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Dick's Sporting Goods, Inc. (DKS)

Q1 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by, and welcome to the DICK'S Sporting Goods First Quarter 2024 Earnings Conference Call. [Operator Instructions] After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

I'd now like to turn the call over to Nate Gilch, Senior Director of Investor Relations. You may begin.

Nathaniel A. Gilch

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

Good morning, everyone. And thank you for joining us to discuss our first quarter 2024 results. On today's call will be Lauren Hobart, our President and Chief Executive Officer; 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 that are subject to various risks uncertainties that could cause our actual results to differ materially from these statements. Any such statements should be considered in conjunction with cautionary statements in our earnings release and risk factor discussions in our filings with the SEC, including our last annual report on Form 10-K as well as cautionary statements made during this call.

We assume no obligation to update any of these forward-looking statements or information. Please refer to our Investor Relations website to find a reconciliation of our non-GAAP financial measures referenced in today's call.

And finally, a few admin items. First, as we previewed on our last earnings call, beginning this quarter, we have revised our comparable sales calculation to include revenue from our GameChanger business. Second, beginning this quarter, we have included grand opening advertising costs within preopening expenses. These onetime costs incurred in connection with opening new stores were historically presented within SG&A part of advertising costs. We have reclassified prior period amounts to conform to our current year presentation.

And finally, for our future scheduling purposes, we are tentatively planning to publish our second quarter 2024 earnings results on September 4, 2024

With that, I'll 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're incredibly proud of our strong Q1 results, which demonstrate how well our strategies are working. Powered by our compelling omni-channel athlete experience, differentiated product assortment, deep engagement with the DICK'S brand, and our focus on providing a best-in-class teammate experience, we continued our momentum from the fourth quarter. Our execution on these strategic pillars is driving continued market share gains.

For the first quarter, our sales increased 6.2% to just over $3 billion. Adjusting for the calendar shift, our comps increased 5.3%, which was on top of a 3.6% comp last year. This strong comp was driven by growth in transactions and in average ticket.

During the quarter, we saw more athletes purchase from us, and they spent more each trip compared to the prior year. Our first quarter gross margin expanded 10 basis points, and we achieved double-digit EBT margin of over 11%. In total, we delivered Q1 EPS of $3.30.

Today, we're raising our full year outlook to reflect our strong Q1 results. We now expect comp sales growth for the year to be in the range of 2% to 3%, and EPS to be in the range of $13.35 to $13.75. Our emphasis on the omni-channel athlete experience is driving robust athlete engagement. We are continuing to enhance service levels across all our digital and store experiences to meet our athletes wherever they are, provide the support and service they need, and get product into their hands faster.

During Q1, we continued to see growth in our omni-channel athletes, our strongest athletes, who spend more with us and shop more frequently than single-channel athletes. As we've talked about previously, our significant investments to reposition our portfolio are key to delivering an elevated omni-channel athlete experience.

We expect House of Sports and our next generation 50,000 square foot DICK'S store to drive robust omni-channel athlete engagement and generate strong sales and profitability. During Q1, we opened two House of Sport locations and are excited to open six additional locations this year. We also opened two next-generation 50K locations during the first quarter and look forward to opening an additional 14 locations throughout 2024. We continue to be very pleased with the results of these exciting DICK'S concepts.

This one-two punch of House of Sport and our next generation 50K format, combined with the elevated omni-channel experience our teammates are bringing to life throughout our entire portfolio, is the future of DICK'S. We're also growing our Golf Galaxy Performance Centers, an immersive experience for golf enthusiasts of all levels, and opened three new locations during the first quarter. We remain confident in the long-term growth opportunity in golf and are excited to bring this experience to more golfers.

Investing in our digital capabilities is central to our omni-channel success. I want to briefly talk about GameChanger, the premier live streaming, scheduling, communications, and scorekeeping mobile app, where we're building the first and best place to experience youth sports. During Q1, GameChanger drove continued strong sales growth. Over 5 million unique users engaged with GameChanger, averaging approximately 30 minutes per day on the app.

We saw a robust increase in usage of the app across all sports, including those that are newer to the GameChanger platform, such as basketball, football, soccer, and volleyball. We're excited to continue innovating within the fast-growing, multibillion-dollar youth sports technology market and strengthening our relationships with athletes and their families through GameChanger.

Our access to differentiated on-trend product, which is our second strategic pillar, helps make DICK'S the go-to destination for sport in the US. We're excited about the product pipeline from our key brand partners. For example, Nike's recent Paris Innovation Summit highlighted several breakthrough products across apparel and footwear that we look forward to bringing to our athletes.

Our relationships with our brand partners are stronger than ever, and the innovation of performance and style, in our opinion, has never been better. In addition, our flagship vertical brands, DSG, CALIA, and VRST, are resonating very well with our athletes. They continue to outpace the total company comp growth and contribute greater margin expansion. We see a long runway for sales and profitability growth for our vertical brand.

Our teammates are a critical driver of our success, and our third strategic priority is providing a best-in-class teammate experience. This past quarter, we were named a great place to work for the fourth year in a row. We remain focused on providing our teammates with the tools and technology to help them do their jobs better and driving a culture where they can develop and thrive.

Lastly, we're creating deeper brand engagement. During the first quarter, we invested in several exciting marketing campaigns and also continued to invest in DICK'S brand building during March Madness. We're excited to celebrate the 10-year anniversary of our Foundation's Sports Matter program and recently announced that the program is giving $2 million in grants to mark its anniversary and empower even more young athletes to pursue their passion.

In closing, we are very pleased with the strength of our first quarter performance and are highly confident in our strategies to drive sustained profitable growth. Before concluding, I'd like to thank all of our teammates across the company for their tremendous efforts and continued commitment to DICK'S Sporting Goods. It's their passion and hard work that make these results possible. They are truly an outstanding team.

With that, I'll 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 first quarter results. We are very pleased to report a consolidated sales increase of 6.2% to $3.02 billion. This included a benefit from the calendar shift due to 53rd week last year of approximately $45 million. Adjusting for the calendar shift, which we believe provides the clearest view of the business, our comps increased 5.3% as we continued to gain market share.

Our strong comps were on top of a 3.6% comp last year. Our Q1 comps were driven by a 2.7% increase in transactions and a 2.6% increase in average ticket. And we saw strength across footwear, athletic apparel and hardlines. Gross profit for the first quarter was $1.1 billion or 36.29% of net sales and increased 10 basis points from last year. This included leverage on occupancy costs due to higher sales and a decline in merchandise margin of 45 basis points, which included higher year over year shrink of 22 basis points. It's worth noting that while we anticipated our shrink to be higher than the previous year, that increase in shrink moderated compared to our expectations.

On a non-GAAP basis, as expected, SG&A expenses increased 6.6% to $739.7 million and deleveraged 10 basis points compared to last year. This increase in SG&A dollars included investments in the exciting brand campaigns we introduced earlier this year, supporting CALIA, DSG, as well as Golf Galaxy and Dicks.com. This also included higher estimated incentive compensation expense and cost in support of our sales growth.

Pre-opening expenses were $21.1 million, an increase of $11.9 million compared to the prior year. This expected increase was primarily driven by our Q1 House of Sport opening. As Nate noted earlier, SG&A and pre-opening expenses have been adjusted in the current and prior years to reflect the reclassification of grand opening advertising from SG&A to pre-opening expenses.

EBT was $342.4 million, or 11.34% of net sales. This compares to EBT of $328.3 million, or 11.55% of net sales in Q1 of 2023.

As expected, our Q1 tax rate grew from 7.2% in last year's quarter to 19.6% this year. I'll remind you that this approximate 1,200 basis points increase reflects the higher tax deduction from the vesting of employee equity awards and exercises in the prior year, which favorably impacted Q1 2023 earnings by approximately $0.45 compared to the current year quarter.

In total, we delivered earnings per diluted share of $3.30. This compares to earnings per diluted share of $3.40 last year.

Now looking to our balance sheet, we ended Q1 with approximately $1.6 billion of cash and cash equivalents and no borrowings on our $1.6 billion unsecured credit facility. Our quarter-end inventory levels increased 5.5% compared to Q1 of last year, slightly below our 6.2% increase in sales. We believe our inventory is clean and well-positioned.

Turning to our first quarter capital allocation, net capital expenditures were $126 million and we paid $94 million in quarterly dividends. We also repurchased 548,000 shares of our stock for $113.6 million at an average price of $207.32. In 2024, we continue to expect share repurchases of $300 million.

Now turning to our outlook for 2024, as a result of our strong Q1 performance, our expectations for continued robust demand from athletes and the confidence we have in our business, we are raising our full-year outlook. We now expect consolidated sales in the range of $13.1 billion to $13.2 billion. In addition, we now expect comp sales growth in the range of 2% to 3% compared to our prior expectation of 1% to 2% growth.

EBT margin is now planned to be at 11.1% at the midpoint compared to 10.9% previously. Gross margin is now expected to expand modestly compared to 2023 non-GAAP results. We previously expected gross margins to be in line with 2023 non-GAAP results at approximately 35%. We continue to expect SG&A expenses to leverage modestly compared to 2023 non-GAAP results.

In total, we now anticipate full year earnings per diluted share to be in the range of $13.35 to $13.75 compared to our prior expectations of $12.85 to $13.25. Our earnings guidance is based on approximately 83 million average diluted shares outstanding and an effective tax rate of approximately 23% compared to our prior expectation of approximately 24%. We continue to expect net capital expenditures of approximately $800 million for the year.

Lastly, as you model 2024, I want to point out a couple of things that we expect to impact comparability of our financial results for the second quarter. First, recall that due to the shifted calendar, we expect our reported total sales to be positively impacted in the first half, but then offset in second half. Specifically, given the impact of the shift on a key back-to-school week, we expect our reported total sales in Q2 to be positively impacted by approximately $100 million versus the prior year, with an offset in Q3.

Second, we will begin to anniversary the higher shrink rates from 2023 in the upcoming second quarter. As a reminder, our shrink in Q2 of last year also included a cumulative unfavorable true-up of actual results from our physical inventories, which reflected an 84 basis points increase over 2022. Consequently, we expect to see year-over-year favorability in shrink during this year's second quarter.

In closing, we are very pleased with our Q1 results and remain enthusiastic about the future of our business.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Adrienne Yih from Barclays. Your line is open.

Adrienne Yih
Analyst, Barclays Capital, Inc.

Q

Great. Thank you very much and congratulations on a great start to the year. Lauren, we were lucky enough to see House of Sport in Boston during the quarter. And I guess my question for you is kind of more longer term. The notion or the philosophy was that you wanted to create a store such that people wouldn't need to go to another store other than House of Sport or the DICK'S next-gen. So to the extent that you see kind of going forward, how do you see the sporting goods landscape kind of panning out?

And then my kind of main question is the investment in training, education, service, and then advertising. It's a level up of anything that we're seeing currently in the retail landscape. So can you talk about kind of the investments that you're making there and how that's going to differentiate your concepts versus the rest of retail? Thank you.

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

A

Great. Thanks, Adrienne. Yeah, we were delighted to have you and a group of people in Boston. We've had a ton of people coming through the House of Sport there, and the excitement in that community has been absolutely just incredible to see. I think the thing about House of Sport that is truly redefining sports retail is that we are creating an experience that people cannot get anywhere else. And what you're seeing is athletes are really responding to it. So communities are responding to it. I don't know how some of you texted that you saw the blimp going by like there's just so much fanfare and excitement when we open a House of Sport.

But then, as it's open, athletes are coming in, they are driving further, they're spending more time. They're really excited about the product and the experience that they see at House of Sport.

Secondly, the brand partners that we have are also very excited, because we can bring a brand to life throughout our entire company in a really elevated way. But in House of Sport, because we have collab spaces and other opportunities to truly bring a brand to life, we can showcase a brand in the best possible way, and that's helping us drive both new partnerships as well as more access and excitement with our current brand partners.

And then the last thing I would point out that, I think is important to note is that if you look at real estate developers and landlords and mall developers, when a House of Sport opens in a mall, we are seeing significant increases in traffic to the mall. And so there's a lot of excitement in the marketplace there as well. Across the board, we're just super excited about House of Sport and equally excited about our new 50K square foot format, which is a takedown of the House of Sport but provides many of the same elements.

You asked about investments. I'll turn it to Navdeep to talk a little bit about SG&A, but the SG&A expenses in Q1 were as planned and we invested in marketing. We will continue to invest to build our brand long-term. We invested in training and service and tech tools to drive the athlete experience that our teammates need to be able to deliver. Anything you would add, Navdeep?

Navdeep Gupta A

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

Yeah, no. Good morning, Adrienne. And just building on what Lauren said, the focus continues to be, as Lauren said, it's around the core four pillars. And two of those pillars that we talk a lot about is about the athlete experience and the teammate experience. And the work that our store team, as well as the merchandising team, are doing in bringing innovative and very differentiated product to our stores and the store team, the work that they're doing in providing this experience and kind of the fit experience that we are able to provide to our athletes when they walk into the store, whether it's a baseball bat, whether it's a golf club, that we feel is kind of our differentiator, as we see not only within our own industry players, but quite frankly, again, some of the specialty players that are in the marketplace as well.

So that will be a key area for our investments. And like Lauren indicated, we showcase that with the investments in advertising, including our vertical brands and how differentiated they are as part of Q1. But we expect these investments to continue to be balanced against the sales growth that we are delivering here as well.

Adrienne Yih Q

Analyst, Barclays Capital, Inc.

Thank you very much. It's definitely showing up in the stores. Thanks.

Lauren R. Hobart A

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

Thank you.

Navdeep Gupta A

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

Thank you.

Operator: Your next question comes from the line of Simeon Gutman from Morgan Stanley. Your line is open.

Simeon Ari Gutman Q

Analyst, Morgan Stanley & Co. LLC

Good morning, everyone. I wanted to ask about sell-through of seasonal merchandise, spring and summer, as the seasons are transitioning. And in the context of merch margin being down a little this quarter. Can you also share with us was merch margin or is merch margin planned to be flat within the overall gross margin guidance or is the gross margin being elevated by occupancy? Thanks.

Lauren R. Hobart A

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

Thanks, Simeon. Yeah. For the quarter, we were really pleased with our gross margin expanded 10 basis points, 36.29%. There were a ton of puts and takes to the quarter as we expected there would be. Well, and an unexpected good surprise with the sales numbers that enabled us to drive more leverage on occupancy costs, more leverage on supply chain and e-commerce costs. All of that was slightly offset by a 45 basis point decline in merch margin, but that we had anticipated driven primarily because of the shrink, the fact that we're not anniversarying yet the shrink reserves that we put into place, and we'll start anniversarying those in Q2.

I think it's important to note that one of our core merchandising strategies and one of our core sales driving strategies is to keep our inventory clean and fresh. We are constantly moving product through the life cycle so that when people come into our stores or shop online, they're getting a completely differentiated assortment and they are finding the products that are appealing to them. And so as expected, merch margin was slightly declined in Q1, but for the full year, we are now expecting gross margin to expand modestly, whereas before we had said it was going to be flat.

Simeon Ari Gutman Q

Analyst, Morgan Stanley & Co. LLC

That's helpful.

Navdeep Gupta A

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

And Simeon, we are expecting...

Simeon Ari Gutman Q

Analyst, Morgan Stanley & Co. LLC

I want to ask...

Navdeep Gupta A

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

Simeon, I'll just add one more thing to what Lauren said. The merge margin, I would say, in Q1 was in line with our expectations, and we expect merch margin to also expand modestly on a year-over-year basis in 2024 compared to non-GAAP 2023 results.

Simeon Ari Gutman Q

Analyst, Morgan Stanley & Co. LLC

Okay. And then, follow-up Navdeep, the full-year EBIT or the implied EBIT or EBT, whatever way you look at it, looks like it's being raised above and beyond what was achieved or beat versus the Street number in Q1. The comp, I think, looks like it's more of a flow-through from what happened in Q1. So is that fair? And what is changing in terms of profit to raise the back half while sales is kind of moving up by what happened in Q1?

Navdeep Gupta A

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

Yeah, Simeon that's a great question. First of all, let me start by saying we were really excited by the results that we delivered here in Q1. And we continue to remain really excited about the future and the opportunities that we see ahead of us.

As you can imagine, this is just Q1. We are very early in the year, as well as everybody knows what else is happening on a macro factor basis. So what we have done today in terms of the full-year guidance is it reflects the results that we posted here in Q1, and we maintained largely our expectations for Q2 through Q4. There's a little bit of a disconnect with the external consensus expectation, but I would say we are appropriately cautious as we think about Q2 through Q4, but we continue to remain really excited about the opportunities that we see for the balance of the year.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Q

Thanks. Good results. Take care.

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

A

Thank you.

Operator: Next question comes from a line of Kate McShane from Goldman Sachs. Your line is open.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

Hi, good morning. Thanks for taking our question. I believe when you last guided same-store sales of 1% to 2% that was mainly based on your assumption of market share gains. With the new comp guide of 2% to 3% today, is there any better view on the health of the industry within that, or is it still primarily driven by market share?

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

A

Kate, we are excited to raise the comp guidance from 1% to 2% to 2% to 3% for the balance of the year. As Navdeep had just mentioned, the large part of that is flowing through the results that we just had in Q1 so that we do maintain an appropriate level of caution as we go. We obviously – we do plan on continuing to gain market share. That's one of our key strategies and we think we have the experience and the product to be able to do that.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

Okay, thank you. And then our second question, with the change in accounting for GameChanger and some of your earlier comments in the prepared comments about GameChanger, is there a meaningful strategy change there in terms of how much that can drive the business and what is kind of the long-term goal and strategy with GameChanger?

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

A

Yes, thanks for the question. We are so excited about GameChanger and excited in the fact that it is such an amazing, emotive platform through which people can engage with their kids' sports, with their grandkids' sports, and kids can track their stats and see how they're doing and where they're performing. So you're hearing the excitement because we've been investing in this digital platform.

It's a leading youth sports app. It's got incredible capabilities and it keeps driving meaningful success. So 5 million active users on the platform in Q1 on average spending 30 minutes per day on GameChanger, it's an incredible engagement tool. So the way I look at it, the way we look at it, is that it's a key part of our long-term strategy to become synonymous with sports. It's part of our entire ecosystem. You're seeing, we're starting to account for it in comps. It's a relatively negligible part of that equation right now but we believe it is a big part of our future.

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

A

Hey, Kate, I'll add two more points to that, to what Lauren said. First of all, like the platform itself is a very high growth, both on a sales basis as well as on a – and is a very profitable platform. So, by itself, the business itself is fantastic.

The other thing that we have talked about is the fact that the athletes that are both GameChanger user and the ScoreCard user have 2x the revenue profile of just a ScoreCard user. So that indicates also that the level of engagement that we have with these multi-channel athletes is actually really, really exciting and interesting to us as we look to the long-term opportunity with this platform.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

Thank you.

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

A

Thank you.

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

Christopher Horvers
Analyst, JPMorgan Securities LLC

Q

Thanks, good morning. So my first question is just a follow-up on the merchandise margin. Can you talk about what – after the first quarter being down, can you talk about what the drivers of what makes it go up over the year? And within that answer, maybe address, is it channel inventories clearing up? We've heard about maybe some of the vendors being promotional, is the newness coming? Is it the House of Sports? Maybe help us think about what the big drivers are there. Thank you.

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

A

Yeah, Chris, I'll start with the full-year outlook that we provided. So we expect both the gross margin and the merch margin to expand modestly compared to 2023 non-GAAP results we posted last year.

The ingredients within that, if you think about Q1 results, we have already declared what – there are a couple of points we shared today around the Q2 expectation that you need to be thinking about as you model this. The first and foremost is, we had an 84 basis points of a cumulative true up in shrink last year when we did the physical inventories in that stores. And so we don't anticipate having that same impact this year, so there will be favorability that we expect in shrink results in Q2.

And we continue to be appropriately cautious for the balance of the year, just on the shrink line itself. And in addition, as you would remind – you would recall that we were cleaning up some of the inventory in the outdoor space last year in Q2, so we don't anticipate annualizing those actions either, because where we have exited Q1 this year, we feel really great about our inventory and the quality of the inventory, and most importantly, the assortment that we have available for going into the kind of the key selling season here in Q2. So, excited about the assortment and how clean that assortment is. So we expect that action again will not be annualized as we look to Q2.

Christopher Horvers
Analyst, JPMorgan Securities LLC

Q

Got it. And then in my – as a follow-up question, just can you touch a little bit on how you think about the cadence of comps over the year? I know you don't drive – speak specifically to by quarter, but how should we think about that? I know there was some lift in the first quarter here with regards to lapping the closed stores, the House of Sports stores, and I think the general consensus maybe was around 2 points. So, any comment on that and how you think about the cadence of comps over the year? Thanks so much.

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

A

Yeah, Chris, you're absolutely right. We said originally, and we still hold that the first half of the year where we had eight of our largest stores being converted to House of Sports and closed for a good part of the first half of last year is driving stronger comps in Q1 now. We just obviously delivered a stronger comp than we had even expected. But in the first half, we do – we will feel that impact and then in the second half, we'll go up against those openings. And so, that is why we've said the deceleration – we expect some deceleration in the back half and nothing has changed in that opinion. We continue to believe that.

Christopher Horvers
Analyst, JPMorgan Securities LLC

Q

Great, thanks so much.

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

A

Thank you.

Operator: Your next question comes from the line of Robbie Ohmes from Bank of America. Your line is open.

Robert F. Ohmes
Analyst, BofA Securities, Inc.

Q

Hey, good morning. Great quarter. My first question is just, Lauren, you guys have been leading with apparel and footwear for a little while now. Any signs or expectations that hardlines could start to catch up and grow again for you guys?

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

A

Thanks, Robbie, yes. What's really great about the quarter we just had with a 5.3% comp is we saw growth across all aspects of our business. So we saw growth in footwear, we saw growth in athletic apparel, we saw growth in total hardlines. Obviously, there's some puts and takes in there. And we've been talking about some of those – some of the consumer trends that are right-sizing from the pandemic, but that's a very small piece of our business. And the core Hardline categories are doing very well.

This past quarter, we had a slightly wetter season, impacted the game of golf and team sports a little bit, but just nominally so. And in general, we're very, very excited about the hardlines business.

Robert F. Ohmes
Analyst, BofA Securities, Inc.

Q

Got it. And then you guys called out Nike and the Paris Summit in the press release. Can you give a little more color on what you think the pipeline looks like from Nike and your other key vendors versus what you were getting last year heading into the year?

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

A

Thanks, Robbie. Yes, I would say we're excited about the product pipeline that we see across our strategic partners. And we look long term. Obviously, we have long-term strategy planning meetings where we're looking out a couple of years with our strategic partners.

I'm also very excited, as we all are, about our flagship vertical brands, the CALIA, DSG, VRST doing incredibly well, and some of our emerging brands. Within our strategic partners, we are very excited about the long-term work that we saw in Nike. We were there at the Innovation Summit, and then more recently we were in their offices and looking at future innovation. I would call out things like the technology that they are bringing to the Air platform, it's going to be very exciting from a consumer standpoint.

We're really excited about the elevation of both performance apparel and footwear and bringing some newness into those categories. And then they've started to talk about what their Olympic messaging is going to be. And we are really, really excited to see that come to market and just drive consumer noise around the Nike brand. So across the board, very excited about that partnership.

Robert F. Ohmes
Analyst, BofA Securities, Inc.

Q

Sounds great. Thank you.

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

A

Thank you.

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

Warren Cheng
Analyst, Evercore Group LLC

Q

Hey, good morning. Congrats on a really solid quarter in a tough environment here. I wanted to ask about how you're thinking about SG&A investment here, and whether that's evolving given the really strong response you're getting to the elevated service levels at House of Sport and the next-gen stores? Could the core benefit from kind of a higher level of SG&A and selling personnel? And maybe just if you could take a minute and talk about how you're thinking about SG&A in the medium term here.

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

A

So Warren, first of all, let's start with where SG&A came in. So SG&A deleveraged 10 basis points here in Q1, and that was driven by the core investments that we are making, including in advertising. Because we see clearly an opportunity to continue to position, especially our flagship vertical brands, in a much more appropriate fashion with our athletes. Because those brands, like Lauren said, are resonating so well.

So you saw us come out with advertising message around CALIA, around DSG, as well as drove the brand awareness for our dot-com platform with dicks.com. So that will be an area that we said we were going to invest in Q1 and the early part of the year, and we did that.

And then on a full year basis, what we have guided is we expect our SG&A to modestly leverage on a year-over-year basis. So we are being prudent in how we are making investment. You called out, we are making investments in talent, in technology, as well as in the store service level, especially as you look to the House of Sport as well as the 50K. And those are kind of the planned investments that we are making in addition to investments that we are making in store training.

We'll continue to look to meet these core investments that are driving the differentiation in the marketplace and are resonating really well with the athletes. However, balancing that also against the overall ability to drive the leverage on the SG&A line for the full year.

Warren Cheng
Analyst, Evercore Group LLC

Q

Thanks, Navdeep. And my follow-up question, can you help us put this $35 million per box number that you gave last quarter in a little bit more context. Once you're fully rolled out to the 75 to 100 target over the next 3 years, would that represent sort of one of the larger and more productive stores in the chain? Because I know your – the new House of Sports have a lot of different shapes and sizes or is that pretty representative of the average that you would expect across the fully scaled out chain?

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

A

Yes. So the $35 million that we shared last quarter, that's kind of our expectation for an average House of Sport on an omni basis. That includes both the store as well as the eComm business. And we have rolled out 12 stores. This is based off of the learning informed by those 12 stores that we have opened at the end of 2023, and we continue to be really excited with the 2 store openings that we have done here in Q1.

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

A

I would point out also that the 50Ks continue to deliver incredibly strong results. And the House of Sport, the ones that have been opened the longest also keep driving growth. So we're really excited not just about how they open, but how they grow past that.

Warren Cheng
Analyst, Evercore Group LLC

Q

Thanks and next quarter good luck.

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

A

Thank you.

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

A

Thank you.

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

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

Q

Okay. Thanks. Sort of been asked, but may be ask it another way. So the implied EBT margin for the rest of the year is up, I think, after it was down this quarter. Now it seems like a lot of that is because of cycling the second quarter declines from last year. So I guess the question is this, how should we think about the potential to increase your margins in the back half of the year? And then beyond this year, the margins, at least according to your guidance, will be up I think, 30 basis points on the EBT line this year. What are the long-term margin drivers? Should margins, once we cycle the easy comparison in the second quarter, do margins keep going up?

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

A

Yes. Mike, great question. I won't provide quarterly guidance today, but what we have given to you some of the key ingredients. On a full year basis, we expect our EBT margin to expand driven by the fact that we expect gross margin to expand modestly, as well as our SG&A to leverage modestly compared to non-GAAP results for 2023.

You called out really well that the drivers of that will be definitely here in Q2. Keep in mind, Q2 will also have the higher amount of leverage being driven by the $100 million of sales shift that we're going to see from Q3 into Q2.

In terms of the long-term expectation, we continue to be really, call it, excited about both the ability to grow our topline sales as well as the bottom line profitability over the long term.

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

Q

Okay. That makes sense. Follow-up question. How much of the $11 million increase in pre-opening costs went to pay Larry Bird, Kevin McHale and Robert Parish to show up in your opening, which was amazing.

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

A

Those are, I'll call it – they are right investments. They are like Lauren said, they are driving such an excitement in the community and the overall results that we are driving here in these stores. But great question.

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

A

Great question.

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

Q

Thank you. It was cool.

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

A

Good.

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

A

Thank you.

Operator: Your next question comes from a line of Joe Feldman from Telsey Advisory Group. Your line is open.

Joseph Isaac Feldman
Analyst, Telsey Advisory Group LLC

Q

Yeah. Hi, guys. Good morning. And wanted to ask a bit about the promotional environment and what you're seeing out there. And, because it feels like inventory levels are still a bit high from a lot of the competition and some of the brands. And I'm just curious about how you're approaching it and what you're seeing? Thanks.

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

A

Thanks, Joe. We didn't see an unusually promotional environment in Q1. Certainly the industry overall is in a better place than it was at the end of last year. And our inventory, in particular, 5.5% growth on a 6.2% total comp. We feel really good about our inventory and the healthiness of it. And so, I think we continue to manage through whatever promotional environment will come our way, but we have no concerns there. And we know that we have the ability to manage with the tools that we have to drive profits.

Joseph Isaac Feldman
Analyst, Telsey Advisory Group LLC

Q

Thank you for that. And then another kind of related question is some of the categories that were asked about, but how is outdoor broadly performing? Because, I know, again, we hear it's kind of still soft out there and just wondering if you guys saw a step up in your outdoor performance.

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

A

Yeah, Joe, I want to point out in the long term, we have a tremendous confidence in the outdoor business. It's a $40 billion TAM. We are building Public Lands. We're working to Moosejaw athletes to bring – explorers rather, to bring them in so that we can really deliver a unique and differentiated experience in the outdoor category.

Across the board, the industry does continue to have a post-pandemic reset, and we're no different in that than everybody else, but it doesn't take away – it's a small piece of our business, first of all, at this time, and doesn't take away from our confidence, our long-term confidence that there is a consumer here that we can serve even better than they're being served today. And participation in the outdoor category continues to be high. So when this category rebounds, we believe it's going to be really strong.

Joseph Isaac Feldman
Analyst, Telsey Advisory Group LLC

Q

That's great. Thank you guys for that, and good luck with the quarter.

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

Thank you.

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

Thank you.

Operator: Your next question comes from the line of John Kernan from TD Cowen. Your line is open.

John Kernan
Analyst, TD Cowen
Q

Good morning. Thanks for taking my question and congrats on a great quarter.

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

Thank you.

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

Thank you.

John Kernan
Analyst, TD Cowen
Q

Can you talk to footwear? Footwear has been a big driver of comps going back to last year. I know the premium footwear decks have obviously attracted top allocations from Nike, HOKA, On. How many more doors can HOKA and On get into? How many more premium footwear decks can there be? And maybe just talk to the allocations you're getting in footwear, given it's such a big portion of the competition.

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

Yeah, great question. Footwear certainly has been a big driver of comps, and footwear is a key part of how people shop. It's the engine that drives the train. Like we're very pleased with our footwear business. Our premium full service footwear decks, which we started putting into place many years ago, absolutely are driving that elevated experience and then opening us up for more allocations, more specialty brand partners. With HOKA and On – oh, and with the premium footwear decks, we'll be at 90% by the end of the year. And obviously, all of our new store development as we re-imagine the portfolio will have premium full-service footwear decks.

HOKA and On are still in a good portion of the chain. There's still significant upside in both brands. But HOKA is a little further ahead than On at this point, just in terms of the number of door count, and we're excited to continue to expand those brands as well.

John Kernan
Analyst, TD Cowen
Q

Got it. And then maybe – we saw some more sluggish trends within the broader sporting goods industry in the first quarter that you obviously significantly outperformed. That's just – curious, are there any regions that are outperforming? What were the biggest category outperformers in Q1? And how are you thinking about long-term market share in the industry?

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

A

Yes. We got a 5.3% comp. We saw growth. We didn't see sluggish trends across our categories. We saw growth across all of the different areas of our business, footwear, apparel, total hardlines all grew. And I think we can speak to our story. The consumer is absolutely putting a priority on a healthy and active lifestyle. You see people running and walking being outdoors, but I think the most important thing is that we are providing them with an experience that they're clearly choosing. And that's both due to the products that we have in our stores as well as the experience that we provide in store and online. And so – it's the core strategies that are coming to life that are driving our performance, and we're not seeing any pockets of softness across the country.

John Kernan
Analyst, TD Cowen

Q

Excellent. Thank you.

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

A

Thank you.

Operator: Your next question comes from the line of Justin Kleber from Baird. Your line is open.

Justin E. Kleber
Analyst, Robert W. Baird & Co., Inc.

Q

Hey. Good morning, everyone. Thanks for taking the questions. First, just a clarification on the full year merch margin outlook. Is the modest expansion just recapturing the shrink pressure from last year? Or you're expecting your, I guess, what I would call your core merch margins to improve year-over-year, particularly Navdeep, you mentioned lapping the outdoor clearance. So just wanted to clarify that first.

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

A

Yes. So from a shrink perspective, we said that we will be having favorable impact in Q2, and then we continue to be appropriately cautious. We have counted half of the chain and still half of the chain needs to be counted. So as you can imagine, we want to be cautious in our expectation for shrink.

And on the merch margin side, we continue to be really enthusiastic about the work that our merchant is doing in terms of the differentiated product assortment we are bringing, the work that we are doing and how well our flagship vertical brands are performing between CALIA, DSG, VRST. And so we continue to be – I won't break down merch margin expectations deeper than that, but we expect to grow our margins, both the gross margins and merch margin, on a year-over-year basis modestly as we look to the full year.

Justin E. Kleber
Analyst, Robert W. Baird & Co., Inc.

Q

Got it. Okay. Thank you. Just one other question around the calendar shift. Curious if you could share the EPS benefit in 1Q. I assume those sales flow through at a much higher incremental margin. But again, just any color on how that $45 million in 1Q impacted earnings. And then just so we can think about the lift in 2Q related to the $100 million in calendar shift benefit. Thank you.

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

Yes. I would say, as you can imagine, it's $45 million, so you can appropriately do a flow-through calculation on that. And the shift is happening in the early part of the year, so you can appropriately adjust your margin expectation and the SG&A. I would say – net between the Q2 and Q3, the impact would be neutral. It's just that Q2 is going to get a favorable impact with the $100 million of sales with an approximately the same amount of an offsetting impact in Q3.

Justin E. Kleber Q
Analyst, Robert W. Baird & Co., Inc.

All right. Thank you. And congrats on the quarter.

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

Thank you.

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

Thank you.

Operator: Your next question comes from the line of Joseph Civello from Truist Securities. Your line is open.

Joseph Civello Q
Analyst, Truist Securities, Inc.

Hey, good morning, guys. Thanks for taking my questions. And congrats on the quarter. I just wanted to ask another question about the cost cadence this year. In 2Q, obviously, you're going to be lapping a ton of clearance in the outdoor from last year. Should we think about recovering all of that or most of that? Or could you give any guidance there?

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

Joe, I don't know if I'll give any more specific guidance on a quarterly basis. But as you can imagine, in addition to kind of the lapping of the clearance activity that you called out, we will be favorable against the shrink true-up that we had almost about 84 basis points of an unfavorable impact that we saw in Q2. I would look at it on a full year basis. Like we said, we expect our merch margin to expand on a year-over-year basis as well as the gross margins.

Joseph Civello Q
Analyst, Truist Securities, Inc.

Okay. Great. And then just one more question. I think you said shrink came in a little bit better than you were expecting. How should we think about that in the second half as you are lapping normalized shrink from last year?

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

Yeah, absolutely, great question. So like shrink – like it deleveraged 22 basis points here in Q1, it did – the shrink is still going up on a year-over-year basis. I want to be clear about it. So that's where we continue to be appropriately cautious as we look to Q3 and Q4 impact on a P&L basis. However, like you said, it did moderate versus our internal expectation, which is a good news trend. But we have only counted half of our chain, so we'll continue to be appropriately cautious as we look to the balance of the year on shrink line.

I would give a...

Joseph Civello
Analyst, Truist Securities, Inc.
Q

Thanks so much.

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

...lot of credit to – I'll give a little bit of a shout out to our store team and the DC team, the work that they're doing, in not just in continuing to move the merchandise, make appropriate operating decisions to keep the stores and our athletes safe, that is allowing us to have slightly, call it, moderated growth on a year-over-year basis versus our internal expectations.

Joseph Civello
Analyst, Truist Securities, Inc.
Q

Got it. Thanks so much.

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

Thank you.

Operator: Your next question comes from the line of Chuck Grom from Gordon Haskett. Your line is open.

Chuck Grom
Analyst, Gordon Haskett Research Advisors
Q

Hey, good morning. Really good quarter. My question is on traffic. The past few quarters have been really, really strong, particularly on a two-year basis. Curious if there's a way to unpack new customers versus existing customers.

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

So we've continued to grow our athlete base over the past several years. I think we had 7 million new athletes join last year and 1.5 million this past quarter. And traffic has continued to be strong. So, it's about new athletes. It's also just about the differentiated product that we keep bringing in and the fact that the elevation of the brand and the experience has been strong. So really – really good traffic numbers. And our consumer is holding up very, very well.

Chuck Grom
Analyst, Gordon Haskett Research Advisors
Q

Okay. Great. And then my follow-up is just on GameChanger. I'm curious how you're thinking about growing that business. I have four kids in these sports. There's just a big appetite, right, to watch your kids. There's a ton of different platforms out there. But it seems like you guys are taking up the pole position here. Just curious like how you're thinking about growing it over time.

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

Yes. Great question. And we have the same vision you have. It is the best platform. And really, we started off – GameChanger was a Diamond Sports-focused business. And so while we continue to improve, we're using artificial intelligence to get the video even more exciting and accurate, and there's lots going on behind the scenes there to drive even more excitement there.

Our biggest thing in the short term is to grow the Diamond Sports business into other emerging – they're not emerging sports, but they're emerging to the platform, things like volleyball and other sports and basketball is a big priority. So that's how we're going to be growing near term. But our vision is big here, and we are thinking long term and how we can continue to develop that connection with our athletes, not just when they're in the store, but when they're at their practice, at their games and beyond during training.

Chuck Grom
Analyst, Gordon Haskett Research Advisors
Q

Great. Thank you.

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

Thank you.

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

Paul Lejuez
Analyst, Citigroup Global Markets, Inc.
Q

Hey, thanks, guys. Wondering if you could talk a little bit more about stores versus eComm in terms of what you're seeing, transactions versus ticket moving both channels. And I'm curious if you could share anything further about what we're seeing in the eComm business in the trade area of a House of Sports store when it opens and as they mature. Thanks.

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

Yeah. Paul, thanks for the question. We don't – we no longer break out stores and eComm, and that's because the – inherently, the customer is so omni-channel and focused, that it became a very challenging exercise. But we're very pleased with our digital business and very pleased with how the e-commerce business responds when we open new stores and when a House of Sport comes in the area, it's all a very positive ecosystem story.

Paul Lejuez
Analyst, Citigroup Global Markets, Inc.

Q

Okay. Then just a follow-up. Did anything change in terms of how you're thinking about category performance as you move throughout the year? Just based on what you saw in Q1, maybe relative to your prior expectations, just how each category is contributing to this year's growth?

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

A

No, overall, the categories are delivering on our expectations, above them in Q1, and nothing material changed.

Paul Lejuez
Analyst, Citigroup Global Markets, Inc.

Q

Thank you.

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

A

Thank you.

Operator: Your next question comes from the line of Will Gaertner from Wells Fargo. Your line is open.

Will Gaertner
Analyst, Wells Fargo Securities LLC

Q

Hey, guys. Thanks for taking my question. Just firstly, where are you guys and who are you guys taking share from, in your opinion?

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

A

So, it's a good question, yes. We're taking share really across the board. There's been some consolidation in the industry. We are taking share from – I don't want to call out anybody specifically, but we have our premium footwear assortment, for example, is driving strong interest. Our apparel is driving strong interest. Our vertical brands are meeting consumer needs. Even everything from opening price point to true lifestyle. So I would say it's across the board and across the industry that we're seeing share gains.

Will Gaertner
Analyst, Wells Fargo Securities LLC

Q

Got it. Thank you. As far as GameChanger, it looks like you'd added 20 basis points to the comp last year.

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

A

Correct.

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

A

Yes.

Will Gaertner
Analyst, Wells Fargo Securities LLC

Q

How do we think about GameChanger as far as revenue going forward? I mean I think you called out $100 million revenue in 4Q. Is there any seasonal puts and takes there? I mean how do we think about GameChanger and how much it's going to add to the comp going forward?

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

A

Yeah, you said both of the facts really well. Yes, the favorable – the impact was – the favorable impact to comp was about 20 basis points. And we expect that on a full year basis that'll range between 20 to 30 basis points. And our full year expectation from the GameChanger platform is to deliver about $100 million of sales here in 2024.

Will Gaertner
Analyst, Wells Fargo Securities LLC

Q

Got it. Thank you.

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

A

Thank you.

Operator: Your next question comes from the line of Seth Basham from Wedbush Securities. Your line is open.

Seth Basham
Analyst, Wedbush Securities, Inc.

Q

Thanks a lot and good morning. My question is just on SG&A. Following the business optimization actions you took last year, where are you with reinvesting there? Are you still on track to reinvest in the focus areas that you planned? And any other color you have on the SG&A outlook?

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

A

Yeah. No, we are definitely focused on investing in appropriate capabilities. And quite frankly, we have been doing this all along 2023 itself. The big area of investments continue to be in talent, right? Bringing the right talent that is helping us do these store openings, have the successful openings, not just at the House of Sport, but the 50K.

There is a lot of investment, as you can imagine, that is going in technology area, which, as you can imagine, that is allowing us to get the top line returns from those investments. And it's also helping us drive productivity improvements which we are then able to reinvest that into the business. And then the third area continues to be investment appropriately within the advertising line driving the brand awareness, as well the growth in our vertical brands.

Seth Basham
Analyst, Wedbush Securities, Inc.

Q

Got it. And so going forward beyond 2024, SG&A leverage is going to be predominantly dependent on top line growth. Is that a fair statement?

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

A

That's generally a fair statement. But I would say, again, on a long-term basis, we expect both to drive top line growth as well as the bottom line profitability improvement. It'll be balanced between the margin investment opportunity or the SG&A investment opportunity.

Seth Basham
Analyst, Wedbush Securities, Inc.

Q

Thank you.

Operator: And your final question today comes the line of Jonathan Matuszewski from Jefferies. Your line is open.

Jonathan Matuszewski
Analyst, Jefferies LLC

Q

Great. Nice results and thanks for taking my question. The first one was on ticket. If you could give us just more color on what fueled the ticket growth this quarter. It looks better than the industry and prepared remarks indicate more spend per trip. So any more color there would be helpful. And kind of understanding what's embedded in that revised comp guide for 2024 regarding ticket, whether the 50-50 split from 1Q is reasonable. Thanks.

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

A

Yeah. Jonathan, I would say the answer to the first question is the same, right? What is driving increased basket size when the athletes come to our store as well as the overall ticket continues to be driven by the differentiated product that we have access to.

This is the product that is highly coveted, highly in demand right now. So having that product allows you to not only capture the demand that is walking into the store or online, but you're able to get a much better recovery on that full price selling as well.

So the premium assortment and the premium product as well as the most allocated and sought-after product continues to drive both our ticket size as well as the basket size when the athletes come.

And in terms of the guidance, we don't provide the guidance at that level. So I'll continue to keep the comp guidance of 2% to 3% for the full year at the highest level. And we continue to be really excited about the balance trend that we are driving between the traffic growth as well as the ticket growth.

Jonathan Matuszewski
Analyst, Jefferies LLC

Q

Great. And just a quick follow-up on the transaction this quarter. Did you see any discernible shift in trends across income cohorts?

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

A

We didn't. We saw growth across all of our income demographics, and we didn't see trade down from best to better or better to goods, so pretty consistent across all the income demographics of cohorts.

Jonathan Matuszewski
Analyst, Jefferies LLC

Q

Thanks so much.

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

A

Thank you.

Operator: And that concludes our question-and-answer session. I will now turn the call back over to President and CEO, Lauren Hobart, for some closing remarks.

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

Well, thank you all for your interest in DICK'S Sporting Goods. And I just want to take a moment to thank our incredible team, in our CSC, our DCs, our stores, our GameChanger offices, it is they who delivered this really strong quarter. I'm very, very thankful and proud of them. Thank you, all. We'll see you next quarter.

Operator: This concludes today's conference call. Thank you for your participating. You may now disconnect.