. They need slides to go to/from practice and games, and of course, they want the lifestyle of sport. And we are really the only place where they can get something for every single athlete, for every single occasion, for every single sport. So, we're very, very focused on driving our footwear business.

When you say, what are we going to do? What are we going to change? You're absolutely right, we will be focusing on high-impact marketing because we want to make sure that consumers know that DICK's is the home for all of the best footwear. So, you'll see that kick off in a couple of weeks. We're also in-store leaning into service models as well as online, just making sure that we have access to incredible imagery. So, for in-store, we're talking about training of our teammates. We just finished a Run Summit. We were hiring experts. We're just really leaning into product knowledge and expertise.

And with the digital channels, we have things like 3D imagery for footwear, so the people who are shopping online or in app can really get the best experience. Other technology enhancements in footwear, our Shoe Runner capability is really terrific and it enables us to get products out of the backroom into an athlete's hands in just moments. Our team has created RFID technology where if you see it in the store, it's amazing. And the team can actually scan the entire footwear deck in just moments and figure out what exactly needs to be replenished, what has to come out of the backroom and make sure every single image, every single product is out on the floor.

And then we've really worked on our app experience. So, that's working to become the destination for launches and footwear reservations. So, that's the crux of our strategy. It is, of course, pinned on excellent assortment, excellent access, and we continue to grow both our assortment and access. And with 90% of our doors having premium full-service footwear, we'll continue to make that the case.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

And just one follow-up question to that. You mentioned the penetration is now at 28%, which is significantly higher. Can we expect that mix to change meaningfully from here?

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

A

It's our hope to gain significant growth and market share in this category.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

Thank you.

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

Brian Nagel
Analyst, Oppenheimer & Co., Inc.

Q

Hi. Good morning. First off, I want to also add my congratulations on a nice quarter and a nice year.

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

A

Thank you.

Brian Nagel
Analyst, Oppenheimer & Co., Inc.

Q

Well done. So the question I have – hello?

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

A

Brian, we hear you. Brian? Operator, can you take the next call, and we'll hope Brian gets back on?

Operator: Your next question comes from Joe Feldman with Telsey Advisory Group. Please go ahead.

Joseph Isaac Feldman
Analyst, Telsey Advisory Group LLC

Q

Hi, guys. Thanks, and congrats on a strong quarter. Wanted to ask, with regard to the new stores, can you share any more detail about like where they're going to open? I think I heard you say about 70% will be relocations, so maybe it's just existing markets. But I was curious as to the mix, new markets and – versus existing markets. And also, related to the real estate, are you seeing landlords contribute at the same rate to the new stores? I know that you guys are in high demand among the landlords, so I'm assuming that's still the case. But just wanted to get a little more color on that. Thanks.

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

A

Thanks, Joe, for that question. And like – we said it in our prepared remarks, we continue to see the opportunity to reimagine our existing footprint that we have within the store itself. So in the new store openings that we have guided to, with House of Sport locations and with Field House, 70% of these locations will be actually reimagination or relocation of the existing footprint. So, we continue to see really good opportunities in existing markets and where we actually already have a great relationship with the athletes. So, you will see us continuing to lean into that. Yes, we will selectively open some of the new locations and those have been incorporated into the expectations.

In terms of the participation with the landlord, I think so that there are – the participation and support comes in two different forms. So, one of them, like you called out, the tenant allowance, is definitely an interesting area that we continue – our real estate team does a great job in negotiating these deals. But actually the better opportunity is also coming through in the access to some of the real estate that we in the past would not have had access to. So, the excitement is coming from both the tenant allowance, but much more so to the access to some of the premier real estate locations that we may not have had access in the past. So, we are excited on all those – on

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both of those fronts, especially around the performance that we see continuing from our existing markets, with some sprinkled in opportunities in new markets.

Joseph Isaac Feldman
Analyst, Telsey Advisory Group LLC

Q

That is very helpful. Thank you. And then just a follow-up, with regard to tariffs, I fully understand you guys not including it in the guidance go forward. Presumably, what's been in place, like with China, and is in the guidance, I just want to clarify that. But also, could you just remind everybody, just your exposure to the various countries that are talked about daily and just what we might be able to think about for this year?

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

A

Yeah, Joe, the existing tariffs that have been in place for some time, let's say, call it, back in 2024, those have already been contemplated. What is not contemplated is all of the new discussions that are happening and that continue to evolve on a daily basis. In terms of the exposure, very limited to negligible exposure from Mexico and Canada. And for our own vertical brands, we have significantly diversified away from China from an apparel perspective over the last several years.

There is some exposure associated with the hard lines, but nothing significant to call out. And from a vertical brands – outside of vertical brands, from a national brands, we will continue to work with their own diversified supply chain. And we are confident that the relationship that we have and the partnership opportunity that we see with these vendors will continue to be able to provide an appropriate level of assortment and pricing opportunities to our athletes.

Joseph Isaac Feldman
Analyst, Telsey Advisory Group LLC

Q

Great. Thanks, guys. Good luck with this quarter.

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

A

Thanks, Joe.

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

Brian Nagel
Analyst, Oppenheimer & Co., Inc.

Q

Hey, good morning. Sorry about that. My line dropped before. I apologize.

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

A

No problem.

Brian Nagel
Analyst, Oppenheimer & Co., Inc.

Q

So, first off, I want to congratulate you on a nice – very nice fourth quarter and full year. So congrats.

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

A

Thank you, Brian.

Brian Nagel
Analyst, Oppenheimer & Co., Inc.

Q

So, the question I have – look, it's [ph] a little (00:50:50) touchy feely, but I'm sitting here, I mean, listening to your commentary, reading your results and watching my screen. And there's a lot of the aggregators out there, the news services are picking up that DICK's is talking about a weaker consumer. Okay? So, the way I want to ask the question is, you had a very solid fourth quarter. We talked about that. You issued your guidance. You have a history of – good history of guiding conservatively and topping those numbers. Are you saying to us that you are seeing a weaker consumer now? Maybe so I'll ask them more specifically, as you think about that guidance, does that reflect a weaker consumer you're seeing now? Are you seeing some type of noticeable weakness in the current results?

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

A

Brian, I'm so glad you asked the question. Absolutely not the case. We are not seeing a weaker consumer now. We're coming off a fantastic Q4. Our guidance merely reflects the fact that there's so much uncertainty in the world today, in the geopolitical environment, macroeconomic environment, we are just being appropriately cautious. And I would give you a couple of other data points about our consumer and why we actually feel optimistic. Our consumer has proven that in times of stress and uncertainty that they are leaning into outdoors, being outside, going for a run or walk, going to teams, play – watch team sports. It's become much more of a necessity than a discretionary item. And it makes sense, because it is a way for people to find calm in an otherwise uncertain timeframe.

The other thing why we feel great is that sports are having a huge moment in the United States. We talked about it in our prepared remarks. But this is a nation that is obsessed with sport, and that's only going to continue as we have all of these major events on US soil. And so, we feel like our industry is also – we're in the right lane from an industry standpoint. We've got something for everybody with our DSG brand, opening price point brand, it's got everything, gear, equipment, amazing – and apparel, amazingly fashionable, functional, really, really wonderful line there, all the way up to the highest of performance, equipment and gear for anybody's needs. So, we definitely are feeling great about our consumer. We are just reflecting appropriate level of caution given so much uncertainty out in the marketplace.

Brian Nagel
Analyst, Oppenheimer & Co., Inc.

Q

No, that's perfect. That makes a ton of sense. I appreciate all the detail there. My follow-up question, again, also on the touchy feely side, but a number of us follow very closely your manufacturing partners, namely Nike. And they're talking a lot about increased product innovation. As you think about 2025, again, from a planning process, are you seeing a resurgence at all or an uptick even in product innovation at some of your key partners?

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

A

Yes. By the way, I'm totally happy if you want to keep asking touchy feely questions. We're a people business over here and we love our business. So, absolutely. From a product that we're seeing, brand relationships, I would start by saying that our strategic relationships are a key, key competitive advantage for us. And that's

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across the board. With Nike, Adidas, On, Hoka, our emerging brands, I mean, we spend a lot of time with our partners and just really understanding both the landscape, the consumer and what's coming down the pike.

We're particularly excited about all of the product pipeline that we see from our brand partners coming this year. I would point to things like the Nike running construct, which we're really very excited about, but also emerging – running footwear from all of our key brands like Hoka and other brands are really bringing innovation to the table. We're very excited about basketball footwear. We're excited about lifestyle footwear trends from many brands. So, across the board, we see a lot of product innovation and that gives us the confidence to really lean into our businesses this year.

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

No, it's all very helpful. I appreciate it. Thank you.

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

Thank you.

Operator: Your next question comes from the line of Michael Lasser with UBS. Please go ahead.

Michael Lasser Q
Analyst, UBS Securities LLC

Good morning. Thank you so much for taking my question. So, it sounds like there is a strong commitment to continue to make these investments, but in light of all the economic uncertainty out there, how much flexibility does this have in the event that there starts to be a comp shortfall? How much variability is there in your SG&A such that you could support your profitability this year in the event that you did fall short on the comp? And what is the realistic long-term SG&A run rate in terms of the rate of growth? Thank you very much.

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

Thanks for the question, Michael. We are always going to manage our business for the long term. We've got significant market share and growth opportunities, and you're seeing that in terms of our investment areas. We're very excited about them. But of course, at the same time, we've been doing this for over 75 years, we're managing the business each and every day, each and every quarter. And we've got enough flexibility to make informed decisions, if and when we need to do that. At the end of it, our goal is to come out with a business that is capturing as much market share as possible. And we can be as flexible as we need to be to do that.

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

Yeah, Michael, let me build on what Lauren said. As you can expect, we have flexibility within our own discretionary spend within the SG&A. We will always be very flexible and nimble in making sure that we are operating our business financially responsibly. And like Lauren said, the intent is to continue to protect the investments that are the right long-term investments, despite some of the macroeconomic uncertainties that might be happening on a very near-term basis.

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To answer your question on the SG&A, it's really important to understand the fact that some of the SG&A investments actually are being shown in the SG&A side, but the benefits of those are actually being reflected on the gross margin side. And two examples that I'll point out is when you look at the technology and the talent investment that we have made in our GameChanger business, that shows up on our SG&A line. However, the benefit of the revenue, the higher margin rate from that business, and kind of the sustainability of the relationship with that athlete, all of those benefits show up either in the sales line or in the margin line. So, that's the geography thing that we have to keep in mind, and we consciously are focused on that.

And in terms of the long-term rubric, we haven't shared a long-term rubric, and I'm not going to do that today, but one thing that will consistently you will hear us talk about is the fact that look to us to drive long-term sales and profitability growth of the business. There will be some of these interplay between margin and SG&A, but our intent is to continue to gain share. At 9% market share, we still feel there is a lot of greenfield opportunities that are ahead of us, continuing to position the chain and the business for the long term as well as continuing to drive profitability and provide strong shareholder returns.

Michael Lasser
Analyst, UBS Securities LLC

Q

Got you. Thank you very much for that. It sounds like, based on your comments around quarter-to-date trends, as well as the confidence that you have in the outlook, that you won't need to discount some of the inventory that you have currently in stock. But with that being said, how much risk is there, given that your inventory is up 18% as at the end of the quarter? And if some of the adverse weather that has occurred early in the quarter persists throughout the rest of the quarter and the rest of the spring selling season, how would you handle the impact to some of your more seasonal categories? Thank you very much.

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

A

Yeah, Michael, I think that there are two questions in that. So, let me take the first one. I don't think so we provided inter-quarter commentary on quarter-to-date performance. We looked at the business on a full year basis, and we are very confident in the guidance that we have provided today.

The second question around the inventory, let me reiterate the fact that this was a very focused and a deliberate decision that we made in third quarter and in fourth quarter to bring the inventory into the stores and have that assortment available that is driving such strong results. The 6.4% comp that we have driven here in fourth quarter could not have been possible. On top of a 2.9% from last year could not have been possible without the strength of the assortment that we had available in our stores.

What Lauren also talked about today is we are very happy with the balance of the assortment and how well that assortment is targeted within our store and our clearance levels being at historic lows. And keep in mind, in the guidance that we have provided, we continue to expect our gross margins and merch margin to expand on a year-over-year basis in 2025. So, look, we feel really confident about the product portfolio, the opportunity for us to continue to gain share and drive merch margin expansion, and we'll let the year play out, but we are very confident in the guidance that we have provided today.

Michael Lasser
Analyst, UBS Securities LLC

Q

Thank you very much, and good luck.

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

Thanks.

Operator: We have time for one more question. And that question comes from Christopher Horvers with JPMorgan. Please go ahead.

Christopher Horvers
Analyst, JPMorgan Securities LLC
Q

Thanks. Good morning, everybody. So, my first question is, on the average ticket, can you talk about what the drivers of average ticket were? And related to that, to what extent did footwear drive this? And is it purposeful in that you've mixed the higher price points versus maybe ASP inflation on the footwear side?

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

Yeah, Chris, I would say, it's pretty much driven by the fact that we have such differentiated product and the access to the product. So it always goes back to the product, the innovation, and the availability of the product. And then having the differentiated product allows us to continue to monetize the top line benefits a little bit more from a pricing and promotionality that may be existing, and was definitely existing in fourth quarter. So driven by the mix, driven by the quality of our assortment and the service that our team members are providing.

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

Yeah, not driven by inflation.

Christopher Horvers
Analyst, JPMorgan Securities LLC
Q

Got it. Thank you. And then, your alternative profit pools, don't call it alternative profit pools, but the advertising and the GameChanger, can you talk about how you think about that on a multi-year basis in terms of, like, it didn't sound like it was contributory to gross margin this year. It sounds like you're expecting a little bit in 2025. But over time, why aren't these 20 to 40 basis – 20 basis points each on an annual basis as you scale up those businesses?

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

Chris, it's a great question. We are so very confident and excited in both of these platforms. They are both seizing unique and different opportunities and actually somewhat interconnected in a really awesome way. I mean, GameChanger enables us to be at all parts of the youth sport journey, and the platform just keeps growing and growing. As we said, we have over $100 million in revenue this year. It's a very profitable Subscription-as-a-Software business, and it's had 40% CAGR since 2017. We're very excited.

What's really cool is that the DICK's Media Network is also an enormous opportunity. And I'll back up a little bit and say our scorecard data and the fact that we have so much access to who's playing what sport and what brands and all of that is an enormous asset. And then, you pair that with GameChanger, which is really a live media platform for youth sports, where there haven't been eyeballs in the past. So, when you stream games on

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GameChanger, that's an amazing opportunity for brands to put relevant products into the point of sport in a way that just hasn't been able to be done, and certainly not in youth sports.

So, all of those things are giving us incredible enthusiasm and optimism about both platforms, both separately and together. So, it absolutely will be a very long term, big gross margin contributor. We'll get to that when we issue long-term guidance in the future, but we are really investing and leaning into both what we think are incredible opportunities.

Christopher Horvers
Analyst, JPMorgan Securities LLC

Q

Thanks so much. Have a great spring.

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, Chris.

Operator: And that concludes our question-and-answer session. And I will now turn the conference back 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.

Well, thanks, everybody, for your interest in DICK's Sporting Goods and to our team. Thank you for all your amazing efforts, and we'll see you next quarter. Thank you.

Operator: Ladies and gentlemen, this does conclude today's conference call. Thank you for your participation. And you may now disconnect.

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