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Dick's Sporting Goods, Inc. (DKS)

Q4 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

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

I would now like to turn the conference over to Nate Gilch, Vice President of Investor Relations. Nate, the floor is yours.

Nathaniel A. Gilch

Vice President-Investor Relations, Dick's Sporting Goods, Inc.

Good morning, everyone, and thank you for joining us to discuss our fourth quarter and full year 2025 results. On today's call will be 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 on 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.

And finally, a couple of admin items. First, a quick reminder on our comparable sales reporting. Foot Locker will be included in our comp calculations beginning in Q4 2026, which will mark the start of their 14th full month of operations post-acquisition. And second, for future scheduling purposes, we are tentatively planning to publish our first quarter 2026 earnings results on May 27, 2026.

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 we shared this morning, we closed the year with another strong quarter for the DICK'S Business, delivering comps over 3% and double-digit non-GAAP EPS growth. Our team's execution and our ability to consistently deliver a differentiated on-trend product assortment and best-in-class omni-channel athlete experience continue to produce strong results and market share gains. We believe these fundamentals positioned the DICK'S Business for long-term profitable growth.

Now I'd like to turn to the transformational opportunity we have with Foot Locker, where we continue to make significant progress in strengthening the business. We've now owned Foot Locker for about six months. And I'll tell you, our excitement and our conviction in the long-term opportunity here continue to grow.

We've moved quickly to test and learn in North America through what we call our Fast Break initiative. This is the evolution of the 11-store pilot we discussed last quarter. While it's still early, we're very encouraged by what we're seeing. During Q4, our Fast Break stores drove very strong positive comps, actually meaningfully exceeding the DICK'S Business, while also delivering strong gross margin improvement. The improvement is coming from the basics: clearer storytelling, better presentation, and a more focused assortment where we removed roughly 30% of the styles on the shoe wall that were unproductive and eliminated the run-on sentence that we've been talking about that was not showing the customer what product was important.

Based on the strength of the pilot results, we've already expanded Fast Break to an additional 10 stores in LA before the NBA All-Star Game, and we're very pleased with the strong early performance. Now, looking ahead, we're excited to rapidly scale Fast Break by back-to-school 2026.

As discussed last quarter, our first priority was to clean out the garage, starting with addressing unproductive inventory. The team moved quickly and decisively to get this done, and we're pleased to report that the inventory cleanup is now essentially complete. That work drove the fourth quarter profitability results we told you to expect. And as part of this process, we also leveraged DICK'S value chain to efficiently clear product. We're also pleased that Q4 sales came in better than expected. We believe that Foot Locker's inventory is now well-positioned. With this heavy lift behind us, we're set up to play offense and deliver the inflection point we expect to see in this business, starting with back-to-school.

Another key part of cleaning out the garage is our review of the global Foot Locker Business store fleet. We continue to assess underperforming locations, but we anticipate our closure list is now much smaller than we initially estimated. We've identified opportunities to reposition and improve profitability in a meaningful number of stores, informed in large part by the success we're seeing in our Fast Break locations.

Importantly, one of the many things that gives us great confidence in the future of the Foot Locker Business is what we're seeing from our brand partners. They're leaning in, aligned with our vision, and eager to support a thriving, growing Foot Locker. You can see that already in moments like our NBA All-Star activation with Nike, Jordan, Adidas and others, where we partnered closely to bring a series of sought-after launches that drove exceptional sell-throughs. We also had NBA talent appearances and community experiences for the Foot Locker consumer throughout LA. Our team executed exceptionally well. And together with the support of our brand partners, we drove sales that meaningfully eclipsed last year's event.

At DICK'S, we've built an industry-leading business by focusing on product, performance, innovation and customer loyalty, always with a long-term view. We're applying that same proven playbook to the Foot Locker Business and making the choices we believe will create the most long-term value for our shareholders.

For 2026, we expect Foot Locker to deliver growth in comp sales of between 1% to 3% and operating income in the range of \$100 million to \$150 million. We continue to anticipate an inflection point for both sales and profitability, beginning with the back-to-school season. Navdeep will share more details on our 2026 expectations in his remarks.

In closing, we remain very confident that DICK'S and Foot Locker are stronger together. This combination gives us more scale, deeper relationships with the most important brands in our industry, access to consumers we didn't reach before, and a global footprint. For Foot Locker, the benefits of our combination come through in very real ways. Brands matter, product matters, execution matters, and people matter. When those things come together, we believe Foot Locker will be restored to its rightful place in the industry.

Before I turn it over to Lauren, I want to thank our more than 100,000 teammates across the globe for their commitment and their execution every day.

With that, Lauren will walk you through the continued momentum across the DICK'S Business. Lauren, I'll turn it over to you.

Lauren R. Hobart

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

Thank you, Ed, and good morning, everyone. I want to emphasize Ed's comments and recognize the incredible work of our teams across our entire company who contributed to our success throughout this past year. I'm so proud of what we achieved together in 2025.

Looking specifically at the DICK'S Business, our teammates' passion, their commitment to our athletes, and a relentless focus on execution powered another strong quarter and holiday season, and a terrific year overall. Their hard work continues to bring our four strategic pillars to life: a compelling omni-channel athlete experience; a differentiated on-trend product assortment; a deep engagement with the DICK'S brand; and the strength of our teammates and our culture. These pillars remain the foundation of our success and guide our strong performance.

For the full year, we are very pleased to have delivered record sales of \$14.1 billion for the DICK'S Business. Our comps increased 4.5% and exceeded the high end of our expectations, driven by growth in average ticket and transactions as we continue to gain market share. We drove gross margin expansion and achieved double-digit operating margin of 11.1%. We delivered non-GAAP EPS of \$14.58, also above the high end of our outlook and up from \$14.05 in 2024.

Our fourth quarter marked a strong finish to the year for the DICK'S Business. Our Q4 comps increased 3.1%, building on last year's 6.6% increase and delivering a two-year comp stack of nearly 10%. We saw more athletes purchase from us, and they spent more each trip compared to the prior year. Our Q4 gross margin expansion accelerated sequentially, and we drove operating margin of 11% and non-GAAP EPS of \$4.05, both well ahead of last year.

Today, the intersection of sport and culture has never been stronger, and excitement continues to build. This momentum kicked off with the expanded college football playoffs, record-breaking interest in women's sports, and a strong Team USA performance in the recent Winter Olympics. And with most of the 2026 World Cup matches on US soil this June and July, the 2028 Summer Olympics in LA on the horizon and the Ryder Cup returning to the US in 2029, we're entering one of the most compelling multiyear periods for sport in this country's history. Our athletes are energized. They're investing in the products and experiences that fuel their passions, and DICK'S sits squarely at the center of that intersection.

With this position of strength, we enter 2026 with tremendous conviction in the opportunity ahead, and our priorities for the DICK'S Business are clear. We continue to drive growth across our key categories. This is fueled by the powerful relationships that we have with our national brand partners, the energy from new and emerging brands, and the continued momentum of our vertical brands.

We're also continuing to reposition and elevate our real estate and store portfolio through House of Sport and Field House. Now five years into this journey, our conviction in these innovative concepts has never been stronger. House of Sport and Field House have redefined the athlete experience, strengthened our relationships with existing brand partners, opened doors to new partnerships, and delivered strong financial performance.

This past year, we made tremendous progress on this front. We opened 16 new House of Sport locations, ending the year with 35 locations nationwide. And also opened 15 new Field House locations, bringing the total to 42 across the country. We are really excited to see the impact of scaling these powerful concepts.

Looking ahead, landlord interest remains extremely strong, giving us access to some of the best retail locations in the country. In 2026, we plan to open approximately 14 House of Sport locations and approximately 22 Field House locations.

In addition, our focus on serving athletes is very strong, and we're really accelerating our work here. Our common purpose is to make sure that athletes feel confident and excited before, during, and after they engage with our team, our products, and our experiences. We're creating more consistency across channels in how we help our athletes find the right solutions, whether they're using better search and reviews online, tapping into new digital tools in the store or in the app, or working directly with our teammates, their experience is becoming more personalized and more connected.

In our stores, we're evolving our service and selling culture. We're putting a bigger emphasis on relationship building and giving teammates better training and tools. And while this is very much an ongoing journey, the feedback has been incredibly encouraging.

Lastly, as part of our broader digital strategy, we're harnessing the power of our athlete data and continue to be enthusiastic about the long-term opportunities we see with GameChanger and the DICK'S Media Network.

With all this in mind, for 2026, we expect to drive continued comp growth, strategic expansion of our square footage, and strong profitability for the DICK'S Business. We anticipate our comp sales to be in the range of 2% to 4%, which, at the midpoint, represents a 7.5% two-year comp stack. We expect operating margins for the DICK'S Business to be approximately 11.1% at the midpoint. At the high end of our expectations, we expect to drive approximately 10 basis points of operating margin expansion on a non-GAAP basis. At the consolidated company level, we expect full-year non-GAAP earnings per diluted share in the range of \$13.50 to \$14.50.

In closing, we're entering 2026 with powerful momentum in the DICK'S Business, and our focus here is unwavering. The opportunity ahead for DICK'S remains tremendous, and we are firmly positioned to capture it.

With that, I'll turn it over to Navdeep to share more detail on our financial results and our 2026 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. To start, I want to echo Ed and Lauren's excitement as we enter 2026 with real strength and momentum.

Now let's begin with some highlights for full year 2025 results. Consolidated net sales increased 28.1% to \$17.22 billion, driven by a \$3.11 billion sales contribution from a partial year of owning the Foot Locker Business and a 4.5% comp increase for the DICK'S Business as we continue to gain market share. These strong comps were driven by a 4.2% increase in average ticket and a 0.3% increase in transactions. On a two-year and a three-year stock basis, comps for the DICK'S Business increased 9.7% and 12.3%, respectively.

Consolidated non-GAAP operating income was \$1.52 billion or 8.81% of net sales, compared to \$1.5 billion or 11.14% of net sales last year. This includes operating income of \$1.57 billion or 11.12% of net sales for the DICK'S Business, driven by strong comps and gross margin expansion and a \$52.2 million operating loss from a partial year of owning the Foot Locker Business.

Consolidated non-GAAP earnings per diluted share were \$13.20, which included just over 20 weeks of results for the Foot Locker Business and a diluted share count of 85.1 million. Looking specifically at the DICK'S Business, we delivered non-GAAP earnings per diluted share of \$14.58 based on the share count of 81.2 million, which excludes the dilutive effect of the shares issued in connection to the acquisition of Foot Locker. That exceeded the high end of our guidance and is up 3.8% from our earnings per diluted share of \$14.05 last year.

Now moving to our results for Q4. Consolidated Q4 net sales increased 59.9% to \$6.23 billion, driven by a \$2.18 billion sales contribution from the newly acquired Foot Locker Business and a 3.1% comp increase for the DICK'S Business. These strong Q4 comps were on top of last year's 6.6% comp and were driven by a 4.4% increase in average ticket, partially offset by a 1.3% decline in transactions. On a two-year and a three-year stack basis, comps for the DICK'S Business increased 9.7% and 12.6%, respectively.

In terms of the category performance, we saw broad-based strength across our three primary categories of footwear, apparel, and hard lines. For reference, pro forma comp sales for the Foot Locker Business in Q4 decreased 3.4%.

On a non-GAAP basis, consolidated gross profit for the fourth quarter was \$1.99 billion or 31.93% of net sales, down 303 basis points from last year. For the DICK'S Business, gross margin expansion accelerated sequentially, increasing 67 basis points, driven entirely by higher merchandise margin. Notably, the year-over-year decline in consolidated gross margin was driven entirely by the mixed impact from the Foot Locker Business.

On a GAAP basis, in connection with cleaning out the garage, our actions to optimize Foot Locker's inventory that doesn't align with our go-forward vision unfavorably impacted gross profit by \$218 million. This was in line with our expectations.

On a non-GAAP basis, consolidated SG&A expenses for the fourth quarter increased 60.5% or \$579.2 million to \$1.54 billion and deleveraged 9 basis points compared to the last year's non-GAAP results. \$549.5 million of this consolidated increase was driven by the Foot Locker Business. For the DICK'S Business, SG&A expense dollar increased 3.1% and leveraged 22 basis points.

Consolidated non-GAAP operating income for the fourth quarter was \$438.6 million or 7.04% of net sales, compared to \$393 million or 10.09% of net sales last year. For the DICK'S Business, operating income was \$444.5 million, or 10.97% of net sales. This quarter's consolidated results included a \$5.9 million operating loss from the Foot Locker Business, which was in line with our expectations.

Moving down the P&L, consolidated non-GAAP income tax expense was \$114.8 million or a rate of 26.8%. This was favorable to our expectations, largely due to the mix of earnings across jurisdictions resulting from investments we are making in Foot Locker's EMEA business to improve its future profitability. In total, we delivered consolidated non-GAAP earnings per diluted share of \$3.45 for the quarter. These results included non-GAAP earnings per diluted share of \$4.05 for the DICK'S Business, based on the share count of 81.2 million, which excluded the dilutive effect of the shares issued in connection with the Foot Locker acquisition. This is up 11.9% from earnings per diluted share of \$3.62 for Q4 last year.

At the consolidated level, the DICK'S Business results were partially offset by the contribution from the Foot Locker Business, which includes a \$0.44 negative impact from higher share count due to the acquisition and a \$0.16 negative impact from Foot Locker operations.

On a GAAP basis, our earnings per diluted share were \$1.41. This includes \$235.5 million of pre-tax Foot Locker acquisition-related costs and a \$13.4 million pre-tax asset write-down. For additional details, you can refer to the non-GAAP reconciliation tables from our press release that we issued this morning.

Now looking to our balance sheet, we ended the year with approximately \$1.35 billion of cash and cash equivalents and no borrowings on our \$2 billion unsecured credit facility. We ended the year with approximately \$4.91 billion of inventory, which includes the Foot Locker Business and represents a 47% increase compared to last year.

For the DICK'S Business, inventory levels increased 1% compared to last year. We believe our inventory is well-positioned to continue to fuel our sales momentum, which we expect to carry into 2026.

Turning to fourth quarter capital allocation. Net capital expenditures were \$302 million, and we paid \$108 million in quarterly dividends. We also repurchased 218,000 shares of our stock for \$43 million at an average price of \$199.51.

Before I move to our outlook, I want to address a few key expectations surrounding the Foot Locker acquisition. First, as we discussed last quarter, our immediate priority has been to clean out the garage and optimize the inventory assortment and store portfolio of the Foot Locker Business. As part of these actions and broader merger and integration work, we previously estimated and continue to expect total pre-tax charges of between \$500 million and \$750 million. During 2025, we recognized \$390 million of these charges. The remaining pre-tax charges will be incurred over 2026 and the medium term as we complete this work. Approximately \$150 million of these remaining charges are expected in 2026 and are excluded from today's non-GAAP EPS outlook.

Second, we remain confident in achieving the previously announced \$100 million to \$125 million of cost synergies over the medium term, primarily from procurement and direct sourcing efficiencies. A portion of these synergy benefits are expected in 2026, which have been reflected in our outlook.

Now, moving to our outlook for full year 2026. Our guidance reflects continued strength and momentum of the DICK'S Business and the turnaround efforts underway at Foot Locker, all within the context of the dynamic geopolitical and macroeconomic environment.

Beginning with the DICK'S Business in 2026. Total sales are expected to be in the range of \$14.5 billion to \$14.7 billion. And as Lauren mentioned, we anticipate comp sales growth of the DICK'S Business in the range of 2% to 4%. From a pacing standpoint, we expect slightly higher comps in the first half, driven in large part by the timing of the World Cup. Pre-opening expenses are expected to be approximately \$90 million for the full year. We expect operating margin for the DICK'S Business to be approximately 11.1% at the midpoint. And at the high end of our expectations, we expect to drive approximately 10 basis points of operating margin expansion on a non-GAAP basis. From a pacing standpoint, we expect operating margins for the DICK'S Business to decline in the first half and expand in the second half due to the timing of the planned investments and synergy savings.

Now, turning to the Foot Locker Business in 2026. As Ed discussed, we remain confident in the value creation of this business. Total sales are expected to be in the range of \$7.6 billion to \$7.7 billion. Pro forma comp sales for the Foot Locker Business are expected to be in the range of 1% to 3%. We expect operating income for the Foot

Locker Business to be in the range of \$100 million to \$150 million. And from a pacing standpoint, we expect operating income performance to be back-half weighted, as the pro forma comps and gross margins start to strengthen from back-to-school onwards.

At the consolidated company level, we expect full year non-GAAP operating income in the range of \$1.68 billion to \$1.81 billion, and the non-GAAP earnings per diluted share in the range of \$13.50 to \$14.50. Our earnings guidance is based on approximately 91 million average diluted shares outstanding, which includes the dilutive impact of 9.6 million shares issued in connection with the Foot Locker acquisition. We anticipate a consolidated company effective tax rate of approximately 25.5% for the full year. We expect interest expense of approximately \$70 million, and interest income to be in the range of \$20 million to \$25 million.

I'll now discuss our capital allocation priorities. For 2026, our capital allocation plan includes net capital expenditure of approximately \$1.5 billion. Starting with the DICK'S Business. As we continue to reposition our real estate and store portfolio, our investments will be concentrated in store growth, relocations and improvements in our existing stores, plus some ongoing investments in technology and supply chain.

As Lauren noted, we are very excited to open approximately 14 House of Sport locations and approximately 22 DICK'S Field House locations in 2026. In addition, we plan to begin construction on approximately 18 House of Sport locations that are expected to open in 2027. House of Sport and DICK'S Field House remain two of our most powerful and long-term growth drivers, and we will continue expanding these formats with discipline. In 2026, we are also excited to grow the footprint of our Golf Galaxy business and plan to open approximately 15 Golf Galaxy Performance Center locations.

Now, turning to the Foot Locker Business. Capital expenditures in 2026 will be focused on reenergizing our store fleet, including that rapid expansion of our Fast Break initiative. We also remain committed to returning significant capital to our shareholders through our quarterly dividend and opportunistic share repurchases. Today, we announced a 3% increase in our quarterly dividend to an annualized payout of \$5 per share, \$1.25 on a quarterly basis. This marks the 12th consecutive year that our shareholders have benefited from a dividend increase. A 2026 plan includes our expectation for share repurchases to offset normal course dilution, the effect of which is included in our EPS guidance.

In closing, we enter 2026 with a powerful momentum in DICK'S Business and a clear path to improve performance at Foot Locker. We remain focused in execution, committed to creating durable value and confident in the year ahead.

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] And your first question comes from the line of Brian Nagel with Oppenheimer. Please go ahead.

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

Q

Hi, good morning. Congratulations on a nice quarter. Nice progress here.

Lauren R. Hobart

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

A

Thank you.

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

Thank you.

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

Q

So, I guess, I want to ask maybe a two-part question, with both parts focused on the core DICK'S Business. So first, if you look at the guidance you laid out for sales growth for DICK'S, it's very solid. It's above the current public Street forecasts. I guess the question I have there is, you talked about this a little bit, but maybe elaborate further. Really, what's giving you that confidence in the underlying momentum?

And then the follow-up question also on DICK'S. If you look at the fourth quarter, I mean, not to be too nitpicky here, but obviously very solid quarter. But there was a modest deceleration within sales growth of the core DICK'S Business when we saw in the third quarter. Maybe you can discuss what was behind that. Thanks.

Lauren R. Hobart

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

A

Thanks, Brian. Appreciate the question. We had a fantastic quarter in Q4. We are really proud of the quarter we just put up. We had a 3.1% comp growth. And importantly, we were on top of the prior year, 6.6% comp. So, on a two-year stack basis, we actually exceeded our internal expectations. We were close to 10%. So, it was a really strong quarter from a comp standpoint. We also expanded gross margin and operating margin in the DICK'S Business. So, overall, really proud of how the team navigated through Q4.

But I think why that gives me confidence as we look to the future is that the momentum in our business remains incredibly strong. And in this past Q4, we saw growth across all of our key categories: footwear, apparel, hard lines. And we're finding that consumers are doing very, very well. So, we have seen growth across all income demographics. We haven't seen trade-down. And we're finding that when a consumer sees something that's new or innovative or technically impactful, they are – it's resonating with them, and they are coming. And we think that's only going to continue as we look to the year and the incredible excitement around sport and the influence it has on culture as we head into the World Cup coming up – March Madness, and then the World Cup.

So, we're really, really confident. The two-year stack going forward is a 7.5% comp. So, 2% to 4% on top of our 4.5%. And we are really thrilled with the momentum we have to deliver that.

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

Thanks a lot. Appreciate all the color.

Q

Lauren R. Hobart

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

Yes.

A

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

Adrienne Yih

Analyst, Barclays Capital, Inc.

Good morning, and I'll add my congratulations. Very well done. Great way to end the year and start the new one.

Q

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

Thank you.

A

Adrienne Yih

Analyst, Barclays Capital, Inc.

It sounds like there's a lot of exciting work underway at Foot Locker to reposition the business for its turn in 2026. So, on top of that, the Q4 results came in better than you saw, particularly sales and margins were in line. So, my question centers around the cleaning out of the garage, which you expressed last quarter as your top priority. Sounds like inventory is nice and clean. How would you characterize where you are? Is there more work to do? And how many stores will be in this Fast Break that you could touch this year? And then I'll have a follow-up. Thank you.

Q

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

Okay. Thanks, Adrienne. I can tell you that the team did across the globe a great job to clean out the garage. There was a lot of excess inventory there, inventory that wasn't very productive. Like we said in the Fast Break stores, we took out roughly 30% of the SKUs and kind of fixed that run-on sentence that was – the Foot Locker shoe wall. The team across the globe, North America, Europe, Asia really got behind this whole clean out the garage objective and did that.

A

And to be honest with you, that work is done. That's behind us. We cleaned out the garage with markdowns in the stores and moved product through the Foot Locker stores and the Champs stores. We also utilized – and I think this is one of the benefits of the acquisition between DICK'S and Foot Locker. We actually utilized the DICK'S value chain of Going Going Gone to clean out a lot of that inventory. We were able to recover a higher cash amount by putting it through the DICK'S value chain.

And if we sent that out through a jobber and it's – we're really well-positioned. This inventory at Foot Locker is probably cleaner than it has ever been. And that should bode well for our margins and our sales going forward,

returning this chain to growth with a comp of 1% to 3%, should have margin expansion here. We're confident of that.

So, all in all, so clean out the garage, the team did a great job, and we're done.

Adrienne Yih

Analyst, Barclays Capital, Inc.

Q

Fantastic. Follow-up, Lauren. As you look at the innovation pipeline throughout 2026, particularly in technical running and performance basketball, are you seeing a meaningful shift back toward, like, iconic must-have products from your biggest traditional partners? Or should we expect growth still to be driven by the addition and growth of new, smaller niche brands? Thank you.

Lauren R. Hobart

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

A

Yes. Thanks, Adrienne. We are seeing growth across the board. So, we're seeing great growth from our strategic partners. And we're very excited about things like the running footwear, the innovation that we're seeing, and the new run construct from Nike doing very well. And across the board, running is really doing well. Signature basketball is also doing really, really well. And that's true, of course, of DICK'S and Foot Locker. With DICK'S, we're particularly excited about the excitement around women's sports. And Sabrina and A'ja have done so well, and then we look forward – and Caitlin coming is going to be a lot of excitement.

Team sports, also driving incredible buzz in a way that it used to be footwear launches that used to drive this kind of excitement. We're seeing that in team sports and all aspects of our business. And so between new and emerging brands, we've got some – we're adding, through the House of Sport, partnerships with really exciting brands. We've got Gymshark. We are their first US wholesale partner. And a lot of brands who've come in through the House of Sport, who are now widening into Field House locations, and then even beyond to the entire DICK'S format.

So, I would say what's great about the growth is it's across the board in all categories, and it's also across the board between our strategic partners, our emerging partners, and our vertical brands.

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

If I could just add on to that. As Lauren said, Nike is doing very well. We're really pleased with them. Adidas and – we're leaning into the World Cup with Adidas. We think the World Cup is going to be great. And with fanatics, we've really partnered on the collectibles in the card side of the business, the trading card business, which we will have collectible shops in all House of Sport stores going forward, bringing those into some of the Field House concepts. So this whole idea of collectibles and trading card business which we haven't been in before will certainly be – will be accretive to our sales number.

Adrienne Yih

Analyst, Barclays Capital, Inc.

Q

Fantastic. Best of luck. Thank you.

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

Thank you.

Operator: Your next question comes from the line of Simeon Gutman with Morgan Stanley. Please go ahead.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

Hey. Good morning, everyone. So, the business is performing solidly. If we step back, call it, three months ago, I would have suggested or thought that the core business, the margin might be a little stronger, given some of the House of Sport penetration and the continued gross margin gains. And then Foot Locker, we were – I would expect a little bit more, I guess, EBIT to get to that accretion number. Curious how you react to all of that. Is that fair? And is that different versus the way you see it?

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

Well, let me jump in on the Foot Locker piece for Simeon. And so we could have – we actually could have kind of guided Foot Locker to be higher if we had – based on our original projections. But what's happened is, we've gone through this Fast Break process. We've got the Fast – the original 11 Fast Break stores. We added 10 Fast Break stores in LA around the All-Star Game. We've got a couple of Fast Break stores in Europe right now.

And what we found is, some of those underperforming stores that are losing money or just marginally profitable right now, based on what we're seeing we can do from a Fast Break standpoint and renovating these stores, we can make these stores very profitable. So, we're closing less stores than we had originally anticipated. If we had decided to close those stores, Foot Locker could have been a bit more profitable in Q1 and Q2. It's going to take us a little time to get these Fast Break stores done and kind of get to all of them that we want to get to. We'll get – but we will get to probably 250 of these stores by back-to-school, which is a Herculean effort. But we are really confident that we can do that.

So, the reason the Foot Locker is where it is right now is because Fast Break and the optimism we have for Foot Locker is even greater than it was originally because some of these marginally profitable or stores that are not making money right now, if we feed them the right inventory, we can make them profitable. And we think that's the right thing to do on a longer term basis.

Navdeep Gupta

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

A

Simeon, I'll build on to what Ed said.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

Okay. And then – sorry. Go ahead.

Navdeep Gupta

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

A

No. I'll just build on quickly. Like, what – the guidance that we provide always balances the optimism and the confidence that we have against the overall macroeconomic and geopolitical situation. As you can see it, it's very dynamic. And so that was another thing that we factored into our guidance.

Quickly touching on your gross margin expansion in Q4, we were very happy with the results we posted here. Like Lauren said, 3.1% comp on top of a 6.6% comp in an environment – in a quarter that is typically very

promotional, we were very happy with the 67 basis points of margin expansion we posted here in Q4. And keep in mind, this 67 basis points of margin expansion all came from a merchandising margin. So, our merchants and the inventory management team did a phenomenal job to finish the year strong from a clean inventory and driving top line momentum, as well as gross margin expansion.

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

And I think, Simeon, also, it was more promotional out there than we had anticipated. And I think the team did a fabulous job managing our margin rates and the profitability of the business and the operating margins in an environment that was as promotional as it was.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

That's helpful. And just to clarify, I guess when I meant the margin, I was actually looking more towards 2026, like the full year. I think the fourth quarter was quite solid. But the – I guess the follow-up is, first half or second half, I don't know if you would share what you've thought about for World Cup, if there is an explicit top line impact. And then are you – are some of the investment spending related to core? Or is there something – some spend even ahead of World Cup where your – the margin ends up ramping more in the second half than the first half?

Navdeep Gupta

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

A

Yeah. So, Simeon, in what we gave in my prepared comments today is that we expect the comps to be slightly higher in the DICK'S Business in the first half because of the World Cup benefit. We didn't explicitly guide to the exact number associated with it, but that's what was assumed in our guidance that we have shared. And then we expected that the operating margins to decline in the first half due to two big reasons. One, we are making appropriate level of investments in the business to continue to position the business for the long term. And second, the synergy benefits that we are looking at will be more back-half weighted. And so that is the other benefit that kicks in more in the second half than in the first half.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

Thank you very much. Good luck.

Lauren R. Hobart

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

A

Thank you.

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

Thank you.

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

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

Hi. Good morning. Thanks for taking our questions. We wanted to ask about GameChanger and retail media. I know you mentioned it in the prepared comments a little bit. But we wondered if there was any way you could talk about any new initiatives maybe with either business, and then just in terms of what we can expect from margin contribution from that this year.

Lauren R. Hobart

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

A

Thanks, Kate. GameChanger and DMN are both really important, powerful new assets that we have in our portfolio. And I'll start with GameChanger. As you know, GameChanger is a leader – a market leader in the multibillion-dollar tech sports space. And it continues to drive really strong comps, like nearly 40% CAGR and strong profitability. It's a SaaS system, and it just continues to drive strength and profit. So you can look at it that way and say, GameChanger is fantastic.

But then, when you step out and say, look at the impact that GameChanger and DICK'S can have together. So the fact that we can be embedded in youth sport lives at the moment when they are preparing and playing, we can be involved with parents and grandparents, we can have kids get their stats and their highlight reels and all of that, it just makes us really embedded in youth sport culture.

The other thing, and it's related to your second part of your question, is that from a DICK'S Media Network standpoint, GameChanger is unique in the marketplace where it has live sports in a way that really nobody else can provide. And so, it's a big asset for our DICK'S Media Network. And it's appealing to our brand partners, as well as to our non-endemic partners who want to be a part of youth sports.

And in terms of newness, we did just unleash a bunch of features in GameChanger. The quality, for those of you who watch, the video quality as high-definition video is incredible. Really crisp, really clear. And we are going to continue to look – we have coaches' tools that we just launched. And with DMN, the tech team has done an amazing job really building automation so we can really attribute sales to our partners' investments. So, all in all, really exciting parts of the business.

Navdeep Gupta

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

A

And Kate, I'll just build on what Lauren said. The underlying drivers of the gross margin that we have talked about for some time now continue to remain in place in terms of the product that we have access to, not only just in 2026, but what we see in the pipeline, the work that our vertical brands team is doing, as well as GameChanger and DMN. These are still the inherent drivers of the gross margin confidence that we have for 2026. We are balancing that in 2026 against we have the exciting opening of the six distribution center in early part of 2026. So that's contemplated in our guidance expectation.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

Thank you.

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

Christopher Horvers

Analyst, JPMorgan Securities LLC

Q

Thanks. Good morning. So my first question for you, Ed, is what did you learn from Foot Locker in this 11-store test? And can you talk about how applicable the changes are to the rest of the chain? The 11 stores, were they more city center locations like Times Square versus suburban-based mall locations that people tend to associate with Foot Locker? What was the receptivity to running in brands like HOKA and On to that core Foot Locker customer relative to basketball? In the 200 locations that you're targeting by back-to-school, what's the commonality among these locations relative to the 11-store test that you targeted and then the, obviously, much larger chain?

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

Sure. Thanks, Chris. The 11-store test was really a broad-based test. So we did some more urban stores. We did suburban stores. We pulled some high-volume stores. We, obviously, pulled some lower volume stores, which is why we're not closing as many stores as we anticipated. So it was really a broad-based test on that original 11. The 10 in LA would be more urban stores that we've done.

And what was common to them is we put a common merchandise presentation theme across all of these banners, which really was to take out a lot of the unproductive inventory that was sitting on the wall that the consumer didn't want, cleared up the wall. And as I've used the phrase, it was the footwear wall. It was a run-on sentence. So we took that run-on sentence down, took roughly 30% of the choices out of the store, relaid out the wall with the key product. And so, the consumer can walk in and see what's important, whether it's an Air Force 1 in color, whether it's a New Balance launch, whatever it might possibly be. We've got the ability to clearly communicate to the consumer what's new and what's the high heat product.

And when we did that, these comps have been extremely strong. Strong enough that this is the game plan we're going to roll out to roughly 250 stores by back-to-school. Those 250 stores, again, will be a cross-section of stores. There'll be urban stores. There'll be suburban stores. There'll be some mall stores. And we'll take a look at this on a store-by-store basis, and it will be a great cross-section of the business again.

We're also going to be doing this in Europe. And we've got a couple in Europe, and we're very pleased with the results we're seeing in Europe. And we'll be rolling out the Fast Break stores in Europe. And the 250 includes the US and Europe. And if you think about it, we're pretty conservative. If we weren't highly confident that this Fast Break concept wouldn't be highly successful, we wouldn't be rolling out 250 of them by back-to-school. So, that should give everybody confidence that we've got a game plan here that we've proven that it will work.

Christopher Horvers

Analyst, JPMorgan Securities LLC

Q

Thank you. That's very helpful. And then, I guess, a two-part follow-up. And traffic is always a red flag in retail, and it did turn negative in the core DICK'S Business in the fourth quarter. I get the two-year stack math, but your ASP or your ticket is going to get harder as the year progresses. Presumably, there was some inflation from tariffs as well. So how should we think about looking at that traffic number and, going forward, as you think about sort of running that two-year stack, how applicable is traffic headwinds earlier versus traffic rebounding later and ticket sort of moderating? Thanks so much.

Lauren R. Hobart

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

A

Thanks, Chris. The transactions in Q4, again, on a two-year stack basis, if you look, they were positive. If you look at the full year, they were positive. We were up against such a strong comp from the year before that I just think

you have to take that into consideration. We have been driving strong basket and AUR, and that just speaks to our differentiated product assortment. It's really not due to inflation. It's due to the fact that we are increasingly getting access and allocation to really great products that people are resonating with.

So if you look to – next, the headwinds, look at our guidance. We are projecting 2% to 4% comps on top of the 4.5%. So we are not concerned about traffic or transactions.

Christopher Horvers

Analyst, JPMorgan Securities LLC

Thanks so much.

Q

Lauren R. Hobart

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

Yes.

A

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

Paul Lejuez

Analyst, Citigroup Global Markets, Inc.

Hey. Thanks, guys. Curious on synergies, if you expect that number that you shared to grow past the medium term. Also curious how you're thinking about, what is the medium term? And then second, kind of related perhaps on Foot Locker. That business used to achieve \$700 million of operating income, if you look prior to 2020, \$700 million plus. I'm curious how much progress you think you can make towards that level and over what period.

Q

Navdeep Gupta

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

Paul, thanks for the question. So, let me start with synergies. So, we have reiterated today that we continue to expect synergies to be \$100 million to \$125 million over the medium term, and we continue to remain very confident. As you can imagine, we are six months into this transaction. We are working cross-functionally across both the organization. And the level of detail that the teams have created is fantastic. So, as we learn more, we'll definitely share if there are any updated expectations. As of today, we'll reiterate the – kind of the outlook that I had shared.

A

In terms of what does medium term mean, there is a portion that is definitely in 2026 for the synergies that has been included in the guidance. And I would say, the medium term would be maybe a couple of years after that.

In terms of the \$700 million of operating income for Foot Locker, I think this is a little bit too early to be able to give a long-term outlook. But we feel really confident in what Ed talked about, the momentum that we have built, the focus that we have in returning this business to growth from the 1% to 3% comp that we have guided and returning this business back to profitability. So, six months in. Really, really enthusiastic about the underlying momentum, as well as the team that is driving these results. We'll share more in a due course of time about the longer term outlook.

Paul Lejuez

Analyst, Citigroup Global Markets, Inc.

Thank you. Good luck.

Q

Navdeep Gupta

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

A

Thanks.

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

Michael Baker

Analyst, D.A. Davidson & Co.

Q

Great. Thanks. Just on the Fast Break and improvement in Foot Locker and the profit trends, just a little more color on the pacing throughout the year. Presumably, Foot Locker profits – well, I guess I shouldn't say presumably, but do we expect them to be negative in the first quarter and second quarter until the back-to-school improvement kicks in? Just wondering on the expectations of how Foot Locker progresses throughout the year.

Navdeep Gupta

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

A

Yeah. Mike, I will say that we expect both the sales and profitability to be back-half weighted, as you can imagine. We said that the real inflection in this business will come from when we were able to source the buys effectively the way we wanted it. And that happens from the back-to-school timeframe. And as Ed referenced, the Fast Break stores being in position, which will also be during the back-to-school timeframe. So, we expect comps to be back-half weighted, and we expect the profitability also to be second-half weighted. Keep in mind, on profitability, we also will have the benefit of the synergies that will kick in into the second half of 2026.

Michael Baker

Analyst, D.A. Davidson & Co.

Q

Makes sense. Thanks. If I could completely switch gears for a follow-up – so maybe not really a follow-up. But talk to us about agentic commerce or how you're dealing with that. Do you think there's been any impact? Do you feel like you're well-suited in that kind of environment? Just curious your view on how that works.

Lauren R. Hobart

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

A

Yeah. Thanks, Mike. We are absolutely looking into all aspects of artificial intelligence, including agentic. I think there's two opportunities in the way our teams are looking at it. There's the opportunity to make our teammates more efficient and to remove a lot of manual work. And examples of that, we have some MarTech technology that we're building that can just remove a lot of the manual work that they are doing. And just productivity in general. We're using that AI right now in terms of store labor forecasting. We've got a new AI-enabled tool in our app, and we're able to make more custom recommendations. So, across the board, inventory management and making sure regional relevancy is happening, all is factored with artificial intelligence.

However, if you look to the future and you look at agentic, I think the biggest unlock in terms of our athlete experience is for us to really lean into what we call our common purpose and find ways to bring the power of our expertise and all of our opinion and knowledge that we have of sports and enable that to be available to people as they're working in the new world.

And we're working on that. More to come. But we – that is a big focus to take all of our data, all of our knowledge, our teammate, all of the learnings that we've had over the years and make that available for our consumers. So, more to come.

Michael Baker

Analyst, D.A. Davidson & Co.

Thank you.

Q

Operator: Your next question comes from the line of Joseph Civello with Truist. Please go ahead.

Joseph Civello

Analyst, Truist Securities, Inc.

Hey, guys. Thanks so much for taking my questions here. I had one on the DICK'S Media Network. Can you talk about the opportunities to sort of expand that to Foot Locker? And what that timeline might look like, even though I know it's probably longer dated?

Q

Lauren R. Hobart

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

Yeah. It's a little premature. So, as you know, we are maniacally focused at the DICK'S Business on the DICK'S Business and the Foot Locker Business maniacally focused on the Foot Locker Business. Certainly, there's long term opportunities here, but we are each executing our plays right now.

A

Joseph Civello

Analyst, Truist Securities, Inc.

Got it. And maybe just a quick sort of mechanical question. You mentioned using the DICK'S kind of Going Going Gone to clean out the garage. Can you talk about how that impacts the financials for each segment?

Q

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

Well, it actually helps. I mean, it cleans out – it gets rid of older, unproductive inventory. So, it brings cash into the business and it cleans up the store. And we've done this on the DICK'S side, and we'll expect to do it on the Foot Locker side. Cleaning up the store gives more room and space to be able to feature those newer products, the newer styles that we can sell at basically full price. So, it's really – it's very helpful to the margins, it's helpful to the sales, and it's helpful to the cash flow of the business.

A

Joseph Civello

Analyst, Truist Securities, Inc.

Got it. And is that contemplated in the synergies?

Q

Navdeep Gupta

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

That is not contemplated in the synergies. Our focus on synergies, like I said in my prepared remarks, is focused around the merchandising actions, primarily negotiations, as well as non-merch procurement synergy negotiations.

A

Joseph Civello

Analyst, Truist Securities, Inc.

Got it. Thanks so much.

Q

Operator: We have time for one more question, and that question comes from the line of Cristina Fernández with Telsey Advisory Group. Please go ahead.

Cristina Fernández

Analyst, Telsey Advisory Group LLC



Hi. Good morning. I had a couple of questions on the Foot Locker Business. The negative 3.4% pro forma comp relative to the guidance for down mid to high single-digit, can you talk about what led to the better result? And then, I also wanted to see if you could give a little bit more color on Foot Locker about the regions. I assume North America outperformed Europe. And whether the Fast Break merchandising test included work on some of the other banners like Champs or Kids Foot Locker, or those are just purely on the Foot Locker store fleet. Thanks.

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.



Yeah. The better performance at negative 3.4% versus what we had guided to was really a result of the Stripers and the team at Foot Locker really getting behind the whole idea of cleaning out the garage. They really wanted to clean out the garage. They want to get rid of that old inventory. They wanted to get the new product in. And they worked tirelessly to get rid of that product. And that helped drive better sales. And we kind of came in right in line from a margin rate standpoint.

From a Foot Locker standpoint, by performance by region, North America, Europe, it was – there's not a huge difference between how the two regions performed. I think that – going forward, I think that right now, the US is a little bit ahead of Europe, but we – just because we did more of the Fast Break stores in the US than we did in Europe. But Europe is not very far behind. We're going to get Europe turned around also. We're pretty excited about what's going on in Europe. And we brought in Matthew Barnes from Aldi to run this business. He's made some changes to his team. We've got a terrific team – basis for a terrific team in Europe, and we couldn't be more confident in Matthew and his leadership to turn the whole international business around.

Operator: Thank you. I would now like to turn the conference back over to Lauren Hobart, President and CEO, for closing comments.

Lauren R. Hobart

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

Okay. Well, thank you, all, for your interest in DICK'S and in Foot Locker, and we will look forward to seeing you next time. To all our teammates, Stripers and Blue Shirts listening, thank you for all of your hard work. We'll see you next quarter.

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

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