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# Dick's Sporting Goods, Inc. (DKS)

Q2 2023 Earnings Call

# **CORPORATE PARTICIPANTS**

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#### Lauren R. Hobart

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### Navdeep Gupta

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

# OTHER PARTICIPANTS

#### Simeon Ari Gutman

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#### Adrienne Yih

Analyst, Barclays Capital, Inc.

#### Robert F. Ohmes

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#### Kate McShane

Analyst, Goldman Sachs & Co. LLC

#### **Christopher Horvers**

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# MANAGEMENT DISCUSSION SECTION

**Operator**: Good morning. 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 Second Quarter 2023 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. And after the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

Nate Gilch, Senior Director of Investor Relations, you may begin your conference.

### Nathaniel A. Gilch

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

Good morning, everyone, and thank you for joining us to discuss our second quarter 2023 results. On today's call will be Lauren Hobart, our President and Chief Executive Officer; and Navdeep Gupta, our Chief Financial Officer. A playback of today's call will be archived 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 and cautionary statements made during this call.

We assume no obligation to update any of these forward-looking statements or information. Please refer to our Investor Relations website to find the reconciliation of our non-GAAP financial measures referenced in today's call. And finally, for your future scheduling purposes, we are tentatively planning to publish our third quarter 2023 earnings results on November 21, 2023.

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

#### Lauren R. Hobart

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

Thank you, Nate, and good morning, everyone. We are pleased with our strong sales performance for the second quarter. Total sales increased 3.6% to \$3.22 billion, and our comp sales increased 1.8% driven by robust transaction growth. We continue to gain market share, demonstrating that athletes throughout the country are increasingly relying on DICK'S to meet their needs.

Within the quarter, sales accelerated significantly in July when the back-to-school season kicked off and when we opened our newest House of Sport location. For the full year, we remain confident in delivering comparable store sales in the range of flat to positive 2%, unchanged from our prior outlook.

With this context, I want to take a moment to address our second quarter profitability and our revised 2023 EPS outlook. While we delivered double-digit EBT margin of 10.1%, our second quarter profitability was short of our expectations. This was primarily due to lower gross margin, which while still significantly above pre-COVID levels, was lower than originally anticipated.

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Two key factors impacted our second quarter gross margin relative to our original expectations. The first was the impact of higher inventory shrink, organized retail crime and theft in general, an increasingly serious issue impacting many retailers. Based on the results from our most recent physical inventory cycle, the impact of theft on our shrink was meaningful to both our Q2 results and our go-forward expectations for the balance of the year. We are doing everything we can to address the problem and keep our stores, teammates and athletes safe.

And second, beyond shrink, we also took decisive action on excess products, particularly in the outdoor category, to allow us to bring in new receipts and ensure our inventory remains vibrant and well-positioned. Keeping our inventory fresh is one of our key operating philosophies, and we're pleased that our inventory was down 5% at the end of the quarter.

Our revised 2023 non-GAAP EPS guidance of \$11.50 to \$12.30 takes into account our Q2 results as well as our latest views on gross margin for the back half of the year, including higher levels of shrink. It's important to note we remain very confident, but we still expect gross margin to increase for the full year compared to 2022, which includes a significant increase in the back half.

To say our future is bright would be an understatement. The enthusiasm we have for our business and the confidence we have in our long-term growth opportunities have never been stronger. We're making transformative investments so that we're well-positioned to continue gaining share and extending our leadership in a fragmented \$140 billion industry. Following our tremendous success over the last several years, we are laser-focused on capitalizing on our most significant growth opportunities.

We're doing extensive work to determine how best to optimize our business going forward to capture that growth. This includes better aligning our talent, organizational design and spending in support of our most critical strategies, while also streamlining our overall structure and costs. Navdeep will share more details about our plans and the associated charges we anticipate related to this business optimization in his remarks.

Innovating within the omni-channel athlete experience is at the heart of our growth strategies, and our newest DICK'S concepts have proven to be tremendously successful and are a key part of our future.

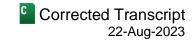
First, DICK'S House of Sport is yielding powerful results. During Q2, we're excited to have opened seven new locations, and earlier this month, we opened two additional locations. I've had the opportunity to visit many of these stores in recent months, and I left each visit proud of our team and inspired by the athlete experience they're providing.

These stores are doing incredibly well, and during July, delivered strong double-digit comp growth compared to their prior combo store locations with the same square footage. With 12 total House of Sport stores now open and plans to open another 10 locations throughout 2024, we continue to expect that by 2027 we will have between 75 to 100 across the country.

In addition to House of Sport, we're excited to continue rolling out our next-generation DICK'S store, which completely revolutionizes our most typical 50,000 square foot format. This store is inspired by our House of Sport concept with a similar elevated assortment and service model, premium experiences and enhanced visual expressions.

Building on the success of our first opening, we've now opened two additional locations, and overall sales have been exceptionally strong. This concept is driving great results, and we're excited to open another eight locations

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by the end of 2023. The 1-2 punch of House of Sport and our new 50,000 square foot prototype is the future of our DICK'S stores.

We're also extremely enthusiastic about our long-term opportunity in golf, both at DICK'S and Golf Galaxy. We're excited to open seven new Golf Galaxy performance centers this year. Beyond this year, we will continue growing our Golf Galaxy footprint with approximately 10 new locations planned for 2024.

In combination with our stores, our digital experience remains an integral part of our success. And we continue to invest in technology to strengthen our athletes' omni-channel experience. This past quarter, we were excited to extend our omni-channel fulfillment model and now offer our integrated white-label same-day delivery service on the DICK'S app and on DICKS.com. We also continue to innovate and invest in our rapidly growing and profitable GameChanger business, and we're very proud to have recently announced a multi-year partnership between GameChanger and Major League Baseball.

In conjunction with the reinvention of our omni-channel experience, we continue to drive deep brand engagement. This past quarter, we launched the second iteration of our Sports Change Lives campaign. In partnership with Nike and Jordan, we're spotlighting 10 iconic athletes, including Mike Trout, Alex Morgan and Carmelo Anthony, who share their personal stories of how sports change their lives.

In addition to the athlete stories, we captured exclusive behind-the-scenes content that is available to our DICK'S and Nike connected members on the DICK'S app. We've seen extremely positive athlete sentiment. And to-date, this work has achieved nearly 1.5 billion impressions in our media. The marketing campaign has run in the summer's most relevant sports moments, including the NBA Finals, NHL Stanley Cup Playoffs and the Women's World Cup.

I want to thank all of our teammates across the company for their outstanding efforts and continued commitment to DICK'S Sporting Goods. We have an incredible team here across every area of our business, and they are the most important drivers of our success.

Before concluding, I want to share some final thoughts on DICK'S growth potential. The enthusiasm we have for our business and the confidence we have in our long-term growth opportunities has never been stronger. We're driving positive comp sales and gaining significant share.

Despite moderating our 2023 EBT expectations, we will still deliver double-digit EBT margin this year, which is approximately double our 2019 rate. And based on the powerful results of our new DICK'S concept, House of Sport and our next-generation 50,000 square foot prototype, the long-term growth opportunity we have ahead of us is nothing short of extraordinary. As Ed said, and I quote, we haven't seen growth opportunities like these since we went public in the early 2000s.

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

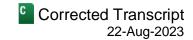
### Navdeep Gupta

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

Thank you, Lauren, and good morning, everyone. Let's begin with a brief review of our second quarter results. We are pleased to report consolidated sales increase of 3.6% to \$3.22 billion as we continue to gain market share. Comp sales increased 1.8%, driven by a 2.8% increase in transactions, partially offset by a 1% decline in average ticket. The roughly 180 basis points of non-comp sales growth this quarter was driven by sales at our Warehouse locations and Moosejaw.



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As Lauren said, our sales momentum built considerably in July as we saw a strong start to the back-to-school season and reopened seven new House of Sport locations by converting previously closed combo stores. We are excited to report that these reopened stores are yielding tremendous results.

In terms of category performance, footwear and team sports did extremely well. In apparel, we continued to gain significant share and saw strength across key brands, including Nike and our flagship vertical brands.

Gross profit in the second quarter was \$1.11 billion or 34.42% of net sales and declined 161 basis points compared to last year. This decline was driven by lower merchandise margin of 254 basis points.

As Lauren discussed, we took decisive actions on excess product, particularly in the outdoor category, to keep our inventory well-positioned. In addition, we experienced a meaningful headwind from higher-than-expected shrink, which represents a third of our merchandise margin decline. This was partially offset by lower supply chain costs, which leveraged 115 basis points.

SG&A expenses were \$775.6 million or 24.06% of net sales. SG&A dollars increased \$118.2 million and deleveraged 294 basis points compared to last year. This deleverage was planned and was driven by three key factors. First, we continue to invest in our hourly wage rate, talent and technology to create a better athlete experience, including elevating our service levels in store. These investments drove approximately 100 basis points of deleverage.

Second, we made investments in marketing to support a highly successful opening of seven new House of Sport stores in this quarter, as well as the second major phase of our Sports Change Lives brand campaign, our most impactful campaign in the history. Our marketing investments drove approximately 70 basis points of deleverage.

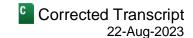
And third, we saw approximately 70 basis points of deleverage due to the net expense increase from the changes in the investment values of our deferred compensation plan, which is fully offset in other income. Lastly, it's worth noting that our Q2 SG&A included a full quarter of expenses associated with our recent Moosejaw acquisition.

Pre-opening expenses were \$22.1 million, an increase of \$18.3 million compared to the same period last year. This increase was in support of our seven House of Sport conversions, including advertising expense to support the openings. Interest expense was \$14.4 million, a decrease of \$11.1 million compared to the same period last year. This decrease was primarily due to the inducement charges incurred in the prior year related to the exchange of our convertible senior notes and interest expense savings this year from the retirement of these notes.

Other income totaled \$28.5 million compared to the expense of \$7.4 million in the same period last year. This \$35.9 million increase in income was driven by \$14.9 million increase in our interest income as a result of higher average interest rates on our cash and cash equivalents. Other income also included the \$20.9 million expense reduction from changes in our deferred compensation plans, which fully offset the SG&A expense increase I mentioned earlier.

EBT was \$325.9 million or 10.1% of net sales. This compares to an EBT of \$427.3 million or 13.73% of net sales in 2022. In total, we delivered earnings per diluted share of \$2.82. This compares to a non-GAAP earnings per diluted share of \$3.68 last year.

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Now looking to our balance sheet. We ended Q2 with approximately \$1.9 billion of cash and cash equivalents and no borrowings on our \$1.6 billion unsecured credit facility. Our quarter-end inventory levels decreased 5% compared to Q2 of last year. Our inventory is well-positioned for the important back-to-school season.

Turning to our second quarter capital allocation. Net capital expenditures were \$157 million, and we paid \$84 million in quarterly dividends. We also repurchased 1.6 million shares of our common stock or \$202.7 million at an average price of \$129.14. Thus far this year, we have purchased – repurchased a total of \$260.4 million worth of our stock.

Now turning to our outlook for 2023. We are reaffirming our expectations for comparable store sales to be in the range of flat to plus 2%. We continue to be measured in our expectation, considering the continued macroeconomic uncertainties, including upcoming resumption of student loan repayments.

At the midpoint of this range implies our back half comp will be approximately flat, which is on top of a comp increase of approximately 6% in the same period last year. Including the 53rd week, we expect roughly 250 basis points of non-comp sales growth for the full year.

As a result of our Q2 performance and our latest views on gross margin for the back half, we now expect non-GAAP earnings per diluted share to be in the range of \$11.50 to \$12.30 compared to our prior expectation of \$12.90 to \$13.80. This continues to include approximately \$0.20 coming from the 53rd week.

At the midpoint, non-GAAP EBT margin is expected to be approximately 10.2% compared to our prior expectation of 11.6%. Despite moderating our expectations, we continue to expect improvements in gross margin for full year, which will meaningfully improve in the back half of the year as we anniversary clearance activity from the same period in 2022 and benefit from improving freight expenses.

This now includes an expectation of higher shrink, which will reduce our full year gross margins by approximately 50 basis points compared to 2022, as well as our continued emphasis to keep our inventory vibrant and fresh.

We also continue to expect SG&A expenses to deleverage for the full year primarily due to the proactive investments in our growth strategy, which we expect will drive long-term sales and profitability growth.

Specific to the back half, at the midpoint of our guidance, we expect SG&A to deleverage slightly over 200 basis points versus the prior year. We expect pre-opening expenses will increase for full year with a year-over-year growth moderating in the back half.

Our earnings guidance is based on an effective tax rate of approximately 21% and approximately 87 million average diluted shares outstanding compared to our prior expectation of approximately 88 million average diluted shares outstanding.

As part of the business optimization, we made the difficult decision to eliminate certain positions primarily at our customer support center, for which we expect to incur approximately \$20 million of severance expense in the third quarter. These charges were excluded from today's non-GAAP outlook. Related cost savings are expected to be largely offset by strategic talent investment over the next 12 months.

While we have not committed to specific additional actions at this time, we currently expect to complete our business optimization plans during fiscal 2023, which may result in additional charges of \$25 million to \$50 million.

These potential actions were not contemplated as part of today's outlook, and any related charges will be excluded from our results on a non-GAAP basis. In addition, based on our continued confidence in our core strategies, we are maintaining our expectation for net capital expenditures of between \$550 million to \$600 million for the year.

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

# QUESTION AND ANSWER SECTION

**Operator**: [Operator Instructions] Your first question comes from the line of Simeon Gutman from Morgan Stanley. Please go ahead. Your line is open.

#### Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Good morning. It's Simeon Gutman. My first question is just to clarify the gross margin or merch margin decline in the quarter was a third shrink. And then I think then the remainder would be decisive actions. And if that's correct, can you quantify within the actions, what percentage of it or what pressure was due to the outdoor category and how are the remaining categories looking?

### Navdeep Gupta

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

Good morning, Simeon. This is – so, yes, you characterized it right. The largest driver of the decline, as I called out in my prepared commentary, was around the fact that we continue to be decisive in keeping our inventory clean. Outdoor was a perfect example of that.

So I'm not willing to discuss any further details about how big the outdoor was. But the way to think about that is there is an outdoor peak that happens right around the mid part of Q2. And that was the purpose – purposeful decision that we made to keep our inventory clean and be decisive about the outdoor category.

The biggest impact in terms of the surprise for Q2 primarily came from shrink. We thought we had adequately reserved for it. However, the number of incidents and the organized retail crime impact came in significantly higher than we anticipated, and that impacted our Q2 results as well.

#### Lauren R. Hobart

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

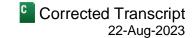
Simeon, I want to add just a couple of things about the outdoor category. We had – there was excess inventory in the marketplace. And as Navdeep said, there's a very short window in which to sell through that. And so, we were aggressive, but it doesn't change our expectations on the outdoor category, in general. We are very excited about reinventing the outdoor category and delivering a great consumer experience. This was a short-term issue this past quarter.

#### Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC



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Okay. And then, maybe the follow-up is, last year, there was some markdown activity. This year, there's some, I guess, as well as what you'd call it. So what actions – excuse me – do you take so that you prevent that – this from continually happening? How do you think about that? Because I think it's a key part of keeping the gross margin sustainably higher than pre-COVID levels.

Lauren R. Hobart

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

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Yes. So last year, it's a very different situation from this year. I just want to take you back to the spring receipts came in quite late last year, and there was a ton of inventory in the marketplace. And we acknowledged at the time and then did get very heavy into our clearance activity. We dropped 600 basis points in margin at the end of last year.

Importantly, this year, we are acting the way we would to keep our inventory fresh and clean. We're being surgical and aggressive. And we do expect gross margins on a full year basis to increase over last year and to sequentially improve as we go through the back half of the year. So it's really important to understand this is not a return to a promotional environment in any way, shape or form. This is us being surgical and keeping our inventory fresh. And we expect to grow gross margin in the back half and for the full year.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Thank you.

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

Adrienne Yih

open.

Analyst, Barclays Capital, Inc.



Good morning. Thank you very much for taking my question. Lauren, wanting to stay on the House of Sport concept and the new prototype. At this point, I think it's helpful for us to get any kind of color on store economics, the maturation, any 4-wall metric payback. But anything that you can share with us more quantitatively in addition to any qualitative comments you want to share as well?

And then, Navdeep, kind of sticking on the gross margin composition understandably not more promotional, but this sort of implies an inventory write-down to get inventory very clean and fresh. How should we think about shrink? Do you do it once a year? Do you do it twice a year? And then, are we going to accrue that for the next three quarters and then get a nice positive reversal of that in the fourth quarter of next year? Thank you so much.

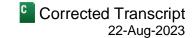
Lauren R. Hobart

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

Thanks, Adrienne. Starting with your first question on House of Sport. As we mentioned in our prepared remarks, July picked up significantly in the quarter, and that was because of back-to-school starting off really strong. But also importantly, we had seven House of Sport that we opened, and they are doing incredibly well. It's easy now to compare them on the same square footage basis versus our combo stores because these were largely relocations or remodels of combo stores. And we are seeing significant growth. We are very, very bullish on this concept.

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Similarly, with the 50,000, the DICK'S – classic 50,000 redesign, it's inspired by House of Sport. And it's doing very, very well. So I will turn it over to Navdeep to talk about margin, but I do want to emphasize that we have an incredible growth opportunity ahead of us with these two concepts. We feel so optimistic about them. And now, we've got 10 – two more that we opened this quarter. So there's 12 open, in total. We can confidently say that they are doing incredibly well.

Navdeep Gupta

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



Yeah. Adrienne, maybe I'll add one more sentence to what Lauren said because she summed it up really well. I would say that the response that we are seeing to the House of Sport opening not just from the athlete, but our brand partners, as well as mall owners is exceptionally positive. So we are really excited about the changes that we are bringing to the mall as well as the assortment that we are bringing to our athletes.

In terms of answering your question around the physical inventory count, so we conduct our physical inventory once a year, we do that right ahead of the back-to-school season, and that's been the elevated levels of shrink, we actually quantified the impact of that, and we booked that in our Q2 results.

And like I said in my prepared remarks, we are assuming that this is a trend that is going to remain with us for a longer time. So we have baked in an elevated level of shrink expectations for the back half of this year that further pressured our outlook that we gave for 2023. We'll have to wait and see when does this reverse. But right now, we wanted to be conservative, and we wanted to be prudent about the potential risk that may still be out there.

Adrienne Yih

Analyst, Barclays Capital, Inc.



Great. Thank you very much. Best of luck.

**Operator**: Thank you. Your next question comes from the line of Robby Ohmes from Bank of America. Please go ahead. Your line is open.

Robert F. Ohmes



Analyst, BofA Securities, Inc.

Hey, all. I'll save my deeper questions on the EBIT (sic) [EBT] margin decline outlook for maybe the follow-up call we're going to have, but maybe get a little more color on what happened during the quarter. Has back-to-school gone as well as you expected? Maybe more commentary on what categories worked and didn't work. There was a ticket decline in the second quarter. Was that trade down? Was that mix? Maybe just sort of walk us through the different things that happened?

Lauren R. Hobart

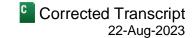


President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.

Yes. Thanks, Robby. So starting with our total comp, we had a 1.8% comp and a 3.6% total sales. It's really important to note that our consumer is doing very, very well. And I would point to a number of different proof points on that.

First of all, we saw growth across every single income demographic, which I know is different from what you're hearing from other companies. From our lowest income consumer to our higher income demographics, we saw growth across each one. We did not see a trade down from best to better or better to good products. We saw

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transactions grow 2.8%. So while there was some decline in average ticket, overall, we had more athletes join our database, come into our fold. And they came more often, and they spend more in total.

So it is really clear and important to note that our consumer is doing very well. And I think what we used to consider as a discretionary category has become something that's very important to them and something they're voting with their wallet that they want to maintain a healthy, active lifestyle, team sports, running, walking, all of these things. So overall, really, really terrific consumer for the quarter and for many quarters now.

### Navdeep Gupta

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

Yes. Robby, maybe I'll build on that. In terms of what we are seeing in the month of July, we couldn't be more excited about the results and the momentum that we are seeing at the tail end of our quarter, especially in the month of July. Two big reasons for that. You called out very early back-to-school season that started out in the tail of Q2. We are very excited about the start of the season, still plenty of season to go ahead of us.

The second aspect is we opened our seven House of Sport locations in Q2 and actually in the month of July. And the results and the momentum that we are seeing coming out of those locations as well as the two next-generation 50,000 stores that we opened, we now have three of them. The collective momentum that we are seeing from the investments that we have made, how well the assortment is resonating and how well the service is resonating, we couldn't be more excited about. And that's what you saw us reiterating our guidance for full year on a comp sales basis.

#### Robert F. Ohmes

Analyst, BofA Securities, Inc.

And just to clarify, the inventory actions taken in the second quarter, did they support the traffic? Did they have an impact on the ticket?

#### Navdeep Gupta

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

I would say no. It was a small targeted portion of the actions that we took. We are happy with the fact that actually our inventory finished down 5% compared to last year, but those actions were highly targeted. And like Lauren indicated, it was primarily focused around our outdoor category.

#### Robert F. Ohmes

Analyst, BofA Securities, Inc.

Got it. Thank you.

#### Lauren R. Hobart

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

Thank you.

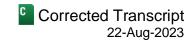
**Operator**: Your next question comes from the line of Kate McShane from Goldman Sachs. Please go ahead. Your line is open.

#### Kate McShane

Analyst, Goldman Sachs & Co. LLC



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Hi. Good morning. Thanks for taking our question. I know you flagged strength in footwear and team sports in the quarter, but it sounds like apparel maybe underperformed a little bit. Is that the case? And did it have to do more with outdoor or was there something else there?

Lauren R. Hobart

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

Thanks, Kate. We saw tremendous growth in team sports and in footwear. And you're correct, apparel did soften. The one thing I want to point out about apparel is that the softening was at an industry level, we did continue to gain market share. And importantly, our Nike apparel business was extremely positive, very strong. And our flagship vertical brands were also very strong. So, we're very optimistic and bullish about apparel going forward.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

And I wanted to ask a question about, what you guys flagged in the press release. I think Ed said in his quote about growth opportunities being the best since you've gone public in the early 2000s. We just wondered if you could drill down a little bit more on what that statement means and what the opportunities are.

Lauren R. Hobart

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

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Yes. So retail has increasingly become about innovation and about technology and the technological enablement of that innovation. And what we have ahead of us is completely revolutionizing retail. So our House of Sport concept, our new 50,000, we're leaning into experiences. We're leaning into service. We've got fantastic assortment, and we're investing to technologically enable all of our teammates. And that's in every aspect of our business from supply chain to eComm to how we arm our teammates and run our stores. There has not been an opportunity this notable. I have to quote Ed because I wasn't here back in the early 2000s, but since we went public, and we had so much growth ahead of us.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

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Thank you.

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

**Christopher Horvers** 

Analyst, JPMorgan Securities LLC

Thanks. Good morning. I just wanted to follow up on the cadence question. So, you mentioned House of Sport in addition to momentum. So can you maybe parse out a little bit more the comp cadence? Is House of Sport in the comp? And maybe talk about what you saw over the season?

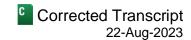
Navdeep Gupta

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

Yes, Chris, we saw positive comps across all the months of our quarter. And yes, to answer your question, House of Sport is in the comp base because this is a relocation of an existing store or it's just a remodel of an existing location. And the seven of the ones that were opened here in Q2 were remodel of our earlier Field & Stream combo locations.

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### **Christopher Horvers**

Analyst, JPMorgan Securities LLC

Understood. And then, as it relates to the shrink, I'm not sure if this was touched on earlier, but it was a third of the impact to the gross margin or the merchandise margin in the second quarter. Was there an accrual in the first quarter just as we try to parse out what the back half actually looks like, given that you're expecting shrink to be a 50 basis point impact for the year?

Navdeep Gupta

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

Yes. And Chris, it's a good question. Yes, there was an incremental accrual that we had at the end of Q1 as well. However, when we physical inventoried our store ahead of the back-to-school season, that's where the elevated level of shrink became clear to us, and we could actually quantify that. We had been seeing the number of incidents go up, but quantification of that gets done as part of the physical inventory process. So yes, there was a headwind in Q1, and there was a catch-up that you saw in Q2. And the full year expectations of 50 basis points, you should be able to quantify based on the tail of Q1, Q2, as well as the back half expectations, which are elevated compared to where we finished in Q2.

Christopher Horvers

Analyst, JPMorgan Securities LLC

Meaning that the impact in the second half is bigger than what you accrued for in the second quarter?

Navdeep Gupta

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

Yes. We are expecting some level of elevations level – elevated levels of shrink to continue, just being conservative and being prudent about this potential risk that we continue to see elevate.

Christopher Horvers
Analyst, JPMorgan Securities LLC

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

**Operator:** Your next question comes from the line of John Kernan from 1D Cowen. Please go ahead. Your line is now open.

John Kernan
Analyst, TD Cowen

Yeah. Good morning. Thanks for taking my question. I have a couple here.

Lauren R. Hobart

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

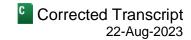
Good morning.

Got it. Thank you so much.

John Kernan
Analyst, TD Cowen

Lauren, just on the topic of shrink, what do you think the long-term solution to this is across the sector? And do you think you're at an appropriate level of reserves as we go into next year, given what you're currently seeing?

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#### Lauren R. Hobart

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

Yeah, John. As you know, shrink is an industry level problem. It's actually – it's a problem for our entire country. And it's something that we all need to work together on with our partners, with our trade organizations and with our government, honestly, to continue to address the shrink issue. We've all seen the stories, and it's quite alarming what's going on.

So yes, we believe we have appropriately reserved at this point. To Navdeep's point, we've been conservative as we go into the back half, but we are going to fight to the extent we can to keep our teammates, our athletes and our stores safe. And that's with increased security, with LotCop cameras and working with local law enforcement and with our industry partners.

### John Kernan

Analyst, TD Cowen

Understood. Thank you. And then Navdeep, I think you said SG&A at the midpoint of the new guidance is 200 basis points of deleverage. What's changed in your thinking around SG&A as we get into the back half of the year and as you got through Q2? The comp guidance obviously didn't change much so, but there is – it does feel like there's more deleverage going on at this point. So, maybe can you talk to that?

### Navdeep Gupta

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

Yeah, John, I would say there's no change in our thinking from an SG&A perspective. This is what we contemplated and actually, quite frankly, guided at the beginning of the year that we expected SG&A to deleverage. And if you look at the back half deleverage of slightly over 200 basis points, it's actually in line with the deleverage that you saw in the first half of this year.

This goes back to what Lauren talked about and what Ed has said about, we have such a significant opportunity ahead of us in terms of these growth opportunities and the investment that is required. And no different than what we guided in CapEx, the investments that we are making in our business are driving the long-term sales and profitability growth, whether it is the technology talent, whether it is the talent within our stores and the service that we can provide, as well as making prudent investments in GameChanger platform. Those are all the examples.

And so coming back to your question, our expectations continue to be in line with our previous guidance that this is going to be an area where we will continue to invest. I'll foreshadow and I know this would be a question. We expect our 2024 growth in SG&A to moderate from this point. But 2023 is right in line with our expectations.

#### John Kernan

Analyst, TD Cowen

Very helpful. Thank you.

### Lauren R. Hobart

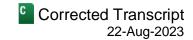
President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.

Thank you.

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

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### Warren Cheng

Analyst, Evercore Group LLC

Hey. Good morning. I just want to clarify, the delta between how much you missed your 2Q margin expectations and what you're baking in for second half headwinds incremental to three months ago? Can you just clarify the buckets that were unique to Q2 versus the ones that you're carrying forward into the second half?

### Navdeep Gupta

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

Yeah. Warren, I would say that the buckets are pretty much the same versus our original expectations. Like Lauren called out, the biggest surprise against our expectation was the elevated levels of shrink that became apparent to us when we physical inventoried the store. And we have assumed, like I said, we have assumed that this trend is not going to abate here with the physical inventory results. So we have baked in some elevated level of shrink in our back half expectations.

And the second driver was the decisive action that we took to keep our inventory claims, the example you gave of the outdoor. And we have assumed some of this moderation and some of this activity in the back half expectation as well to continue to keep our inventory fresh and well-positioned because the assortment that we have in our House of Sport location and our next-gen 50,000 is different and is elevated. And we want to make sure we are continuously keeping our inventory clean to be able to bring in the innovation and the right assortment to be able to fuel the growth in these locations.

### **Warren Cheng**

Analyst, Evercore Group LLC

Thanks, Navdeep. And for my follow-up, I just wanted to ask how you – if you step back in the stated margins beyond this year, we're obviously in a very uncharacteristically high promotional environment. The 0% to 2% comp is clearly below what your typical leverage point would be for fixed costs. Maybe we'd say shrinkage here to stay. But if you just kind of look at all these factors together, how much pressure are you facing on margins this year on sort of these temporary 2023 specific pressures? And how should we think about normalized profitability of the business beyond this year?

### Navdeep Gupta

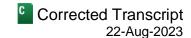
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.

Yeah. Maybe I'll begin with our confidence in the long-term group rate that we have. We could not be more excited about the long-term growth opportunities that we see from a top line sales perspective or from the bottom line profitability. The ingredients of our sales and profitability business absolutely remain intact, whether it is our ability to continue to gain share in \$140 billion fragmented industry, the work that we are doing with House of Sport and the next-gen 50,000.

Our recipe or the ingredients that we have called out around the margin continue to remain. Our product is extremely differentiated and very narrowly distributed. And that is what gives us the confidence that we can continue to grow our margins. Quite frankly, with the 50 basis points of headwind in shrink this year, we are guiding that on a full year basis, our total gross margin will be higher than 2022. And from a – that's what – coming back to your question, that's what is giving us the confidence that we can continue to grow the top line and the bottom line in the years to come.



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### Warren Cheng

Analyst, Evercore Group LLC

Thanks a lot, Navdeep. Thanks, Lauren. Good luck.

Lauren R. Hobart

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

Thank you.

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

Michael Lasser

Analyst, UBS Securities LLC

Good morning. Thanks a lot for taking my question. So given that the shrink impact will be greater in the second half than it was in the first half, and you don't take physical inventories until what it sounds like around the middle of the year, we should anticipate that this issue or shrink is going to impact you into at least the first half of next year until you fully anniversary, is that right?

Navdeep Gupta

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

Yeah, Michael, we are revisiting our physical inventory process based on the learnings that we have had this year. So we will share more, but I don't anticipate us doing one large inventory count like we did this year. Considering the level of risk, we may be actually be counting our stores a little bit more frequently or at least sampling stores to keep a close tab on the situation.

Michael Lasser

Analyst, UBS Securities LLC

Okay. And then on the House of Sport, two related questions here. Number one, how much of the SG&A growth in the last couple of quarters and really for the full year that you're expecting is related to a greater fixed cost structure, both in the stores as well as what's necessary in the customer support and store support center to continue to build out these bigger locations?

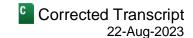
And if you look at the Rochester and the Knoxville locations, which are, I believe, the first to have been opened and the longest in existence, how did the comp in the last couple of periods at those locations compared to the comps overall for the chain?

Navdeep Gupta

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

Yeah, Michael, great question. First of all, let's put this in context. We only have 12 House of Sport locations. So when you think about the overall magnitude of impact on SG&A, I would say it's pretty insignificant. But the capabilities that we are building in at the corporate – at the support center here in terms of technology and bringing in the right talent to be able to find the opportunities to grow into 2024 and 2025, that's what the business optimization exercise is about for us. It's finding the right talent, resourcing appropriately and then finding the capabilities that need to be built. So in terms of the absolute impact of on SG&A from the opening of House of Sport location, I would say it's pretty small.

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And now to answer your question, we could not be more excited about the results that we continue to see out of our stores that have been open for some time now. And we couldn't be more excited about the overall sales and profitability results from those locations as well.

Michael Lasser

Analyst, UBS Securities LLC

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Thank you. And good luck.

Lauren R. Hobart

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

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Thank you.

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

**Brian Nagel** 

Analyst, Oppenheimer & Co., Inc.

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Hi, good morning. So my first question, with regard to the inventory adjustment you took here in Q2, the outdoor product, so just to understand this clearly, so is that product – the product that you basically wrote down, is that product now sold? Or we still anticipate selling that product over the balance of the year?

And then, I guess, the second question there is what – we've been talking about some weakness in outdoor for a while, but what necessitated the write-down now? Or why to do it now?

Lauren R. Hobart

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

Yes. Thanks, Brian. So the product we got aggressive with in Q2 is – sold very well, and we've moved through it such that we don't have to pack a majority of it away. And we were heading to a place where we were going to have to do that. So we're very, very pleased with how it's sold through and moving on.

Why go through the product now, there's seven peak selling weeks in the outdoor category. Obviously, the whole business is a full year business. But for the sub-categories that we're talking about, there's seven peak weeks. And so you have to strike while the iron is hot, and that's exactly what we decided to do. And again, I am very happy with that decision because it does make our inventory cleaner. We're down 5% at the end of the year, and we don't have to pack it away.

**Brian Nagel** 

Analyst, Oppenheimer & Co., Inc.

Okay. And then my second question, it's going to be little bit – maybe a little bit bigger picture. But as we look at the release today, and you have the inventory issue we just discussed. You have, obviously, the shrink issue that we've been discussing here, which is rather significant. And then you've also rightsizing, to some extent, your labor force. So there's a lot here happening in Q2.

So the question I have is – and I get that in your comments, you're still very upbeat about the longer-term potential for DICK'S and the DICK'S model. But given everything we're learning today, are you taking a different

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or do you have a different perspective on the nearer-term outlook for DICK'S, the underlying health of this

business?

### Lauren R. Hobart

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

Absolutely not. Absolutely not. No, I would point to, we are doubling our EBT margin. Our sales are 40% higher than they were pre-pandemic. Our EPS is 3 times what it was. We have a shrink issue, and we cleaned up some outdoor inventory. We are completely confident in the future short-term and long-term of our business.

**Brian Nagel** 

Analyst, Oppenheimer & Co., Inc.

Got it. I appreciate the color. Thanks.

Lauren R. Hobart

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

Yes.

**Operator**: Your next question comes from the line of Paul Lejuez from Citi. Please go ahead. Your line is open.

Paul Lejuez

Analyst, Citigroup Global Markets, Inc.

Hi. Thanks, guys. How much of the addition of the – or the opening of the House of Sport stores move the comp in 2Q? And related to that, you also said there was a July pickup. I think you said it picked up significantly. So how much did it specifically act as a driver of July? And also, you're just talking about the outdoor promotions really moving through quickly. How much did that drive July comps? I think you said you're positive every month, but you also said July picked up very significantly. And comp was only up 1% and change. So I just want to understand that a little bit better. And then, did you not adjust any of your second half sales assumptions from having less inventory than you thought as a result of that inventory count? Thanks.

Lauren R. Hobart

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

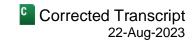
Thanks, Paul. I just want to point out on House of Sport, while we're not going to get into exactly the impact in July, overall, it's really important to note that we had closed several stores. And so net-net, despite how great these stores did in July, it was a drain on comps in the quarter, and that's important to note. So really a tale of two cities. We have closed them so that we could open them with great fanfare, which is exactly what we did with great grand openings. I'll turn it to Navdeep for the other questions.

Navdeep Gupta

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

Yes. In terms of the impact in July, like Lauren said, had we not closed these stores, our comp in Q2 would have been higher. And we saw the acceleration, and these stores grand opened literally in the last few weeks of July. So the overall impact in July, and actually, quite frankly, in Q2 is very small. And what we are excited about is the opportunity that we see now that these stores have grand opened and the acceleration that we are seeing. And that's what gives us the excitement about the outlook that we have for the back half of this year.

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In terms of did we adjust any sales assumptions with the less inventory? I would say no, the inventory is pretty clean. The 5% was actually in line with where we wanted to be at the end of the quarter. So the decisive actions that we took in Q2 actually positions us well to be able to bring in the innovation and bring in the right product for the back-to-school season as well as the holiday season that is upon us.

Paul Lejuez

Analyst, Citigroup Global Markets, Inc.

Right. Because you have a bigger shrink issue than you thought, do you have less inventory to sell than you had previously anticipated?

Navdeep Gupta

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

Well, our shrink is unfortunate, but then you make sure that you're not impacting the customer experience. And you're buying the product to be able to have the right assortment and the availability within our stores.

**Paul Leiuez** 

Analyst, Citigroup Global Markets, Inc.

Okay. Thanks. Good luck.

Lauren R. Hobart

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

Thank you.

**Operator**: Your next question comes from the line of Mike Baker from D.A. Davidson. Please go ahead. Your line is open.

Michael Baker

Analyst, D.A. Davidson & Co.

Hey, thanks. Can I try to clarify the margin change in the guidance? I think the EBT guidance is down about – I think it's 140 basis points. 50 of that is because of the higher shrink. What's the rest of it? Is it the combination of the markdowns that you took in the second quarter, as well as expected markdowns for the back half of the year because Navdeep just said that's going to linger a little bit? Are those the factors that are leading to the lower margin because you said sales are the same and SG&A is the same?

Navdeep Gupta

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

Yes. Mike, you're right. The change besides shrink is coming from just we're flowing through the Q2 results, as well as keeping our – we moderated our merchandise margin expectations in the back half in line with the actions that we discussed here in Q2.

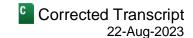
We are just wanting to make sure that we are keeping our inventory fresh and vibrant and want to make sure that we are positioning our growth opportunities and bringing – the ability to bring in the innovation that we see in the marketplace are coming down, including some of the exciting brands that are available to us now.

Michael Baker

Analyst, D.A. Davidson & Co.



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Okay. That helps. Bigger picture question. The whole idea here is that the margins are structurally higher than they were pre-pandemic. And based on your guidance, they still will be just less so than maybe some people have thought. The question is this. This shrink issue, does that mean that your margins longer-term are just going to be less than you would have otherwise thought prior to doing these physical inventories in the second quarter? How much of that impact the longer-term margin?

Navdeep Gupta

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

Yes. I would say the answer is yes based on what we are able to see now. And we can't foreshadow what the shrink would look like in future. Like Lauren said, this is not just a DICK'S Sporting Goods challenge. This is a collective retail challenge. So I don't know like if we can foreshadow what the collective resolve of the retail community, and quite frankly, community at large would be. But for now, for the near term, we do anticipate this will - this risk will remain with us.

Lauren R. Hobart

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

Yes. That said, you point out, and you're absolutely right that our margins are structurally higher than prepandemic. And so we are operating in a place where they are structurally improved significantly higher than they were pre-pandemic. And you're right, if shrink does take that down slightly, this overall story does not change.

Michael Baker

Analyst, D.A. Davidson & Co.

So you'd always talked about the margin baselining. And last year, it's supposed to be the baseline. Clearly the last year is not the baseline because of the shrink issue and other things. I guess, can I ask this, is the 10.1% EBT margin this year, do you think that's the new baseline?

Yes. No, absolutely. We absolutely believe even if you look at the total [gross] margin for a full year, our total [gross] margins will actually be higher than 2022. So even with this headwind of shrink, our total [gross] margins will be higher. We called out that the SG&A is a planned investment, and we are expecting our SG&A growth to

Lauren R. Hobart

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

Yes. So go ahead, Navdeep.

Navdeep Gupta

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

moderate into next year. So we're absolutely confident in the long-term expectations on both sales and the profitability basis.

Michael Baker

Analyst, D.A. Davidson & Co.

Okay. Thank you very much.

**Operator:** Thank you. Your next question comes from the line of Justin Kleber from Baird. Please go ahead. Your line is open.

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#### Justin E. Kleber

Analyst, Robert W. Baird & Co., Inc.

Yes, thanks everyone for taking the questions. Just two clarifications. On shrink, you mentioned the 50 basis point headwind versus 2022. Curious, where that sits versus your pre-pandemic gross margin and shrink rate? And then secondly, Navdeep, just on the SG&A deleverage of 200 basis points across the second half, does that exclude – I assume it does, but does that exclude last year's one-time charge in 4Q related to Field & Stream?

Navdeep Gupta

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

So Justin, I'll start with the shrink. It is significantly elevated versus the pre-pandemic level, the shrink. I would say we had kind of baseline closer to the pre-pandemic level late last year when we did the physical inventory of our stores. So this 50 basis points is a pretty significant acceleration from the kind of the original levels we used to be at.

In terms of the SG&A deleverage, we did not have a one-time charge associated with Field & Stream. So maybe you and I – we can take this offline and clarify this with you. The SG&A deleverage is on an apples-to-apples basis like we have guided to be slightly over 200 basis points for the back half of this year.

Justin E. Kleber

Analyst, Robert W. Baird & Co., Inc.

Got it. Thank you.

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

Joseph Isaac Feldman

Analyst, Telsey Advisory Group LLC

Yes. Hi, guys. Thanks for taking my questions. I wanted to ask on footwear. How much of the strength that you're seeing in footwear is related to the category overall versus your assortment changes and the distribution changes you've made in your stores and possible, I guess, market share gains, I'm assuming on your side?

Lauren R. Hobart

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

Yes. Well, the shrink in footwear is not related to the change in our – we didn't get into the guiding by category level but I should say I totally -

Joseph Isaac Feldman

Analyst, Telsey Advisory Group LLC

No, no, no. I was talking about the strength of the category overall.

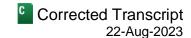
Lauren R. Hobart

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

Oh, the strength. I'm sorry, I misunderstood you.

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Joseph Isaac Feldman Analyst, Telsey Advisory Group LLC	C		
How much was related to your changes versus the industry just -			
Lauren R. Hobart  President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.	Α		
Yes.			
Joseph Isaac Feldman Analyst, Telsey Advisory Group LLC	C		
Yes. Thanks.			

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

Got it. Okay. Thank you. Yes. So our growth in footwear is definitely related to the fact that the consumer is very interested in footwear, but more importantly, the fact that with our premium full-service Footwear Deck and our assortment changes and the access that we have to brands, we are meeting those consumer needs better than we ever have before. So it's a combination for us of assortment changes, overall experience, distribution changes, all of that.

### Joseph Isaac Feldman

Lauren R. Hobart

Analyst, Telsey Advisory Group LLC

Got it. Thank you. And then just back to the inventory question again. I know it's – you're in a very clean position as you've described a few times. But does that also mean your in-stock levels are where they should be, broadly speaking? And how should we think about inventory in the second half? Like, will it end the year down a little bit year-over-year? Or do you think it comes back to kind of level with last year? Or how should we think about the growth rate, I guess, of inventory for the back half? Thanks.

### Navdeep Gupta

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

Yes. I don't know if I want to guide necessarily in terms of the inventory expectations for full year. I would say that we continue to – it will all depend on the top line results as well. But I would say we are very happy with the results of where our inventory position currently is positioned for both the back-to-school season and the holiday season. I'm happy with the fact that we finished down 5% on a year-over-year basis, actually slightly higher on a per square footage basis if you look at it.

#### Lauren R. Hobart

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

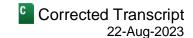
Yes. And stock levels are quite good, and that's partly what's made us start the back-to-school season with such strength in July.

#### Joseph Isaac Feldman

Analyst, Telsey Advisory Group LLC

Got it. Perfect. Thanks, guys. Good luck with the third quarter.

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

Thank you.

### Navdeep Gupta

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

Thank you.

Operator: Your final question comes from the line of Chuck Grom from Gordon Haskett. Please go ahead. Your line is open.

#### **Chuck Grom**

Analyst, Gordon Haskett Research Advisors

Hey. Thanks so much. Just one quick one for me. On the guide, how should we think about the phasing of comps in the back half of the year? On a one-year basis, the comparisons are relatively similar. But on a multi-year, they're much, much harder in the third quarter. And I'm trying to tie that in with your commentary about back-toschool in July being strong, which I presume would mean that August is also pretty healthy. Thanks.

### Navdeep Gupta

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

Yes. Chuck, I don't know if I would give any further detail than that. But I have collective basis. If you look at our comps both in Q3 and Q4, they were pretty valuable and we are equally as optimistic about the back-to-school season as we are about our holiday season. So really excited about the overall back half sales expectation.

### **Chuck Grom**

Analyst, Gordon Haskett Research Advisors

Okay. Thanks.

**Operator:** Lauren Hobart, President and CEO, please go ahead with final remarks.

## Lauren R. Hobart

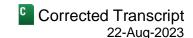
President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.

Well, thank you everybody for your interest in DICK'S Sporting Goods. We will look forward to seeing you all at the next quarter call. Thank you.

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

\*\*\*Editors Note: Texts in brackets were added at the request of the company to provide additional clarity on their statements.

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