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Dick's Sporting Goods, Inc. (DKS)

Q1 2025 Earnings Call

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Edward W. Stack

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. My name is Krista, and I will be your conference operator today. At this time, I would like to welcome everyone to the DICK's Sporting Goods First Quarter 2025 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you. And I would now like to turn the conference over to Nate Gilch, Senior Director of Investor Relations. 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 2025 results. On today's call will be back Ed Stack, our Executive Chairman; Lauren Hobart, our President and Chief Executive Officer; and Navdeep Gupta, our Chief Financial Officer.

A playback of today's call will be archived in our Investor Relations website, located at investors.dicks.com for approximately 12 months. As a reminder, we will be making forward-looking statements, which are subject to various risks and uncertainties that could cause our actual results to differ materially from these statements. Any such statements should be considered in conjunction with cautionary statements in our earnings release and risk factor discussions in our filings with the SEC, including our last Annual Report on Form 10-K, as well as cautionary statements made during this call. We assume no obligation to update any of these forward-looking statements or information.

Please refer to our Investor Relations website to find the reconciliation of our non-GAAP financial measures referenced in today's call. In addition, certain important information related to the transaction will be included in the registration statement on form S-4 that will be filed by DICK's Sporting Goods in connection with the transaction. Investors are encouraged to read the form S-4 and other documents filed with the SEC in connection with the transaction.

In addition, Dick's and Foot Locker and their directors and officers may be deemed to be participating in a solicitation of proxies in favor of the proposed transaction. Please refer to the disclaimer information included in our earnings release. And finally, for future scheduling purposes, we are tentatively planning to publish our second quarter 2025 earnings results on September 3, 2025. With that, I'll now turn the call over to Ed.

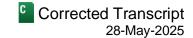
Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

Thanks, Nate. Good morning, everyone. As announced earlier this morning, we had a very strong start to the year with another quarter over a 4% comp. Our momentum is significant and our long-term strategies are clearly working. On May 15, we announced our plans to acquire Foot Locker, a move that represents a truly exciting and transformational moment for DICK's. While we spoke to our strategic rationale and the significant benefits of this acquisition on our most recent investor call, I wanted to take a moment to reiterate why we're so excited about this combination and why it makes sense for DICK's at this time.

The convergence of sports and culture has never been stronger, and we're seeing tremendous momentum and opportunity across our industry. For many years we've admired Foot Locker's brand and the powerful community they're built in sneaker culture. By bringing our two great brands together, we see the opportunity to create a

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global leader in the sports retail industry, one that serves more types of athletes, consumers and communities than we do today. This combination positions us to participate in a \$300 billion global sports retail market, and expands our reach to over 3,200 stores worldwide. By applying the operational expertise we've built over the years, we will help unlock the next chapter of growth for Foot Locker.

We believe this makes us an even more important partner to the world's leading sports brands, giving them a larger, more connected platform to reach athletes across geographies, channels and banners. As we said earlier, we expect the transaction to be accretive to DICK's EPS in the first full fiscal year post close, and we see a clear path to unlocking meaningful cost synergies over the medium term. We're proud of the strong position we're in today and incredibly excited about the future we believe is ahead in combination with Foot Locker. While this morning we're focused on our strong Q1 results, we look forward to sharing updates as we move through this process. I'll now turn the call over to Lauren.

Lauren R. Hobart

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

Thank you, Ed, and good morning everyone. We are very pleased with our first quarter results, which we previewed for you almost two weeks ago. Our performance demonstrates momentum and strength of our long-term strategies and the consistency of our execution. Our Q1 comps increased 4.5%, driven by our four strategic pillars of omni-channel athlete experience, differentiated product assortment, deep engagement with the DICK's brand, and our knowledgeable and passionate teammates who are integral to our success. This is the fifth straight quarter where our team has delivered over 4% comp growth.

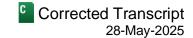
In Q1, we saw growth in both average ticket and transactions. In fact, compared to the same period last year, more athletes purchased from us, they purchased more frequently, and they spent more each trip. Our first quarter gross margin expanded over 40 basis points, driven by higher merchandise margins, and we delivered non-GAAP EPS of \$3.37, ahead of last year.

As we reflect on our strong results and look to the rest of the year, I want to acknowledge that we're operating in an increasingly complex macroeconomic environment, one shaped by shifting trade policies and a more cautious consumer mindset. However, despite this uncertainty, we continue to operate from a position of strength. We hold a unique and compelling position in the industry, and we've seen that people continue to prioritize healthy lifestyles, sports and fitness, and are increasingly looking to DICK's Sporting Goods to meet these needs.

It's worth highlighting that over the past three years we've acquired over 20 million new athletes. With all of this in mind, we are reaffirming the guidance we provided for 2025, which includes the expected impact from all tariffs currently in effect. We continue to expect our comp sales to be in the range of 1% to 3%, which at the midpoint represents nearly a 10% three-year comp stack. We continue to expect our EPS to be in the range of \$13.80 to \$14.40. As we outlined on last quarter's call, we are leaning into our strategic pillars, while focusing on three exciting growth areas with significant potential, repositioning our real estate and store portfolio, driving continued strong growth in key categories, and accelerating our e-commerce business.

First, we continue to make meaningful progress in repositioning our real estate and store portfolio. We opened two additional House of Sport locations in Q1, followed by another location earlier this month, and continue to expect to open approximately 16 total in 2025. We also added four new Field House locations in Q1, with two more opening a few weeks ago, and are on track to open approximately 16 total this year. The response to these openings has been incredibly positive, and reinforces the strength of our approach to elevating the athlete experience and the importance of continuing to invest in the long-term growth opportunity ahead of us.

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The second of our three major growth areas is driving growth across key categories. Our strong access to top-tier products from national and emerging brands, combined with our premium in-store and digital experiences, are fueling robust demand, including strong sell-through on launches. Our third major growth area is accelerating our multibillion dollar, highly profitable e-commerce business, where we see significant opportunity to grow our online presence and gain market share from online-only and omni-channel retailers alike. To capture this opportunity, we're investing aggressively in technology and marketing to enhance the omni-channel athlete experience and drive greater consideration for dicks.com.

We are seeing the impact of these investments. We delivered strong e-commerce growth in Q1, which again outpaced the total company growth. Our in-app capabilities have been instrumental in building excitement and driving the success of our launches across categories. And this past quarter, we delivered our biggest diamond sport launches ever, supported by our elevated and diverse assortment that positions us as the destination for new products.

Lastly, as part of our broader digital strategy, we remain very enthusiastic about two long-term growth opportunities, GameChanger and DICK's Media Network, both of which are delivering strong, profitable growth as they scale. Looking more closely at the GameChanger business, we had over 6.5 million unique active users during the first quarter, with an average of approximately 2.2 million daily active users, a nearly 28% year-over-year increase. I'd like to thank all of our teammates for their hard work and commitment to DICK's Sporting Goods, and for their focus on delivering great experiences for our athletes this summer season.

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

Navdeep Gupta

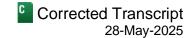
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.

Thank you, Lauren, and good morning everyone. Let's begin with a brief review of our first quarter results. We are very pleased to report a consolidated sales increase of 5.2% to \$3.17 billion. Our Q1 comps increased 4.5%, and we continue to gain market share from online-only and from omni-channel retailers. This represents a 9.8% two-year comp stack and a 13.4% three-year comp stack. These strong comps were driven by a 3.7% increase in average tickets and a 0.8% increase in transactions. We saw strength across key categories and our vertical brands led by DSG, Calia and VRST, which all continue to resonate very well with our athletes.

Gross profit for the first quarter remained strong at \$1.17 billion or 36.7% of net sales, and increased 41 basis points from last year. This increase was driven by higher merchandise margins. On a non-GAAP basis, SG&A expenses increased 7% to \$791.2 million and deleveraged 42 basis points compared to last year's non-GAAP results. As we previewed during last quarter's call, this year-over-year deleverage was expected and driven by strategic investments digitally, in-store, and in marketing, to better position ourselves over the long-term. This was partially offset by lower incentive compensation expense compared to the prior year.

Pre-opening expenses were \$13.4 million, a decrease of \$7.7 million compared to the prior year, and in line with our expectations. Non-GAAP operating income was \$360.4 million or 11.35% of net sales. This is up from non-GAAP operating income of \$334.5 million or 11.08% of net sales in Q1 of 2024. On a non-GAAP basis, other income, primarily comprised of interest income, was \$13.3 million, down \$8.3 million from the prior year. This decline resulted from lower cash on hand and an expected lower interest rate environment. Non-GAAP EBT was \$361.6 million or 11.39% of net sales. This is up from EBT of \$342.4 million or 11.34% of net sales in Q1 of 2024.

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As expected, our Q1 tax rate grew from 19.6% last year to approximately 24% this year. This approximate 440 basis points increase reflects the higher tax deduction from greater number of employee equity awards being exercised in the prior year, which favorably impacted Q1 2024 earnings by approximately \$0.19 compared to the current-year quarter. In total, we delivered non-GAAP earnings per diluted share of \$3.37, an increase of 2.1% compared to the earnings per diluted share of \$3.30 last year. On a GAAP basis, our earnings per diluted share were \$3.24. This includes non-cash losses from non-operating investment in Foot Locker stock. For additional details on this, you can refer to the non-GAAP reconciliation tables of our press release that we issued this morning.

Now looking to our balance sheet, we ended Q1 with approximately \$1 billion of cash and cash equivalents and no borrowings on our \$1.6 billion unsecured credit facilities. Our quarter-end inventory levels increased 12% compared to Q1 of last year. We believe our inventory is well positioned. As we have discussed, our deliberate investment in key items and categories continue to fuel our sales momentum.

Turning to our first quarter capital allocation, net capital expenditures were \$242 million and we paid \$100 million in quarterly dividends. We also repurchased 1.4 million shares of our stock for \$298.7 million, at an average price of \$218.65.

Now moving to our outlook for 2025, which does not include acquisition-related costs, investment losses or results from recently announced Foot Locker acquisition. Assuming no material changes in consumer spending, we are reaffirming our expectations for comp sales and EPS. This balances our strong start to the year, our confidence in our strategic initiatives and our operational strength against an increasingly complex macroeconomic environment. We continue to expect comp sales growth in the range of 1% to 3%, with comps closer to the highend of our guidance through the third quarter. Consolidated sales are expected to remain in the range of \$13.6 billion to \$13.9 billion. Driven by the quality of our assortment, we also continue to expect gross margins to improve by approximately 75 basis points at the midpoint.

As we have discussed, from this position of strength, we plan to make strategic investments digitally, in-store, and in marketing to better position ourselves over the long term. Thus, we anticipate our gross margin expansion to be offset by SG&A deleverage. From a pacing standpoint, we continue to expect greater SG&A expense deleverage in the first half, with moderation in the second half as we lap the higher investment levels from the second half of the last year. We continue to expect pre-opening expenses to be in the range of \$65 million to \$75 million, with approximately one-third incurred in the first half of the year and the remaining two-thirds in the second half.

We continue to expect operating margin to be approximately 11.1% at the midpoint. And at the high end of our expectations, we continue to expect to drive approximately 10 basis points of operating margin expansion. We continue to expect full-year earnings per diluted share to be in the range of \$13.80 to \$14.40. As a reminder, this does not include the acquisition-related costs, investment losses or results from the recently announced Foot Locker acquisition. From a pacing perspective, we continue to expect EPS to decline year-over-year in the first half and increase year-over-year in the second half.

Our earnings guidance is based on approximately 81 million average diluted shares outstanding compared to the prior expectation of 82 million and an effective tax rate of approximately 24%. We continue to expect net capital expenditures of approximately \$1 billion for the year. As Lauren mentioned, our guidance includes the expected impact from all tariffs currently in effect. We are working closely with our manufacturing and brand partners to mitigate potential impacts, and we are making continued progress in diversifying our direct sourcing footprint. As I mentioned, our inventory is well positioned with healthy levels across key categories. We have navigated similar environments before and we are confident we have the team, tools and relationships to manage through this.

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 Brian Nagel with Oppenheimer. Please go ahead.

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

Hi, good morning. So my first question is for Ed, and with regard to the proposed transaction with Foot Locker. So, I think a lot of us have studied this very closely. I know you have been talking to a number of investors or potential investors out there. You touted kind of the merits of the transaction. The question I have is, as you're talking to investors with DICK's stock still being down from the time of the announcement, what do you think? Is there anything clear that you think the market is really missing on the potential for this transaction, both near and maybe longer term?

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

Yeah, Brian, thanks for the question. We understand that there's really a group of people out there, shareholders that would really have preferred we just continued to do what we're doing. And so, our business is very strong. We've got a lot of momentum around what's going on from a House of Sport standpoint, what's going on from a Field House, and we've got these projects firmly under control, and people would just be wishing we'd just continue to do what we're doing. We don't think that's right long-term for the business.

So, with the Foot Locker transaction, we see several opportunities. It really gives us a unique opportunity to strengthen our brand relationships through a global presence, gives us the ability to service a portion of the market that we just we can't service today with our DICK's Sporting Goods stores. We believe we can bring greater operational efficiency to the Foot Locker business and increase its profitability. We've kind of talked that we'll capture \$100 million to \$125 million of synergies through the medium term, and we've been very clear that we believe this will be accretive to our earnings in the first full fiscal year following the close.

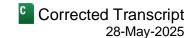
As we take a look at why we did this, we believe sport and culture have intersected around the globe and it's only going to get stronger over time. This gives us an opportunity to compete for that market share and not just abdicate it to other retailers around the globe. We just don't feel that we should do that. And I think what the Street needs to understand is that, like it or not, we don't make investments or decisions for a quarter or two. We make these decisions and investments for a lifetime, and we do know that it's up to us to prove to the Street and to everybody that this was the right decision to make. We're confident that we'll be able to do that. So we're really excited about this acquisition. We think it's going to be very good for our shareholders. It's very good for the Foot Locker shareholders. It'll be good for the consumer out there. And the momentum we have with our DICK's business, we do not expect to be interrupted. So, we're pretty excited about this. Thanks, Brian.

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

That's very helpful. I appreciate it.

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Executive Chairman, Dick's Sporting Goods, Inc.

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Sure.

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

Thank you. So, then the second question for Lauren, just on the business end, look, hey, we're all still really focused here on tariffs and [ph] there's obviously this very fluid backdrop (00:22:22). So I guess the question I want to ask as you're talking to your brand partners out there, is there any update on how we should be thinking about DICK's plans to deal with tariffs, I mean, recognizing we really don't know what the tariffs are going to be yet?

Lauren R. Hobart

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

Thanks, Brian. Yes, I want to point to the fact that we are starting with – this year started with such incredible momentum, and it's actually been a trend that's been going on now five consecutive quarters of over 4% comp growth. And we have tremendous momentum in many aspects of our business. So, obvious – our long-term strategies are clearly working. And that's everything from our differentiated product assortment to how we are elevating our athlete experience. Our team is operating at an absolutely incredible level, and they are really to be given the credit for the incredible performance that we have. And importantly, our consumer has held up very well. And this has been a trend for some time, and it continues to be a trend, where people are prioritizing activities, healthy active lifestyle, team sports, running, walking, being outside with their kids. And so, this quarter we actually saw no trade down from best to better to better to good. We saw growth across all income demographics, and we saw growth in ticket and transaction.

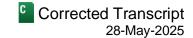
So I say all that because as we look to tariffs, we have now factored in all of the known tariffs into our guidance. We are able to affirm our guidance going forward, both top line and bottom line and 75 basis points of gross margin improvement. And we will continue to work incredibly closely with our brand partners and our manufacturing partners to navigate. We are constantly making decisions on what the best thing is for athletes and what the best thing is for the businesses and the profitability, and we'll continue to balance that. We have an incredibly dynamic pricing ability, but are very pleased today to be able to confirm that we are holding to our guidance, top line and bottom line.

Simeon Ari Gutman	
Operator: Your next question comes from Simeon Gutman with Morgan Stanle	ey. Please go ahead.
Thank you.	
Lauren R. Hobart President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.	A
Much appreciate it. Thank you.	
Brian Nagel Analyst, Oppenheimer & Co., Inc.	C



Analyst, Morgan Stanley & Co. LLC

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Hey, good morning, everyone, and good quarter. I want to ask about the durability of the comp strength. So, most discretionary businesses that we cover, they've comp'd negative for two to three years. You haven't had that. Now you've five in a row plus 4%, and you're guiding 1% to 3% for the full year. You mentioned dynamic backdrop, and it sounds like maybe some tough compares by the fourth quarter. Is that the rationale of keeping the 1% to 3% or is there anything unique, meaning, why can't it be eight quarters in a row of 4%, given how the business keeps performing? Thanks.

Lauren R. Hobart

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

Yes. Thanks, Simeon. Our consumer, as I said, is incredibly strong. Our business has a tremendous amount of momentum. We do have higher comps that we're lapping in the back half of the year, and so that's a factor. But we feel incredibly strong about the factors that we can control in our business and incredibly confident as we go forward. I would point to the fact that the fact that the consumer has held up well does speak somewhat to the fact that our business is very resilient, and people are increasingly prioritizing these categories with the available income that they have, and we continue to expect that that will be the case throughout the year.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC



Okay. My follow-up, I want to ask about Nike. I realize there's maybe sensitivity to talk about one brand, but I think the importance of it goes higher now for DICK's and then in the future with Foot Locker. And I don't think there's a company or people better suited to give us a perspective. So if you're willing, assessment where the brand is in terms of cleaning up inventories in the marketplace, do they have a defined distribution strategy? And then, what your assessment or opinion on product innovation is, just your thoughts, I realize you can't speak for them?

Lauren R. Hobart

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



Yes. Thanks, Simeon. So, yeah, Nike is a very important strategic partner for us. And we continue to be really happy both with our partnership and the strategic nature of it, the fact that we're innovating and working on longerterm consumer trends and product pipelines, what we see coming down the pike we're very excited about and Nike continues to perform really, really well for us. So, as we look to the future, we've heard about some distribution changes. We worked very closely with all of our brand partners. And one thing that you can say about Nike time in and time out is that they are very good at segmenting their products, and we have no reason to expect that that won't be the same. So we expect segmentation of the market. We expect minimal overlap with some of the new distribution, and we're excited about a lot of product innovation coming down the pike. The running construct, some of the lifestyle apparel, women's basketball, there's a lot of great stuff going on. So we feel terrific about the Nike partnership.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Okay. Thank you. Good luck.

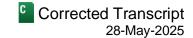
Lauren R. Hobart

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

Thank you.

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

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Adrienne Yih

Analyst, Barclays Capital, Inc.

Great. Thank you very much and congratulations on another very well-executed quarter.

Navdeep Gupta

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

Thanks, Adrienne.

Adrienne Yih

Analyst, Barclays Capital, Inc.

Lauren – you're welcome. For you, it's about the price increases or the inevitable price increases, I might say. It seems like at this level of the 30% China, 10% elsewhere that the price increases needed are not terribly daunting, I would say, maybe low- to mid-single digit. How do you think about, when you take prices in your own direct segment versus when you're seeing the price increases asked of you from the brand? Thank you.

Lauren R. Hobart

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

Yeah. No, you're right. And that's why we were able to just confirm our guidance is that we believe with the tariffs that are known to-date, we can manage and we are continuing to do that. We are constantly assessing our pricing down to the item level, SKU level, and we do that based on consumer demand and the profitability of the business. We have a very advanced pricing capability, much more advanced than we used to have, and much more enabled to make real time and quick decisions. And so this is just a core – this is something we do. This is a core strength of ours. We will continue to navigate. And I would take comfort in the fact that our margin, we just guided at the midpoint, up 75 basis points, we feel very confident.

Adrienne Yih

Analyst, Barclays Capital, Inc.

Great. And then, my follow-up is on inventory for you. You pulled forward some it seems, when would the tariffs and – or the costs start to come through the P&L? And how are you thinking about units versus dollars as we end the quarter and start into the fall season? Thank you.

Navdeep Gupta

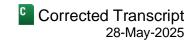
Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.

Yeah. Adrienne, let me start with where we finished in Q1. Our inventory growth was 12%. But one of the important things that we have said consistently is the fact that this is the differentiated inventory that is allowing us to drive this differentiated top line results. Like Lauren called out, this was the fifth straight quarter with over 4% of comp. That is driven as one of the core strategies that we have is the differentiated access to the product. The focused investments that we made at the end of Q4 of bringing the spring products earlier actually worked really well. And that's what you saw was the outsized comp that we were able to deliver.

In terms of the inventory growth and that impact from tariff, we expect that the inventory growth will moderate, even with some of the tariff headwinds that we have anticipated in that, especially as we start to lap the investments that were made in the second half of 2024.

Operator: Your next question comes from the line of Robbie Ohmes with Bank of America. Please go ahead.

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Robert F. Ohmes

Analyst, BofA Securities, Inc.

Oh, hey. Good morning. Thanks for taking my question [indiscernible] (00:30:27) it's really two follow-ups. One is just can you guys talk about the way how you took share from Foot Locker over the last few years and how much of that was a driver to growth? And then, I think you guys called out, you're gaining share from digital and omnichannel. Is there a shift in who you're taking share from? And how are you thinking about taking that share as people like Amazon maybe be getting better allocations from people like Nike? And then my follow-up is just quickly on just remind us what the expectations are for FTC approvals for the merger?

Lauren R. Hobart

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

Thanks, Robbie. So, we have been gaining share for some time now. We have been operating in a \$140 billion TAM in the US, and we have been driving point of growth in the last year, and it's continued. The great thing about our industry is we only have an 8% market share, despite all of the growth that we've had and the fact that we are a dominant player. And we have an incredible – we have such a strong business, and yet there is so much market share to be gained. And so, we're gaining share from many places. We're gaining share from digital channels. We're gaining share from omni-channel. And as I mentioned before, we continue to feel very confident that our brands appreciate that they can bring their whole brand to life in our store from head to toe, including gear and equipment. We can tell a whole brand's story and we are rooted in sport, and that gives us an advantage versus our competitors, both online and omni-channel. I'll turn it to Navdeep to talk about the FTC.

Navdeep Gupta

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

Yeah, Robbie, let me just quickly build on what Lauren answered. In terms of the share gain, also, we have to keep in mind that the gain are coming from the core product focus category. So it's apparel, it's footwear, it's team sports that the work our merchant teams are doing, even in some of the outdoor categories, are the drivers of our differentiation. In terms of the FTC approval on the merger, we anticipate that will be somewhere in the second half of this year.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

And just in terms of Amazon, just do you expect segmentation to be favorable to DICK's Sporting Goods still?

Lauren R. Hobart

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

Yes, Nike and all of our brands do a good job segmenting, and we are expecting this will be no different. We expect minimal overlap.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Terrific. Thank you.

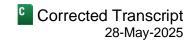
Lauren R. Hobart

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

Thank you.

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Navdeep Gupta

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

Thanks, Robbie.

Operator: Your next question comes from the line of Michael Baker with D.A. Davidson. Please go ahead.

Michael Baker

Analyst, D.A. Davidson & Co.

Hey, I wanted to ask about a different acquisition. Can you talk a little bit about the investment you made in – or your affiliate made in Unrivaled Sports and...

Lauren R. Hobart

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

Yeah.

Michael Baker

Analyst, D.A. Davidson & Co.

...how that impacts your GameChanger business? And was that contemplated in the guidance that you had given for the year for GameChanger? Just wanted to dig into that a little bit if I could.

Lauren R. Hobart

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

Yeah, Michael, thank you so much for that question, because we are very, very excited about the investment that we've made in Unrivaled and that we continue to make in GameChanger. So let me start quickly with GameChanger, that business, over \$100 million last year, growing to \$150 million, highly profitable, software-as-a-subscription business. But more importantly, it enables us as DICK's to get involved in all aspects of the athlete's journey, from the time they sign up for a team, to when they're playing, to GameChanger case, when they are watching the game, fans, parents, watching scores, stats, it's an incredibly rich database. And it also continues to fuel our DICK's Media Network, which is – GameChanger is a live sports media platform that we're very excited to be able to put into our DICK's Media Network.

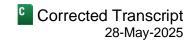
Unrivaled, we're so excited, because they're on the ground and they're providing youth sport experiences at places like Cooperstown All Star Village and are hosting 600,000 youth athletes, 2 million families in the course of the year. And we're so excited to be able to be at that point of sport when kids are competing and elevate the experience and share just best practices and a lot of business opportunities unlocked as well.

Navdeep Gupta

 ${\it Executive Vice President \& Chief Financial Officer, Dick's Sporting Goods, Inc.}$

Well, then let me quickly build on what Lauren said. If you think about the opportunity that we talk about in the youth sports infrastructure, that opportunity goes well beyond what happens during the physical game day, where GameChanger is one of the most dominant and the most differentiated product platform that is out there. Now, with the partnership and the equity investment that we have Unrivaled in, this gives us an opportunity to actually look at the ecosystem much more holistically and much more collectively between the GameChanger business and the Unrivaled opportunity that we have. Couldn't be more excited about this overall \$40 billion TAM, which is growing really well, and with the capability we have at GameChanger and now the partnership that we have with Unrivaled, this will allow us to really differentiate in that space even further.

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Michael Baker

Analyst, D.A. Davidson & Co.

Got it. Makes sense. If I could ask one more follow-up from a previous question asking you to comment on your – on the competitive situation again. Nike tried to sell through Amazon in the past. It didn't work. They pulled back on it. Why would this be different? Do you have any insight as to what your competitors are doing differently this time versus when they first tried that partnership?

Lauren R. Hobart

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

Yeah, well, we don't speak on behalf of Nike. They are – I know have an effort to clean up the marketplace, and that's a driver of what they're doing now. I'll let them speak to what their motives are.

Michael Baker

Analyst, D.A. Davidson & Co.

Okay. Fair enough. Thank you.

Lauren R. Hobart

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

Thank you.

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

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Hi. Good morning. Thanks for taking our question. We just wanted to hear a little bit more about the category performance in the quarter, how footwear, apparel and hard goods performed relative to each other, and the overall comp, and if there was any cadence difference between the months?

Lauren R. Hobart

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

Thanks, Kate. The 4.5% comp, we saw growth across so many areas of our business. So we saw growth in footwear, we saw growth in apparel. We saw growth in team sports. And then from a cadence standpoint, like the rest of the world, the beginning of the month was a little cold and wet, February was, but it continued to improve and we had strength across the quarter in each month.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Thank you.

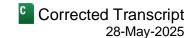
Lauren R. Hobart

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

Yeah.

Operator: Your next question comes from the line of Christopher Horvers with JPMorgan. Please go ahead.

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Christopher Horvers

Analyst, JPMorgan Securities LLC

Thanks. Good morning, everybody. So I just want to pull up on the tariff question. Have you actually received any tariff items into inventory? Have you taken any prices yet on that product? And if not, when would you expect to start to turn that inventory of tariffed items?

Navdeep Gupta

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

Chris, and we have no impact from tariffs in Q1, and we are working very closely with each of the brand partners on the right cadence and how best do we flow it. So we'll share much more and these things start to actualize. As we called out in our guidance, we have contemplated some of the timings associated with it in our guidance, and we still feel great about the 75 basis points of the margin expansion that we guided for the full year.

Christopher Horvers

Analyst, JPMorgan Securities LLC

Understood. And I had a question on the Foot Locker deal as well. Looking at the documents, it seems like it's a pretty low divestiture threshold. I think it's \$100 million in terms of, if you're forced to divest more than that, that you could potentially walk away from the deal. Can you talk about why that level, that doesn't seem like that's a whole lot of Foot Locker stores in terms of potential divestitures? So any comments on that would be helpful. Thank you.

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

Sure. We think that, as we talked about one of the main reasons for this is to serve a consumer that we're not able to serve today. And if we have to divest a lot, then it kind of makes it not, like, consistent with what our strategy and the tactics are that we want to employ. So, that's why we've got that \$100 million number there. We really want to service a consumer that we don't service today.

Christopher Horvers

Analyst, JPMorgan Securities LLC

Got it. Very helpful.

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

Joseph Isaac Feldman

Analyst, Telsey Advisory Group LLC

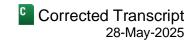
Thanks for taking the question, guys. Two quick ones. On Golf Galaxy, can you maybe share some color on the business and how it trended through the quarter and maybe even more broadly to the DICK's business, how Golf is continuing to do?

Lauren R. Hobart

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

Sure, Joe. Yeah, golf remains a very important category for us. We think there is a compelling long-term growth opportunity. And as you know, in 2024 rounds played, we're at an all-time high. I think, for us, we're looking at

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reinventing the business with Golf Galaxy Performance Center, which is an immersive experiential place for golfers to come and have lessons and fittings and really immerse themselves into the game of golf. And we've got 27 GGPC, Golf Galaxy Performance Centers that are going to 35 this year. So we're really excited about it.

One thing I'm also very excited about from a golf standpoint is how well our vertical brands do across our golf business. And we are our own number one vendor partner in golf with vertical brands. And I just have to say shout out to our team and to Ben Griffin, who's been playing the Maxfli ball and is so – and just two PGA TOUR events and he's doing so incredibly well. We have so much excitement around the golf business and with Golf Galaxy and DICK's Golf, we think that there's a tremendous potential here.

Joseph Isaac Feldman

Analyst, Telsey Advisory Group LLC That's great. Thank you. And then, just I wanted to follow up on GameChanger. Can you share a little more color

on the crossover between the GameChanger users and DICK's shoppers and how you drive that crossover to get them to sort of come to DICK's and spend at the stores?

Lauren R. Hobart

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

Yeah, that's a great question. We do find that our – the people who do crossover, so our GameChanger users and our DICK's shoppers are some of our absolute best shoppers. They're highly engaged. They are gold members through and through. And we're doing increasingly every year, we're doing more to drive both sign up for GameChanger among DICK's shoppers, so making GameChanger now known and available to DICK's shoppers, and then similarly presenting different options to GameChanger users to purchase at DICK's.

One of the big capabilities in the DICK's Media Network is that there is an opportunity for in-game advertising. Again, it's a live sport platform that we're using, and that's people focused watching at the point of sport, watching their kids, their grandkids or their own stats and scoring history. And they are able - we are able to be highly targeted in terms of how we present products and items to them at DICK's. So that's - we are in early innings of that, but it's incredibly important future growth area for both GameChanger and DICK's.

Navdeep Gupta

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

Yeah, Joe, let me build on what Lauren said. Another thing that we did here in Q1 was we introduced the Bat Lab initiative, which is basically bringing the content series to help parents and the youth athletes be able to find the right bat for their game, especially the baseball bat. So we invited 20 high school and collegiate players. They tested 12 different BBCOR bats using the GameChanger app and the platform, and the scoring was done both on a qualitative basis and a quantitative basis. And this data was all made available to the DICK's Sporting Goods athlete on our website. And this is the intersection opportunity that we see where we can leverage the core capabilities of the GameChanger platform and bring that as an opportunity to showcase differentiated opportunities to our athletes on the DICK's platform.

Joseph Isaac Feldman

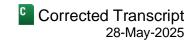
Analyst, Telsey Advisory Group LLC

That's great. Thanks, guys. Good luck with this quarter.

Navdeep Gupta

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

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Thank you.

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

Michael Lasser

Analyst, UBS Securities LLC

Good morning. Thank you so much for taking my questions. There's still a perception by some that DICK's comp over the last several quarters has been driven by unique and temporary factors, such as the contribution from the House of Sport or unique allocation of footwear to the stores. Is there anything different from this quarter to suggest that these unique factors are really just not driving the business, it's more broad-based than that, and it's more sustainable such that you're still being quite conservative as you look out over the next couple of quarters? Thank you.

Lauren R. Hobart

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

Yes. Thanks, Michael, for the question. I can't emphasize enough that our growth has been ongoing for many, many quarters in a row, and it is due to the fact that our long-term strategies are working. And we have four core strategies. The first that we've leaned into across the board, not just temporary in one category, but across the board, is access to differentiated product. And we continue to build those relationships [ph] with brand partners get increasing access in (00:44:22) House of Sport, and Field House enable us to bring in even newer product, more emerging brands, and also tell our partner brand's story to life in powerful ways. The same time, elevating the athlete experience is a second core strategy of ours, and that is everything from our teammates working incredibly hard in the store to provide confidence to athletes that they are stepping into the right product for them, that's going to help them improve their game, all the way to reinventing our entire concepts with House of Sport and Foot Locker.

The other thing I will say is one of our biggest assets is our team and the culture that we have at DICK's there. We have an incredible group of people. We say it's the best team in sports and it is. And I can't emphasize enough how powerful that team has been in terms of driving our growth. And the last thing, our fourth core strategy is just our investment in our brand and our Sports Matter program and the fact that our brand belief is really powerful. So I don't at all think that our growth has been driven by unique and temporary factors. I mean, this has been a core strategic plan that's been executed over the course of many, many years.

Michael Lasser

Analyst, UBS Securities LLC

Okay. Thank you very much for that, Lauren. And my follow-up question is, DICK's is already getting pretty remarkable allocations from its key vendor partners, especially in the footwear categories. How much better can it get?

Lauren R. Hobart

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

Oh, Michael, it can always get better. We can always have more. We're putting more premium full-service footwear decks in, we're 90% now, we'll continue to go. And [ph] we – no, (00:46:04) that's just a key part of our core strength is that we will continue to get fantastic allocation. Footwear is a very strong business.

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Navdeep Gupta Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.	A
And Michael, just let me build	
Michael Lasser Analyst, UBS Securities LLC	Q
Yes.	
Navdeep Gupta Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.	A
because the opportunity is beyond	
Michael Lasser Analyst, UBS Securities LLC	Q
Yeah.	
Navdeep Gupta Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.	A

...that we see the opportunity to be able to provide the head to toe look for the athlete and be able to service their team sports need and the accessory business. That's the differentiation that we bring not only to our athletes, but quite frankly, we bring that differentiation to our brand partners as well. That is what is driving this differentiated allocation, the work that we're doing in-house to support the work that our field team is doing in servicing those athletes and bringing that excitement to the store is the differentiating capability that is allowing us to deliver these really strong results.

Lauren R. Hobart

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

Yeah. I'm sorry, I'm going to build one more time. I just want to say that we mentioned it in our prepared remarks, but the fact that there is growth and excitement and newness and launches in all aspects of our business is an increasingly important phenomenon. So, even in our diamond sport business, trading cards, I mean, we are having – there's pockets of really incredible excitement across all aspects of our business.

Michael Lasser

Analyst, UBS Securities LLC

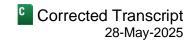
I should have phrased my question better. It was more so in relation to the Foot Locker acquisition. That's all very helpful information. But, like I said, DICK's is already getting as good, if not better than any other player allocations out there. So the contribution from Foot Locker, can it get that much better?

Lauren R. Hobart

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

I think one of the important parts of the strategy in terms of us, a potential acquisition of Foot Locker, is that we partner with our brands in an incredibly strong strategic way, and that's all of our partner brands. As we now would become a global business, we will now be partnering – these are all global brands, so we'll be partnering with them on even longer-term global product innovation. And so, yes, I do expect that this is a real win for our relationships with our brand partners, and we will continue to drive our product assortment.

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Michael Lasser

Analyst, UBS Securities LLC

Understood. Thank you so much and good luck.

Lauren R. Hobart

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

Thank you.

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

John Kernan

Analyst, TD Cowen

Good morning. Thanks for taking my questions. So, Lauren, maybe asked a different way, operationally, what do you see as the biggest opportunity within the Foot Locker banner? And when you think about that financially, what's the biggest opportunity there? Operating margin obviously is depressed versus history. What do you see as the biggest line items for improvement in their operating margin and their financial returns?

Lauren R. Hobart

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

Yeah. John, we are obviously in the early stages of the acquisition, but we've done an extensive amount of due diligence. And we see a lot of opportunities. Their original strategies, the Lace Up plan, has some very strong aspects to it that we believe we can continue to drive growth from, including reinventing the stores and leaning into the digital experience and marketing and all of that. But I also want to say why I personally am so excited. I mean, we have the DICK's business that has so much momentum, and we are going to keep our DICK's team fully focused on the momentum that we have in the DICK's business. And at the same time, we are going to put a small group of people working for Ed to work with the Foot Locker team to really unlock all of that, the gross margin improvement that we know is available. And with Ed, obviously, he's an incredible retail expert. He's got operational excellence, incredibly strong brand relationships, real estate development relationships. I mean, it's such a wonderful thing that he's going to be able to bring all of that expertise and partner with the Foot Locker leadership team to drive both businesses. We are confident that we'll be able to execute the heck out of this and really drive that gross margin improvement that will drive profitability.

John Kernan

Analyst, TD Cowen

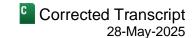
Got it. And maybe just a quick follow-up on House of Sport and the Field House, so I think, you'll have roughly low-40s number of Field House stores by the end of the year, mid-30s House of Sport. How should we think about the overall square footage growth of the total business this year? It looks like it was up about 5% year-over-year in Q1.

Navdeep Gupta

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

Yeah, John. Like, we continue to expect the House of Sport to be in the range of 75 to 100 as we look to the near future. And like you said, will be about 35 House of Sport locations by the end of this year, just over 40 Field House locations. The way I would characterize the square footage growth is, would be in that same 2% or slightly north of that, depending on the number of new store openings. As we have alluded to, we anticipate opening

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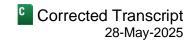


about 20 House of Sport locations in 2026, which will be the continued driver of the business as we look to the future.

In terms of the Field House, this is our way of reimagining what a DICK's 50K would look like. And so as we open new stores and we relocate DICK's locations in future, those will all open as Field House locations.

John Kernan Analyst, TD Cowen	Q
Got it. So, low-single digits actual square footage growth as we model out – the stores out.	
Navdeep Gupta Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.	A
Yeah, that as you	
John Kernan Analyst, TD Cowen	Q
[indiscernible] (00:51:26)	
Navdeep Gupta Executive Vice President & Chief Financial Officer, Dick's Sporting Goods, Inc.	A
can imagine, that will vary depending on the number of new store openings, but generally in that range.	
John Kernan Analyst, TD Cowen	Q
Okay. Thank you.	
Operator: Your next question comes from the line of Paul Lejuez with Citigroup. Please go ahead.	
Paul Lejuez Analyst, Citigroup Global Markets, Inc.	Q
Hey, thanks. I just had a couple questions related to the overlap with Foot Locker. Curious if you could talk what percent of your stores overlap in the same centers. And if you can remind us what percent of your stored mall versus off? Second, just customer overlap, what do you think it is for Foot Locker? And then third, special on Nike, what percent of your Nike SKUs are also sold at Foot Locker as you might estimate it?	ores are
Lauren R. Hobart President, Chief Executive Officer & Director, Dick's Sporting Goods, Inc.	A
Well, we are still very early in the stages of the acquisition process. I'm not going to speak to most of those questions, but when we close the deal, we will come out and share all of this. Just to answer specific quest about DICK's, about 30% of our stores are in malls. And we do believe one of the strong [ph] tenets (00:52 this acquisition is that we will be acquiring a different customer. We'll have access even within the US to ur locations that we don't have access to before with the large format stores, and we're hoping that this will be incremental to our customer base.	tions 2:31) of ban

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Paul Lejuez

Analyst, Citigroup Global Markets, Inc.

[ph] Right (00:52:51). And then, anything you could add maybe on potential revenue synergies between the two organizations?

Navdeep Gupta

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

Paul, we'll share much more detailed [ph] points when the transaction has closed (00:52:59).

Paul Lejuez

Analyst, Citigroup Global Markets, Inc.

Thank you. Good luck.

Operator: Your next question comes from the line of Justin Kleber with Baird. Please go ahead.

Justin E. Kleber

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

Good morning everyone. Thanks for taking the question. Just wanted to ask about gross margin and what drives the acceleration from the 40 basis points here in 1Q to 75 bps for the full year, particularly as I would think occupancy is going to de-lever across the balance of the year, just based on the moderation in comps you're projecting.

Navdeep Gupta

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

Yeah, Justin, let's start with the Q1 performance, in Q1 we delivered a 41 basis points of gross margin expansion, which was driven by the merch margin expansion. And as we have said, the gross margin and the merch margin expansion continues to come from the differentiated product, the work that our team has been doing on the pricing and promotion optimization, as well as the strong performance that we saw in our vertical brands, which carry the 700 to 900 basis points of higher margin. And as we look to the future and the balance of this year, our expectation is these will be the same three key drivers of the gross margin expansion, in addition to the two new drivers which we believe will continue to drive higher levels of margin improvement as we go into the balance of the year with GameChanger as well as the DICK's Media Network.

Justin E. Kleber

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

Okay. Thank you for that, Navdeep. And just one quick follow up on buybacks, nearly \$300 million in the first quarter. Should we expect buybacks to be on hold as you work to close the acquisition?

Navdeep Gupta

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

Yeah, we'll continue to be nimble and flexible about it. As you can imagine, there are certain restrictions as we are in the phase of the S-4 filing. So we'll evaluate that appropriately for the balance of the year.

Justin E. Kleber

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



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Corrected Transcript 28-May-2025

All right. Thank you so much. Best of luck.

Navdeep Gupta

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

Thank you.

Operator: We have time for one more question. And that question comes from the line of Jonathan Matuszewski with Jefferies. Please go ahead.

Jonathan Matuszewski

Analyst, Jefferies LLC

Great. Good morning and thanks for taking my questions. The first one was on the assortment. We're hearing of some retailers plans to trim their product assortment as one method of neutralizing tariff cost headwinds. And just curious if that was part of your approach, and if so, if you could elaborate.

Lauren R. Hobart

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

Jon, no, we are managing our business in terms of what's right for the consumer, making sure that we have the best product, everything from opening price point to the best performance gear and equipment. And so, no, that is not a stated strategy of ours. It's, we are going to optimize our inventory for what the athlete needs.

Jonathan Matuszewski

Analyst, Jefferies LLC

Understood. And just a quick follow-up on GameChanger. If you could talk about just the mix of the active user base in terms of maybe what percentage of those GameChanger users are utilizing it from a free version versus a paid subscription and how you see that evolving? Thanks.

Navdeep Gupta

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

Yeah. Jon, in terms of that, what we are seeing is, one, we are seeing a strong level of engagement across both our free model that we have as well as the paid model that we have. Keep in mind the opportunity that Lauren talked about, the DICK's Media Network gives us an opportunity to engage even if somebody is using the app on a free basis, to be able to engage with those set of athletes in a differentiated way. And we definitely see an opportunity, and quite frankly, the team does a fantastic job of upselling and cross-selling the application across the active database. So, great opportunity. And that's the reason we feel confident in being able to drive the 40% to 50% growth that we have been driving on a top line basis on the GameChanger platform.

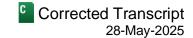
Jonathan Matuszewski

Analyst, Jefferies LLC

Thank you.

Operator: Thank you. And that concludes our question-and-answer session. And I will now turn the conference back over to Lauren Hobart, President and CEO, for closing comments.

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Lauren R. Hobart

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

Thank you all for your interest in DICK's Sporting Goods, and we're excited to see you next quarter. Thank you.

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

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