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Dick's Sporting Goods, Inc. (DKS)

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CORPORATE PARTICIPANTS

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

Lauren R. Hobart

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

Navdeep Gupta

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

OTHER PARTICIPANTS

Kate McShane

Analyst, Goldman Sachs & Co. LLC

MANAGEMENT DISCUSSION SECTION

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Good morning. It's my pleasure to introduce DICK'S Sporting Goods and to moderate our fireside chat. Today we have with us Ed Stack, Executive Chairman of DICK'S Sporting Goods. We have Lauren Hobart, President and Chief Executive. Lauren joined DICK'S in 2011 as Senior Vice President and Chief Marketing Officer and became President in 2017 and CEO in 2021. And we have Navdeep Gupta, Chief Financial Officer. Navdeep joined in 2017 as Senior Vice President, Finance and Chief Accounting Officer and became CFO in 2021. Thank you, everybody, for joining us today.

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

Thanks for having us.

Lauren R. Hobart

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

Thank you.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

It's great to see you, Ed. I think it's been, I don't know, seven or eight years since.

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

It's been a while.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Yeah.

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

My hair might have been a different color, but you know.

QUESTION AND ANSWER SECTION

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

Great to see you. You guys had a really great second quarter, which we heard about last week. I wondered if you could start talking about what you're most excited about for this year.

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

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Yeah. So, we did. We had a great quarter. Comps were 5% on top of a 0.5% the year before. So against a pretty tough comparison team, we still had a 5% comp gain. What's really happening and we're excited about out there is anything that's new, anything that's new from a design standpoint, technology standpoint is doing extremely well. Things that have been around for a while are a little bit slower, but anything new we're really excited about, and our team has done a great job of having those new products in the store and they helped drive the 5% comp. And I'm happy to make a comment about what's on everybody's mind, which is the Foot Locker acquisition, and I can tell you we closed on that on Monday, which we're really excited about, and we're really enthusiastic about Foot Locker.

We see a huge opportunity here, not only from what we can do from a global standpoint, but what we can do here in the United States. Foot Locker has always been – for so long it's been a terrific brand. It's been a little bit – their performance has been a little bit – they struggled a little bit over the last couple of years, but we see kind of what needs to be done and it's really basically into [ph] retail 101 (00:18:54) to have kind of the right product in at the right place at the right time. We think that they've got a great culture in their stores. The stripper culture in the stores is one of the main reasons why we bought them. These young men and women who work in the stores, they love Foot Locker. They love sneakers. They understand sneakers. They love to talk about sneakers, and we think there's a big opportunity and we're very excited about that. It's going to be a bit of a – the next couple of quarters are going to be – we're going to kind of clean things up, get real assessment of what's going on, and we can give you a lot more information on our fourth quarter call as we go into 2026.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

Great.

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

But we're pretty excited about it.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

Thank you. Ed, you mentioned newness and innovation, and that's definitely clear when you enter your stores. And I wondered if there was a way that you could speak to how much you think is just the health of the sporting goods industry, just all of the increased consumer interest versus how innovative the brands are versus the muscle you have, which is the merchandising...

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

Yeah.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

...how is that all playing out?

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

I think it's a combination of all. So, right now we are – there's such an intersection between sport and culture right now, and we're right at the center of that. So there are some brands who've come out with some really terrific product that's really kind of caught the consumers' interest, whether that's Nike's new running construct, which has been just fantastic around Peg, the structure, and Vomero has been great. Some of the brands, the hardlines brands around – from a Diamond Sports' standpoint and some of the new Betts that have come out have done really, really well from a launch standpoint. And it's hard to believe some of these Betts that we're selling are \$500 a piece. So these are not inexpensive products. And they're just flying off the shelves that these kids want this particular product.

So, a number of the brands are doing a great job from an innovation standpoint. Sport is really at – we're at this intersection between sport and culture, which is going to last for a while here. We've got some really terrific things coming in this country from a sports' standpoint. The World Cup in 2026, the Olympics in 2028. And the way that the World Cup has been structured, I think is just genius, that it's all of North America. The matches are going to be played in cities all across the country. So from the first match in LA, the final in New York and so many markets in between Dallas and Atlanta and Boston.

And so now, all through these weeks of the World Cup, these markets are going to be all jazzed and focused on what's going on in the World Cup. So it's not going to be just it's playing in some other town for the entire matches. It's coming to my town. These matches, these players, and it's going to be great for our business. It's going to be great for soccer, and I think it's going to be great for soccer long term in this country. And so, there's a lot to be excited about.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

Great. I would ask you maybe next about the health of your consumer, but if \$500 Betts are flying off the shelf, the consumer's just fine, yeah.

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

[indiscernible] (00:22:13). Yeah. Yeah.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Yeah.

Q

Lauren R. Hobart

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

I'll just build on Ed's comments about the importance of sport and culture, but our consumer has held up so well, and as you pointed out, 5% comps, but it's the sixth quarter in a row, we've had over 4% comps and really exciting that that newness and that growth is coming across the entire portfolio. Hardlines, softlines, Ed mentioned. Diamond Sports having launches in a way that footwear, yeah, has always had launches, but we're seeing growth across every income demographic, which is really terrific.

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We're not seeing trade down. People are absolutely voting that these categories that we serve are important, but the differentiated product that we have is really appealing to them. And then we are building a better mousetrap in terms of our in-store experience, our online experience. Our House of Sport concept is doing incredibly well. Our Field House concept is doing incredibly well. So, I just think we're in a position to continue to gain significant market share. The consumer is doing great and the momentum in the business is quite strong.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

If we can maybe focus on, on market share a little bit, is there any specific opportunity where you think that there's still low-hanging fruit with market share?

Q

Lauren R. Hobart

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

You know, the interesting thing is we are such a large – we're number one sporting goods retailer in the US, soon to be in the globe, but we only have 9% market share. So, if you look at it, there's significant market share continue to get, and we've been focused this year on specifically driving our footwear business. This is [ph] pretty (00:23:47) Foot Locker driving our e-commerce business and repositioning our entire portfolio, but there's pockets of market share everywhere to go after online, in-stores, and we're just going to continue to push it and drive it.

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Kate McShane

Analyst, Goldman Sachs & Co. LLC

If I could maybe switch the conversation to tariffs, it seems like you've been able to manage pretty well so far, but also, I don't think we have fully seen a lot of the price come through yet. So, how would you characterize your inventory position, and how you're positioned into the second half in this new environment?

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Navdeep Gupta

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

Yeah. So, inventory position, we feel fantastic. If you look at it in Q2, we finished with 7% growth in inventory, and our expectation is that – first of all, the inventory was really, really clean. We keep a very conscious focus around the clearance levels and those were at historic lows. So inventory and the newness and innovation is the one big focus for us. Overall from a quantum perspective, 7% growth in inventory and 5% sales growth. We feel great

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about it. What we have said is we expect our inventory growth to continue to moderate as we go into the second half.

The focus for us around tariffs is working very closely with the national brand partners and the manufacturers. The Q2 impact, if you look at it, was – there was negligible impact from the tariff, but as I expected, as every other retailer has said, that this will grow as we look to the back half, but we feel like the pricing and the promotion – the pricing capabilities that we have built to be really surgical, and our partnership with national brand partners would allow us to continue to be really mindful, balancing what is the right thing to do for our business, as well as balancing what is the right assortment and the innovation we want to showcase [ph] to our athletes (00:25:32).

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

You mentioned just being really clean on inventory, and I know there's been an increased focus to just move the inventory out to make way for new inventory, which has been a really successful strategy, but I was curious how you balance that. You know, your margins continue to be robust and expand, yet it seems like you're clearing inventory a little bit faster. So, how are you managing the push pull of that?

Navdeep Gupta

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

A

Well, I'd say it all starts with what do you buy and how you buy and the partnership that you have with the national brand partners. And that's where I feel like our merchant team do a fantastic job. One, really, really curating the assortment and really going – being meaningful in what we are buying and how deep do we buy there. The second is, there is a constant level of discussion that happens with the national brand partners. And then at the end, you always have some mistakes and that's where the focus that we have had around keeping the inventory clean, having the Going Going Gone! chain.

So there are 50 stores today that we have, which are clearly focused on handling some of that clearance product that we are able to handle through that. The work that team does is phenomenal. And with all of these things, if you look at it in Q2, we grow our gross margins by 30 basis points and that was on top of over 200 basis points of gross margin. So that's the balance that the team has been doing a fantastic job at.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

Could you maybe talk a little bit about the [ph] DICK'S Deals Day (00:27:02) event in July and just what the thought process was behind that?

Lauren R. Hobart

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

A

Yeah, I'll take that. So, this is something we've been doing now for several years. There's a lot of online shopping at that time of – that time of the year around prime days. And our DICK'S Green Day is a time for consumers to get some amazing values. We don't do anything – we've been so really surgical about where and how we invest. So, we don't have enormous sitewide promos anymore. We're really surgical and targeted. And we had great success for those few days.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

If we can maybe move on to your vertical brands, that's been yet another very successful strategy. Could you maybe talk to any change in the number of customers trading into the vertical brands this year? And how do you think about the opportunity going forward?

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

Yeah. Vertical – our vertical brands have been great. They've continued to grow. They outpace the company as a whole. We've got margin rates there, 700 basis points to 900 basis points higher. Our vertical brand of VRST, CALIA, DSG, Walter Hagen have continued to grow, and they've now got a real following out there in the marketplace. So it's not just – it's I come up and pick something up that's inexpensive from a vertical brand standpoint. Some of these vertical brands are really very – are premium, are priced at the kind of what the national brands would be. And they've now got a real following. We had one meeting and one of guys walked in and said, your VRST product, I buy – I love your VRST product, and the DSG brand has just been great as a real family brand. Our team has done a great job marketing that brand and what we bring it to life in the store.

So, our vertical brands will continue to grow, and some people have asked us what the percentage of that – of our business can be, and it'll grow a bit as a percentage, but I don't think it'll ever get to be super high because our footwear business is such an important part of that business, and we're not going to be in the vertical brand footwear business. There are certain baseball bats. There's a real technology involved there and the kids want to be playing what is being played in the College World Series, or the wood bat tournaments of what the pros are playing. So it's got its niche and it's very helpful and will continue to grow, and it will help our margins.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

[ph] Even (00:29:33) talk about Maxfli and its success we're having there with Ben and...

[indiscernible] (00:29:37)

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

Yeah, our Maxfli ball has just been great. So we've got Ben. We've got a number of people – a couple of people On Tour playing it. Lexi Thompson's playing it, [ph] Fred Fung's (00:29:46) playing it, and Ben Griffin is playing it. And Ben won twice [ph] On Tour visit (00:29:51) this year, and with the marketing around that and know the popularity of Ben, that business is just gone right through the roof, and we couldn't be happier that he's now playing in the Ryder Cup. So we've got our Maxfli ball being played in the Ryder Cup. And Maxfli is a brand that has a great history. It's won 13 majors over 100 tournaments. People have won with Maxfli before we got this thing heading back On Tour again, but this has been a rousing success, and our team did a great job with it. And all you golfers out there, if you haven't tried it, try it. You'll really – you'll love the ball.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

It's the best.

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

Yeah.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

This is a good segue just to golf. I feel like, maybe golf doesn't get top billing all the time, but it's a huge part of your business. Just how do you think about the category going forward? Certainly, the entire industry has had a resurgence and what does the innovation cycle look like?

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

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The golf business has been – yeah, there was not many good things that came out of COVID. Golf was a real beneficiary of COVID because people got to be outside, and there's some new people – a number of people came into golf. They found that I really like to play golf and it's stuck. So, the golf business have been great. A lot of people have kind of got an opening price point set of golf clubs, if you will, went out and played it. And now we're starting to see that cadre of golfers come back and upgrade their equipment. And there's some real technology advances that have come on out there between what's going on with the drivers and hybrids and high lofted fairway woods. And the innovation cycle in golf is really very good. And so our golf business has been great. We expect that's going to continue for some time and it is our third largest department, and...

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

Yeah.

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

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...we also think there's a huge opportunity from a golf apparel standpoint of how we merchandise golf apparel in the stores going forward. And we think that there's a real upside from a golf apparel standpoint going forward.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

And just to kind of close the loop, I know you have the Golf Galaxy Performance Centers now. Is there anything you can maybe update us on what you're seeing with that?

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

Yeah, they've been really great, and our golf business is really a roll up of a couple of golf stores that we did originally. And then it's a roll up of Golf Galaxy, which was started in Minneapolis and then a number of Golfsmith stores when they went out of business. And as we looked at this, it was like, these stores are good, but they're not great. They're not kind of on the same part of what we should be doing, what we're doing on the DICK'S side. So we developed the Golf Galaxy Performance Center, where we've got real performance statistics in there. We've got a better apparel assortment. We've got a broader service assortment. We're giving lessons and the Golf Galaxy Performance Centers have [indiscernible] (00:32:43) well and we'll continue to open these stores.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

It's great. If I can maybe move down the P&L and talk about margins for a little bit. Obviously, it's been a big discussion about how much higher your margins are today than they were pre-pandemic. Of the drivers you've

listed in the past, such as differentiated product, what do you think has been the biggest driver? What do you think can be the driver going forward and then go from there?

Navdeep Gupta

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

A

Yeah. So we have talked about consistently three big drivers of the gross margin expansion. When you look at 2019 versus 2024, the three big drivers, first and foremost is the differentiated product. The access to the differentiated product allows you to get the full price selling, gets you access to some of the product that does not go on any kind of promotion, and you are a little bit immune to the promotional intensity that may be within the marketplace. So that's the first driver.

Second, we talked about the work that our vertical brand team has done over the last several years. And sometimes people miss the fact that Field & Stream used to be our largest vertical brand product when we look at 2019. We have exited that category and not only replaced that, all of that sales into the new categories like DSG, CALIA, VRST, but these have much higher margins than what Field & Stream margin used to be.

The third one I will put it is mix. And within that, there are two parts of mix. One, we used to have Hunt, which was a big part of our business, definitely significantly lower margin than where the operating margins or the merch margins of the company are. And then the second is the work that has been done through our clearance management and Going Going Gone! and the pricing and promotion capabilities that we have built.

So those three, we continue to see as the drivers of the gross margin expansion even into the future. The two additional things that we have started to talk much more extensively actually since late last year and into this year is the work that the team has done around GameChanger platform. GameChanger platform is the – it's probably the best platform that is out there in the youth sports ecosystem. And that platform, \$100 million of sales last year, very profitable. We expect that business to grow to \$150 million. This is a SaaS business with recurring revenue. So it has margins, not that of a retail product margin. This is a true SaaS business. So that as it continues to become bigger and bigger part of the portfolio of the business, that drives the gross margin expansion.

And then there are retailers that are ahead of us in the journey, but the work our team has done on DICK'S Media Network or the Retail Media Network, there's nobody that has an asset that we have from the athlete database, access to the customer, and the customer who walks into our store on an average has more than one brand in their basket. So, to be able to really understand the basket and the interactivity of that customer with us, we are uniquely positioned to be able to leverage that data to grow the DICK'S Media Network. So those are the two new drivers, and we believe that these will continue to be the drivers of the growth for merch margin going into the future.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

I believed both are contributing to margin already, but especially with DICK'S Media Network, which does seem to be maybe in an earlier stage. When do you see that becoming more needle moving?

Lauren R. Hobart

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

A

Yeah. I'll take that one. You're right. We've been speaking more publicly about GameChanger and the revenue, and the fact that it's growing 40-plus percent CAGR every year. The media network is a step behind but catching up quickly and really leveraging the power of GameChanger, so that we have this incredibly unique asset with the

media network. I think we've invested in infrastructure, technology, reporting for our brand partners, and for the people who will be investing in the media network. We're just creating – we've created a much better mousetrap and we're ready to go. So, we've got a sales force now. We haven't guided to how much when and where, but I would expect it's going to become a more meaningful part of our business going forward.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

And...

[indiscernible] (00:36:46)

Q

Navdeep Gupta

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

Maybe [ph] I'll build (00:36:47) on that. I think that this is another unique opportunity, right? When you walk into a House of Sport location, and I want you all when you get a chance, we'll slowly expand this even further. The way we are bringing the DICK'S Media Network together in a House of Sport location where you can not only interact with the product but actually see the information about that product right in front of you when you are in the store, will be another differentiating capability of on the DICK'S Media Network and retail locations.

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Kate McShane

Analyst, Goldman Sachs & Co. LLC

So that was actually kind of my next question. So it's not just traditional advertising you're going to see on the DICK'S website, it's going to be the website GameChanger and then in-store as well.

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Lauren R. Hobart

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

And the fourth component is offsite completely. So we leverage the DICK'S Media Network to buy media on behalf of our partners out in the – so be it [indiscernible] (00:37:39) be it whoever they're buying from, we can buy the data anonymized, tokenized. We take our data rather than buy the media so that they can be much more targeted.

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Kate McShane

Analyst, Goldman Sachs & Co. LLC

Great. That's great. I just wanted to make sure I ask the question around back to school. Just now that we're in September, New York just started today, but I think most of the country has been in school for a while. Just how would you characterize the back-to-school season so far? How much of an indicator is it for your holiday business?

Q

Lauren R. Hobart

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

Yeah. Q2 has a chunk of back to school and Q3 has a chunk of back to school as well. So, I'll only talk about the Q2, but with a 5% comp, we felt really great about the trends in back to school. And we saw that broad base of growth across footwear, apparel, team sports, all of the back-to-school and back-to-sport categories. So we're really enthusiastic. Holiday, I feel great for all the same reasons. Different categories in some cases, not all, but we have incredible assortment coming down the [ph] pie (00:38:43). This newness that we've been talking about,

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the innovation we're seeing from our brand partners with the new business – trading card business that we're working on with Fanatics that we're very excited about, very small right now, but incredibly giftable.

Navdeep Gupta

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

A

Yeah.

Lauren R. Hobart

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

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So, we're bullish. That's why we took our guidance up.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

Weighted vests, I think that's going to be on the Christmas list.

Lauren R. Hobart

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

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Weighted Vest.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

Weighted vest, yeah.

Lauren R. Hobart

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

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Oh, for sure. Yeah.

Navdeep Gupta

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

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We have that – we actually...

[indiscernible] (00:39:07)

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

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...really on that one.

Lauren R. Hobart

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

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Yeah, we were. [ph] And I see that everywhere now (00:39:07).

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

Our last question before we go into kind of our rapid-fire question is just around unit growth, you're actually not changing your units, not opening new units, but maybe square footage is increasing a little bit...

Navdeep Gupta

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

Yeah.

A

Kate McShane

Analyst, Goldman Sachs & Co. LLC

...with the House of Sport. So, can you talk a little bit about how you're thinking about the House of Sport and Field House mix going forward, and how many locations will ultimately open in both concepts?

Q

Navdeep Gupta

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

Yeah. So, like you said, we don't anticipate significant amount of changes in the total number of units. Exception might be the Golf Galaxy growth opportunity that I talked about. Within the core DICK'S, we think that the unit growth will be relatively flattish, but you will see the square footage increase because one of the things that we are clearly focused within the company is, is to make sure that we don't have a [ph] tired old chain (00:39:58). We want to make sure that we are investing in these – in the retail square footage and driving the innovation and kind of a retail theater and the experience with our athlete. So, what we have shared is we will open 16 House of Sport locations this year. We have a significant number of those being opened in Q3. So those of you that are in New York, you will get a chance to experience our latest House of Sport opening here in New Jersey...

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Lauren R. Hobart

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

Next week.

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Navdeep Gupta

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

...in the next week.

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Lauren R. Hobart

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

Really, it will be huge.

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Navdeep Gupta

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

So that we are excited about that, to be able to bring that to such a big market. We have 13 planned openings in Q3, and we will finish by the end of this year with 35 House of Sport location. Our plan for next year is approximately same, [ph] current (00:40:41) 15 to 16 House of Sport openings next year, and our long-term aspirations till 2027 that we have shared is to get to 75 to 100. The opportunity outside of House of Sport, I know somebody – one of the investors called out that you all talk so much about House of Sport, you don't talk about Field House.

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We couldn't be more excited about the Field House. As we say, Field House is the workhorse, right? The vast majority of our portfolio is 50,000 to 60,000 boxes. Field House stores are doing fantastic as well. So we have taken some of the core learnings from the House of Sport platform and cascaded and brought them to life in our 50,000 format. We continue to – so, going forward, we will continue to open all the 50,000s in the Field House format. So all the new store openings or relocations or conversions will be to the Field House format.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

We have five questions we're asking every company that sits on stage with us. And so, we've touched upon some of them already, but in terms of your expectations for the environment in the second half and you just mentioned you raised guidance, but in terms of the health of the consumer, second half versus first half, do you expect things to be the same, better, or worse?

Lauren R. Hobart

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

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I would say...

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

No worse.

Lauren R. Hobart

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

A

...no worse. I would say same. So, say, yeah...

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

Yeah.

Lauren R. Hobart

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

A

...same

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

Yeah. Yeah. Okay. Same, yeah.

Lauren R. Hobart

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

A

Same.

Navdeep Gupta

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

A

[indiscernible] (00:42:01).

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

With pricing and we've talked about this a little bit too, but in places maybe you have taken some price on like-for-like, not necessarily if new innovation or anything. Have you seen any elasticity response or you are anticipating any of that in your back half results?

Navdeep Gupta

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

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Very, very small changes that have gone and very selective, very surgical. So we are keeping a very close eye on what is happening to the demand elasticity. So more to come. But we are very conscious on those changes.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

With regard to the inventory, we've heard some retailers talk about a pull forward of inventory to take advantage of price or just to ensure that they're going to be in-stock. What is your expectation for inventory growth in the second half?

Navdeep Gupta

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

A

So, we are – sorry, go ahead.

Lauren R. Hobart

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

A

No, go ahead. We've been signaling and we continue to say that we are going to have decelerating growth in our inventory. So our inventory actually was a significant investment that we made in the past several months because we had some out-of-stock issues. We wanted to be more size, color appropriate. We wanted to be more regionally relevant, but that tapered this past quarter as Navdeep said, and we will continue to see that growth narrow.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

Okay. And then with regards to margins outside of tariffs, we've been asking about your expectations into 2026 for freight, wages, and materials. Will that be better, same, or worse?

Navdeep Gupta

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

A

[ph] While TBD, we'll be (00:43:30) keeping a close eye. As you know, there is a lot that will be changing in the next six months, so we'll see, but the teams do a fantastic job. Lauren and I [indiscernible] (00:43:41) talk about that we have become an employer of choice, that there is so much amount of attractiveness in coming and working at DICK'S Sporting Goods. Our retention rates are at a phenomenal right now. More and more people, the engagement within our stores is phenomenal. In terms of freight, we feel good about the capabilities, but we'll let the landscape play out.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

And then with regards to the competitive landscape, again, we've touched upon this a little bit, but we have seen an increase in [ph] indoor closures (00:44:14) and bankruptcies this year outside of sporting goods, but across a lot of retail post I think COVID surge. Do you think market share consolidation will speed up, slow down, or be the same in 2026?

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

I think it would speed up...

A

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Yeah.

Q

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

...from a consolidation standpoint. I think tariffs could have an impact on it. I think – yeah. So I think it'll speed up.

A

Kate McShane

Analyst, Goldman Sachs & Co. LLC

And just in our last couple of minutes, I'm not sure if I'm the longest analysts that's covered DICK'S. I think I am now at almost 20 years. But in your opinion, there is such a difference, I think, between some of the narrative pre-pandemic with regards to the business versus where you are today, whether it's vertical brands, the amount of innovation, just what do you think has been kind of like the change agent to get to this place in the company's history versus maybe 10 years ago?

Q

Lauren R. Hobart

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

You go.

A

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

[indiscernible] (00:45:14) you go.

A

Lauren R. Hobart

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

Yeah, you go.

A

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

I think we – so everybody kind of looks at the time point of pre-pandemic, post-pandemic, but as we were coming out [indiscernible] (00:45:26) before the pandemic started, we were in the process of, as we talked about, changing virtually everything we do. After the shooting at Parkland, we decided we're done with the gun business, didn't want to be involved in that anymore and exited. That whole outdoor business was roughly \$1 billion in business. The gun business was a big part of that business. As we looked at this, we said, we don't want to be in this business any longer. And as we were exiting that business, we said, we only had – the margin rates were roughly 1,700 basis points lower in that aspect of the business than the company average. We said, if we can recapture roughly 60% of the sales, we'll be fine from a gross profit dollar standpoint.

A

So we tested 10 stores and what we found is we didn't capture 60%. We captured 105%. So, at that point, we said, okay, there's something really going on here. We did another 25 stores. And at that point, we started to [ph] look at change. We learned and I've talked about (00:46:28) we changed virtually everything that we did. So how

we marketed, we weren't doing the circulars in the newspaper any longer. We really went to much more brand marketing, more digital marketing. We got out of the gun business. We expanded into the team sports business. At that time, we started to make the investments in our footwear business...

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

Yeah.

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

...and got out of the shared service footwear with all the product on the floor, went to a more premium footwear business, which gave us access to new products that Nike and some of the brands wouldn't sell to us. So we changed our entire footwear business. We changed our, what we're doing from an apparel standpoint. We really leaned into these vertical brand, [ph] launched – got really (00:47:07) behind CALIA, launched VRST, got into the DSG business. We had licensed some product from Reebok. We said we're going to do this ourself and we did the DSG business. So, we changed virtually everything we did. And then the pandemic started and we had already started – if you take a look at our sales progression, before the pandemic, we had had several quarters that had started to really ramp up. Then the pandemic hit, we all did what we needed to do to get through the pandemic. And then as the pandemic was over with, our business went sky high. Part of that was because there was such a pent-up demand and people really thought that we'd be a pandemic beneficiary and the business would start to go back down and the margin rates would start to go back down.

What they didn't understand is we had already started this work before the pandemic to change what we were doing. And it didn't slow down. You know, the business continued to go up. We maintained those margin rates. All the things that we did were paying those dividends. So our footwear business was entirely different. We had access to products that we didn't have before. That is, Navdeep said, where that differentiated product that didn't go on sale. So the margin rates went up. What we did with our vertical brands with those higher margin rates and that penetration moved up, so the margin rates went up, and what we put in place were very durable, sustainable changes that would move that margin rate. And then we started talking about, and I won't go into the whole story about it, but we said, okay, we've got to do this store – look at the store of the future. And we've kind of started this store of the future project a few years before the pandemic, and we designed the whole thing and sometimes things don't translate from paper to reality the way that you want them to.

And we built parts of that in our lab store down in the office. And we walked through it, we said, not different enough from what we're doing today. So we scrapped it. We came back. Now this is probably six or seven years ago with the whole idea that we need to build this ecosystem of the future and the whole precept of is we need to build the concept that will kill DICK'S Sporting Goods. We need to build the concept that if somebody else built this store across the street from us, we'd be out of business. And that's what we did with House of Sport. And now what we've done with House of Sport is we've taken some of the key elements, the most successful elements of House of Sport, and put those into our Field House concept, which is our footwear area is roughly 50% bigger than what a traditional DICK'S store was. We've got House of Cleats in there. In some of the places we've got some interactivity like [ph] similar (00:49:50) to the climbing wall. So you go back over the last 10 years, Kate, we do virtually nothing the same as we did back then. And it's been very successful. The team has done a wonderful job, and we'll continue – our plan is we will continue to innovate, and we'll have another conversation 10 years from now that we've changed a whole lot 10 years in the future from what we do today.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Yeah, it's amazing story. Thank you so much.

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

Appreciate it.

Lauren R. Hobart

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

Thanks, Kate.

Navdeep Gupta

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

Thank you.

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

Thank you. Thank you.

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