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Dick's Sporting Goods, Inc. (DKS)

Q1 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Hello, everyone. Thank you for joining us. And welcome to the DICK'S Sporting Goods Q1 2026 Earnings Conference Call. After today's prepared remarks, we will host a question-and-answer session. [Operator Instructions] I will now hand the conference over to Nate Gilch, VP of Investor Relations. Nate, please go ahead.

Nathaniel A. Gilch

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

Good morning, everyone, and thank you for joining us to discuss our first quarter 2026 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 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. And finally, a couple of admin items.

First, a quick reminder on our comparable sales reporting. Foot Locker will be included in our quarterly comp calculations beginning in Q4 of 2026, which will mark the start of their 14th full month of operations post-acquisition. And finally, for future scheduling purposes, we are tentatively planning to publish our second quarter 2026 earnings results on August 25, 2026.

And 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. We delivered a very strong first quarter and want to thank our more than 100,000 teammates around the globe for their commitment and execution. Sport is one of the hottest categories in the country today. We're in the middle of a real sports moment, and the intersection of sport and culture has never been stronger. You see it everywhere, from rising valuation to professional sports teams, to the level of investment from streaming platforms and networks, and the strong demand from advertisers to be a part of live sports.

Looking ahead with major global events like the 2026 World Cup and the 2028 Summer Olympics in LA, we're entering one of the most exciting multi-year periods for sport in this country's history, making it an incredibly powerful and compelling platform for consumer engagement today.

This environment plays directly to our strengths, and DICK'S is leading from the front. Across our stores, our digital capabilities and our now expanded global reach, we are connecting with athletes in more ways and with

more relevance than at any point in our history. What sets us apart is our ability to create and maintain that connection across performance, lifestyle and culture throughout the DICK'S ecosystem.

House of Sport and Field House are reshaping what retail can be and redefining how brands come to life. GameChanger keeps us deeply embedded in youth sports, unlocking new levels of opportunity and partnership. Golf Galaxy reinforces our leadership in a category with strong participation and rising cultural relevance. And with Foot Locker, we reach a different consumer, connected deeply with sneaker culture, basketball and lifestyle, and extend our influence even further. That's why the best and most exciting sports brands in the world want to partner with us, not just to sell product, but to launch ideas, tell stories, and scale concepts globally during the most important moments in sports, and that's why athlete engagement with us continues to grow.

We're investing in our business from a position of strength. We're playing offense for the long-term, and it's widening the gap between us and the rest of the industry. Our vision is to build the best sports company in the world, and we're just getting started. Our leadership showed up clearly with an exceptionally strong performance in our DICK'S Business this quarter with comps up 6%. Our team executed at a very high level and we're all proud of their contributions.

Now turning to Foot Locker, we remain highly focused on the transformational opportunity ahead and on delivering an inflection point in sales and profitability, starting with back-to-school. Our excitement and confidence continue to build as we execute our plan. And in Q1, we saw encouraging proof points. For the global Foot Locker Business, we delivered slightly positive comps and operating income, with merch margin improvement. This marks the first quarter of positive comps for the Foot Locker Business since Q4 of 2024. North America performed even better, with a 1.4% comp growth, and within this, the US Foot Locker banner comped up 6.4%.

The Foot Locker banner is our largest and most critical part of the Foot Locker Business. So, it's where we focused first. And the results we're seeing reinforce our turnaround approach. We have a clear plan and it's working. We're raising low end of our full year comp sales expectations for the Foot Locker Business. We now expect comp sales growth of 1.5% to 3%, up from 1% to 3% previously. A major driver of this strong execution is our store teammates. Our Strippers and Blue Shirts are energized by the renewed momentum and investment in our stores. They are deeply embedded in their communities, though the closest to the consumer because they are the consumer. Wearing the Strippers in their own backyard is a badge of honor, and that authenticity shows up every day in how they tell the sneaker story.

Our Fast Break stores are performing exceptionally well, reinforcing our conviction in this capital light remodel initiative. During the first quarter, we expanded Fast Break by approximately 90 stores, bringing the total to approximately 100. Across that expanded footprint, our Fast Break stores delivered double-digit comps in Q1 and meaningful merchandise margin improvement.

By back-to-school, we plan to have approximately 250 Fast Break stores across Foot Locker, Kids Foot Locker and Champs globally, with further expansion ahead of the holiday season. Our Fast Break initiative is built on retail fundamentals, a more focused shoe wall, improved storytelling and the reintroduction of apparel with curated and complementary offerings. These updates are fast to implement, typically completed in a few days, and require limited capital. At its core, its retail 101, and when you execute it with discipline, it works.

Looking across the entire Foot Locker Business, we are very excited about our assortment heading into back-to-school. This marks the first season where our team had full control over the buys, and we feel great about the product that will be in the stores. This will be supported by a bold brand relaunch designed to bring consumers back to the Foot Locker brand in a meaningful way. Behind the scenes, we are strengthening the fundamentals of

the Foot Locker Business. With improvements in our supply chain, we're moving product faster and getting it to the right stores. We're playing greater discipline around pricing and using real-time data to drive better decisions and sharper execution.

Finally, our brand partners remain fully engaged. They want a strong growing Foot Locker, and they are leaning in with us as their largest global partner. In closing, the early results we're seeing reinforce our conviction in both the opportunity and our approach. We have the right plan, the right team and the right partnerships in place to unlock the full potential of the Foot Locker Business.

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. Building on Ed's comments, it's exciting to see sport driving sustained energy and engagement across the consumer landscape. I am so proud of how our team has turned that athlete demand into a very strong quarter of execution for the company. At DICK'S, the team continues to excel at bringing 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 culture.

In Q1, we delivered comp sales growth of 6% in the DICK'S Business, with growth in average ticket and transactions. These strong comps were on top of a 4.5% increase last year and a 5.3% increase in 2024, as we continued to gain market share.

One thing that remains notable is the consistency in athlete behavior. We saw more athletes purchase from us with more frequent purchases and they spent more each trip compared to the prior year. We continue to see a healthy consumer across income demographics with no signs of trading down, alongside particularly strong engagement from our younger athletes.

Our consumer is really responding to newness and innovation, which is showing up throughout the DICK'S Business with broad-based growth across footwear, apparel and hardlines. Given our continued confidence in the DICK'S Business, we are raising the low end of our expectations for comparable sales and now expect growth of 2.5% to 4%, up from 2% to 4% previously.

At the high end of our expectations for the DICK'S Business, we now expect to drive approximately 30 basis points of operating margin expansion on a non-GAAP basis. At the consolidated company level, we continue to expect full-year non-GAAP earnings per diluted share in the range of \$13.50 to \$14.50. This continued strength reflects the progress we're making across our strategic priorities.

First, we continue to drive growth in our key categories, supported by national brand partners, new and emerging brands and our own vertical brands. One of our biggest advantages is the depth of our brand relationships. We are a critical partner to the most important brands in our industry and that shows up in the access, allocation and marketing support we receive.

Our partnerships span leading global brands like Nike, adidas and Fanatics as well as fast-growing emerging brands such as Bioré and Gymshark. These relationships are deeply collaborative and they continue to bring the best product and innovation to our athletes. Second, we're continuing to reposition and elevate our real estate and

store portfolio through House of Sport and Field House. These concepts are redefining the athlete experience in physical retail and strengthening how our brand partners show up in our stores.

In Q1, we opened one House of Sport location and two Field House locations and our plans are on track to open approximately 13 and 20 more, respectively, for this year. We also continue to see extremely strong interest from landlords, giving us access to some truly iconic retail locations, including Palm Beach Gardens, Cerritos and Tysons Corner. Given these new opportunities, we can be selective in the locations we choose, which will drive greater long-term shareholder value.

Third, we are continuing to enhance how we serve athletes seamlessly across channels. In our stores, we're evolving the experience with a greater focus on elevated service and selling, rooted in deep sport and product expertise. At the same time, we are investing in our digital experience, enhancing our site and our app.

We recently announced the upcoming summer launch of Coach by DICK'S, our AI-powered digital agent, representing a significant step-forward in how we innovate for the athlete. Coach extends the expertise of our teammates into a personalized conversational experience, helping athletes make more confident decisions across product, training and services.

We also remain very excited about our DICK'S Media Network, a high-growth asset that allows our partners to reach athletes in very relevant ways across our House of Sport locations and digital channels. And we're thrilled to have recently opened our Fort Worth distribution center, enhancing our ability to serve athletes in the fast-growing Texas market and surrounding areas.

Finally, we continue to scale GameChanger as a key driver of engagement and innovation within the DICK'S ecosystem. Earlier this year, GameChanger launched the most comprehensive product update in its history, introducing 1080p live streaming, automated game highlight reels and a new suite of AI-powered coaching tools designed to help coaches coach smarter.

The impact has been immediate and measurable. In Q1, approximately 50% of all games covered on the platform were streamed live, a record for the business. At scale, the reach is significant. In the last month alone, more games were streamed on GameChanger than have been played in the entire history of Major League Baseball.

In closing, the consistency that we're seeing across the DICK'S Business validates our strategies and the discipline of our execution. We are operating from a position of strength and we remain confident in our ability to drive sustained growth while investing for the future.

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. Let's begin with a brief review of our first quarter results. Consolidated net sales increased 62.7% to \$5.16 billion, driven by a \$1.79 billion contribution from Foot Locker Business and a 6% comp increase for the DICK'S Business as we continue to gain market share.

DICK'S Business comp reflects a 5.5% increase in average ticket and a 0.5% increase in transactions with a broad-based strength across footwear, apparel and hardlines. On a two-year and a three-year basis, DICK'S

Business comp increased 10.5% and 15.8%, respectively. Pro forma comps for the Foot Locker Business accelerated, increasing 0.6% for the quarter, driven by a 1.4% increase in North America.

Notably, as Ed highlighted, the US Foot Locker banner delivered a 6.4% comp growth, reflecting strong underlying performance as we focus on driving improvements in this important part of the Foot Locker Business. From a margin perspective, consolidated non-GAAP gross profit was \$1.73 billion, or 33.42% of net sales, down 328 basis points from last year. The year-over-year decline was primarily driven by mixed impact from the Foot Locker Business.

Turning to our expenses, on a non-GAAP basis, consolidated SG&A expenses increased 68.4%, or \$541 million, to \$1.33 billion and deleveraged 88 basis points compared to last year's non-GAAP results. \$480 million of this consolidated increase was driven by Foot Locker Business. As expected for the DICK'S Business, SG&A deleveraged 31 basis points driven by investments digitally and in store.

Consolidated non-GAAP operating income was \$378.4 million, or 7.33% of net sales, compared to \$360.4 million, or 11.35% of net sales last year. For the DICK'S Business, operating income was \$361 million, or 10.69% of net sales. And for the Foot Locker Business, we delivered operating income of \$17.5 million, or 0.98% of net sales.

Moving down the P&L, consolidated non-GAAP income tax expense was \$106.2 million, or a rate of 28.8%. Our effective tax rate for the quarter was shaped by a mix of our earnings in foreign jurisdictions, including the effect of purchase accounting adjustments, particularly in Europe, where losses do not currently generate a tax benefit due to valuation allowances.

In total, we delivered consolidated non-GAAP earnings per diluted share of \$2.90 for the quarter, which includes the dilutive impact of the 9.6 million shares issued in connection with the Foot Locker acquisition. This compares to a non-GAAP earnings per diluted share of \$3.37 last year.

On a GAAP basis, our earnings per diluted shares were \$3.54. This includes \$174 million of pre-tax litigation and other settlements, partially offset by \$97 million of pre-tax Foot Locker acquisition-related costs. For additional details, 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 the quarter with approximately \$1 billion of cash and cash equivalents and no borrowings on our \$2 billion unsecured credit facility. Inventory was \$5.42 billion, reflecting the addition of the Foot Locker Business, while the DICK'S Business inventory was up just 3%. Importantly, we believe in our inventory remains well-positioned to support our growth plans across both DICK'S and Foot Locker Businesses.

Turning to capital allocation, net capital expenditures were \$289 million, and we paid \$114 million in quarterly dividends. We also repurchased 719,000 shares of our stock for \$141 million at an average price of \$196.38.

Before I move to our outlook, I would like to provide a brief update on the expectations surrounding the Foot Locker acquisition. First, as part of our clean out of the garage 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. We now expect approximately \$200 million of these remaining charges in 2026, compared to our original expectation of \$150 million. These charges have been excluded from today's non-GAAP EPS outlook.

Second, we remain confident in achieving 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 continues to reflect the strength of the DICK'S Business and the turnaround efforts underway at Foot Locker, all within the context of the dynamic, geopolitical and macroeconomic environment.

Based on our confidence in DICK'S and Foot Locker, we are raising the low end of our comp sales guidance for both businesses. Beginning with the DICK'S Business, we now expect full year comp sales growth in the range of 2.5% to 4%, compared to our prior growth expectation of 2% to 4%.

From a pacing standpoint, we continue to expect higher comps in the first half, driven in large part by the timing of the World Cup. We continue to expect pre-opening expenses to be approximately \$90 million for the full year for the DICK'S Business. From an operating margin, we now expect the high end of our expectation for the DICK'S Business to be approximately 11.4%, which is above our prior expectation of approximately 11.2%.

From a pacing standpoint, we continue to 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. The most significant pressure is expected in Q2, driven primarily by the timing of planned SG&A investments, including marketing tied to the World Cup and the timing of pre-opening expenses to support a higher number of House of Sport openings in this year's second quarter compared to the last year.

Now, turning to Foot Locker Business, we now expect full year pro forma comp sales growth in the range of 1.5% to 3%, compared to a prior growth expectation of 1% to 3%. We now expect operating income for the Foot Locker Business to be in the range of \$110 million to \$150 million, compared to our prior expectation of \$100 million to \$150 million. From a pacing standpoint, we continue to expect comp sales and operating income performance to be back half weighted.

At the consolidated company level, we continue to expect full year non-GAAP earnings per diluted share in the range of \$13.50 to \$14.50. Our earnings guidance is now based on approximately 90.5 million average diluted shares outstanding, which includes the dilutive impact of 9.6 million shares issued in connection with the Foot Locker acquisition.

We now anticipate a consolidated company effective tax rate of approximately 27% for the full year. This is approximately 150 basis points higher than our original expectation, as the dynamics we saw in Q1 are expected to persist, albeit to a lesser degree. This increase in tax rate unfavorably impacts our non-GAAP EPS guidance by approximately \$0.25 for the full year and is included in our updated outlook.

Finally, from a capital allocation standpoint, investing in our business to grow our leadership position and drive profitable organic growth across both DICK'S and Foot Locker Business remains a top priority. We now expect net capital expenditures of approximately \$1.4 billion for the full year, split roughly 70/30 across DICK'S and Foot Locker Businesses.

For the DICK'S Business, our investment will be focused on store growth, relocations and improvement in our existing stores, as well as ongoing investments in technology and supply chain. For the Foot Locker Business, our investments will be focused on re-energizing our store fleet, including our Fast Break initiative.

In closing, we are pleased with the strength in the DICK'S Business and confident in the path to improved performance at the Foot Locker Business.

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

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. Please limit yourself to one question and one follow-up. [Operator Instructions] Our first question comes from the line of Simeon Gutman with Morgan Stanley. Your line is open. Please go ahead.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

Hi, good morning, everyone. A good quarter. So, I know we're going to spend some time on Foot Locker this morning, but I want to start with the DICK'S Business. A 6% comp is a very strong start to the year. Can you talk about the key drivers of the performance? How much reflects underlying momentum versus any one-time benefits in the quarter? And then how you're thinking about comps from here?

Lauren R. Hobart

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

A

Thanks, Simeon. Yes, we are really proud of the quarter and the results we just put out. The DICK'S comp increased 6%. This was definitely not a result of a one-time factor. We saw broad-based strength across the entire portfolio. We saw strength in footwear and apparel and hardlines. Within hardlines, feeling really terrific about team sports and licensed and trading cards and golf. There was tremendous growth across the whole portfolio. And really, this is due to the fact that our long-term strategies are working. We've been leaning into differentiated product, elevated product.

We're finding that consumers are really resonating with newness, with technical innovation. And at the same time, we've repositioned our portfolio with House of Sport and Field House. And the best expression of retail is cascading through our entire business. Our entire team is completely focused on elevating the athlete experience in our stores and throughout our digital ecosystem, and that is a big factor of our results.

The other thing I would point to is, as Ed mentioned in his prepared remarks, sport is one of the hottest categories in the country today, and we sit right at the intersection of sport and culture. We're feeling that excitement in North America going into the World Cup. It's going to continue for many years going into LA28, and we happen to just be in a fantastic lane. But for many quarters now, we have seen our consumer hold up really, really well. We haven't seen trade down again this quarter. We didn't see trade down from best to better or better to good. We saw growth again this quarter up through all income demographics, and we added 1.5 million new athletes to our database. So really, really pleased with the quarter that we just had and the momentum that it signals in our business.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

And my follow-up is on profit and flow-through. So, the 6% comps, we would have expected a little stronger flow-through. For us, strong comps typically means more full price selling, so it's good for growth and then nice SG&A leverage. So, can you talk about what's unique either to Q1? It may be unique to 2026 given World Cup and the timing of House of Sport. And is it more or less a whole year where we don't get what the operating leverage the business throws off, and we'll see more strength as we go into next year? Thank you.

Lauren R. Hobart

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

A

Simeon, it's a really, really good question. I'm glad you asked it. Our business is performing exactly as we had expected it to and as we guided. So, in the first half, we said we were going to have higher comps than the second half. And we also were going to be making significant investments in our business, which we did. We invested in World Cup and we'll continue to do that in Q2. So, for the first half, we did expect stronger comps, lower flow-through.

But when we look at the full year guidance, we just took our high end of our guidance up 20 basis points. So, we guided to 10 basis points. We're now guiding to 30 basis points of improvement at the high end of the range, 11.4%. We're absolutely expecting leverage for the full year. Just as we've been planning, it's going to come in the second half and that's just due to the timing of investments.

So, again, we feel terrific about the business and really good about the leverage for this year and the operating profit flow-through.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

Okay. Thanks. Good luck.

Lauren R. Hobart

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

A

Thanks, Simeon.

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

Thanks.

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

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

Q

Hey. Good morning. So, I do want to add my congratulations, nice quarter. So, my first question, I do want to focus on Foot Locker. So, in your commentary and lately, you've expressed a lot of confidence in the turnaround. So that we saw some encouraging signs here in the first quarter, particularly in the United States. So, can you just kind of maybe talk more about where the turnaround is today, focus again on the progress you're seeing with the Fast Break refresh and just your overall positioning and health of that inventory within the Foot Locker channel?

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

Sure. Thanks, Brian. We're right on schedule with what we plan to do with Foot Locker. Through last year, we've cleaned out the garage from inventory standpoint. So, our inventory is in terrific shape. We've repaired vendor relationships with key brands that were somewhat disenchanted with Foot Locker. We've repaired those vendor relationships and they're now fully supportive of Foot Locker and really want and need Foot Locker to be a stable growing retailer as part of their portfolio. So, we've repaired those relationships.

We've rebuilt the management teams and we've remerchandised the stores with what we're doing with Fast Break. From a Fast Break standpoint, which are those early stores that we reconceptualized what the wall would look like is, you've heard me say before, the Foot Locker footwear wall was really a run on sentence.

It was just filled with a bunch of shoes and it was nothing important. What we did is we took all those shoes off the wall. We reduced roughly 30% of the SKU choices and focused on key styles, key colors and key stories that when the consumer came in, they knew what was important. And those Fast Break stores, as we've talked about, have done extremely well. They comped double-digits in the first quarter. So, we're really excited about that.

As I said, the inventory is in good shape. We've augmented some of the assortment in the first quarter. That helped the business. And remember, we've always said that the inflection point here was going to begin in back-to-school, which is the first time that the team bought the entire assortment. So, we feel that inflection point in back-to-school is going to happen and we will have bought the product and that's the first time we'll be back marketing and doing a relaunch of the Foot Locker brand, a big marketing effort, which we are really pretty excited about.

And as you said, we did focus our attention on the biggest part of the business, which is the US Foot Locker locations. And those stores comped at over a 6% comp in the first quarter. So, we're right on schedule with our plan. Our plan is working. And we continue to be really excited about the Foot Locker Business going forward.

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

Q

No. Thanks, Ed. I appreciate all that. So I guess, it's my fault, but I just want to follow up on the Fast Break. So, I've spent – my associates and I spent a lot of time looking at the Foot Locker stores that you've refreshed the Fast Break stores and make sure you understand this, so – and they do look much cleaner, much better organized.

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

Yeah.

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

Q

But there's no new product. I mean the product we're seeing in those stores is still legacy product sort of say. You haven't introduced new product. So, what's driving those sales is just having a much cleaner, better organized existing product?

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

Right now, yes. And when you've been into the Fast Break stores, although it's not perfect yet, you've seen an increase in the apparel business, in the apparel presentation that we've got there. Foot Locker previously won't say they exited the apparel business, but they significantly scaled back the apparel business. But we've brought the apparel back in. And we've done the best we could cobbling together, because we didn't buy this assortment. We did talk to brands and they got us some additional allocation of product that, so that we'd be in better stock. But as I've said, the first time that we were able to buy the product and build that assortment is for the back-to-school season. And that's where you'll see that inflection point.

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

Q

Got it. Appreciate it. Congrats again.

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

Thanks.

Operator: [Operator Instructions] Our next question comes from the line of Kate McShane with Goldman Sachs. Your line is open. Please go ahead.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

Hi. Good morning. Thanks for taking our question. It looks like your capital expenditure outlook came down a little bit for fiscal year 2026. And we wondered if you could explain what the change was there. Is there any breakdown you can give between Foot Locker and DICK'S? And is there a way to think about CapEx from the Fast Break investment, but also by banner for Foot Locker?

Navdeep Gupta

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

A

Good morning, Kate. This is Navdeep. So, two-part question there. Let me start with the outlook that we have provided for the CapEx. We actually gave a little bit of a detailed outlook on the CapEx between the banners. And right now, we expect net CapEx for the DICK'S banner to be about \$1 billion for 2026 and for Foot Locker to be about \$400 million. As you can imagine, the vast majority in that \$400 million of the capital investment in Foot Locker will be associated with the investments that we are making in our stores, including the Fast Break stores. But as I called out, the Fast Break stores are capital-light. But at the same time, when you think about the magnitude of investments in terms of the number of stores we'll be investing in, that is a significant portion of the CapEx investment for Foot Locker for 2026.

In terms of where the efficiencies came, the efficiency or the decrease in our CapEx outlook by about \$100 million came predominantly in the DICK'S Business. It's part of what Lauren talked about, like the confidence that we have on our operating margin expansion on a full-year basis. The team has been working on productivity initiatives for the last several years. And what you're seeing is the manifestation of that work showing up both in the operating margin leverage expectation on a full year as well as the capital efficiency of \$100 million of reduction in CapEx outlook for DICK'S for full year.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

Okay. Thank you. And just as a follow-up question, with the strength in the Foot Locker US business, can you maybe talk through what you're seeing with the Foot Locker Europe stores currently?

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

Yes, Europe, the European businesses, as we expected, is a little bit behind where the US business is. We are just in the process of implementing the Fast Break strategy into Europe. We've gotten a couple stores done there, and the results are pretty promising. We're making similar changes there from management standpoint. But all in all, the European businesses is about where we anticipated it to be, but it's definitely a bit behind the US business. And we expect that to be that way through the end of the year. But we do expect that we'll catch up.

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

Adrienne Yih

Analyst, Barclays Capital, Inc.

Q

Great. Thank you for taking my question. Good morning and well done. Ed and Lauren, I guess my question starts with kind of what macro backdrop do you kind of envisioned for the rest of the year and the guidance? And then secondarily, Lauren, I really like the comment on, the intersection of sport and culture, right, the sport and lifestyle, and you have the two brands to go after both of those. So, can you talk about kind of the level of innovation, competition and maybe kind of focus on some of the footwear fashion trends? So performance versus lifestyle versus maybe nonathletic, just the ebbs and flows, the kind of subsector trends. Thank you so much.

Lauren R. Hobart

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

A

Great. Thanks, Adrienne. As we've looked at the guidance, the macro, we've balanced all of the confidence that we have in our business and the momentum that I talked about in my first answer with some caution, appropriate level of caution about the macroeconomic environment, geopolitical environment. And that is why we've left the top end of our comp range the same, at both DICK'S and Foot Locker. But overall, our strategies are working. The things that we can control are working. And we're feeling really good about them. In terms of the intersection of sports and culture, we see a lot of innovation. And within footwear, in particular, we're really pleased with things like performance running, which is doing really, really well.

Look, even basketball, women's basketball is doing really well. Some of the lifestyle footwear is doing very well. I would point to retro run, in particular, and some of the other brands are doing really terrific and training and recovery. So we're seeing footwear is a very strong business for us. We drove growth in the past quarter, we continue to drive growth into the future, and we're feeling very bullish.

Adrienne Yih

Analyst, Barclays Capital, Inc.

Q

Great. And my follow-up, as you mentioned, the brand relationship, kind of porting over that strength to Foot Locker. Can you kind of give us specific examples of what that means, the faster returns, obviously access to exclusives? Really kind of what are the muscle that you're porting over from DICK'S to Foot Locker? Thank you so much.

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

Sure. I think there's a number of things. The fact that Foot Locker will now have a different allocation of product that they didn't have before, access to certain products that they didn't have before, and the confidence of these brands that Foot Locker is a viable go-forward business that can help them grow, which a number of them had kind of lost. And we've talked about this and they've talked to me about this, that they had really lost confidence in Foot Locker, that they didn't think Foot Locker was really going to be able to kind of present their product in the way that they wanted it presented, protect their brands. And with the relationship that they have – we have between DICK'S and Foot Locker, these brands – all these relationships have been repaired.

And what we've got from a location standpoint, what we've got from an exclusive standpoint on either styles and/or colors going forward, stories that we'll be able to tell around different athletes and around different aspects of what's going on in sport or sneaker culture, is very different. And you'll see a lot of that start to come to life to even greater degree in Q1 of next year as we're beginning to build those assortments now. But it's an entirely different relationship with the brands. And if you talk to the group in Foot Locker, the buyers, the Stripers, et cetera, they'll see a very different brand relationships in the past and then going forward.

Adrienne Yih

Analyst, Barclays Capital, Inc.

Q

Fantastic. Thank you very much. Best of luck.

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

Thank you.

Operator: Our next question comes from the line of Bob Drbul with BTIG. Your line is open. Please go ahead.

Robert Scott Drbul

Analyst, BTIG LLC

Q

Hi. Good morning. Thanks for taking the question. I was wondering if you could expand a bit more on the core DICK'S Sporting Goods segment, the gross margin performance and the decline that we saw this quarter.

Navdeep Gupta

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

A

Hey, Bob. The DICK'S gross margin climbed about 35 basis points on a year-over-year basis. Two big drivers on that. And both in line with our expectation. The first is the headwind that we saw in supply chain expenses. One, as you can anticipate, with the higher fuel costs, that was a headwind on a year-over-year basis, as well as we opened our sixth distribution center in Q1, and it was in the tail end of Q1. Really excited that we have had that new infrastructure available to be able to service the athletes in a much more efficient way as well as serve our stores. However, that did end with a little bit of a headwind on a year-over-year basis when you open that fixed infrastructure.

Outside of that, we saw a little bit of a mix headwind driven by the fact like Lauren talked about the exciting new business and a tremendous amount of growth opportunity we see in the trading card business. It's bringing in new customer. It's allowing us to go and kind of tap the market around the collectibles as well as trading cards. However, that does come with a slightly lower gross margin. And that was a mix in part that you saw in Q1. I'll

finish by saying if you look at our outlook that we have shared for the full year, we expect our gross margin to expand now that the updated outlook that we have provided.

Robert Scott Drbul*Analyst, BTIG LLC*

Q

Great. Thank you. And then if I could just ask one more question. On the basketball business, can you talk about maybe what you're seeing at the DICK'S segment versus what you're seeing at the Foot Locker stores in basketball?

Edward W. Stack*Executive Chairman, Dick's Sporting Goods, Inc.*

A

Sure. Basketball business is coming back. Basketball had – it's slowed down a little bit. The basketball business is coming back in a really big fashion and really built around the women's basketball business, whether that's Sabrina and A'ja that group of athletes have had a real impact. And boys and girls, young men and women are buying that product. And we're pretty excited about it around the DICK'S Business. We're very excited about it around the Foot Locker Business. So basketball has really been – is going to be quite good. And we're pretty excited about it across both banners.

Robert Scott Drbul*Analyst, BTIG LLC*

Q

Great. Thank you very much.

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

Michael Lasser*Analyst, UBS Securities LLC*

Q

Good morning. Thank you so much for taking my question. On the outlook for the core DICK'S Business, you mentioned that you expect the gross margin to improve over the course of the year. Presumably, collectibles will remain a source of pressure. So what do you expect outside of the supply chain drag becoming less of an impact? What do you expect the offset will be from this collectibles pressure, and any other driver that you're considering over the course of the next few quarters? Thank you.

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

A

Good morning, Michael. I will say that there are puts and takes with the gross margin outlook and like you called out like fuel pressure, we have contemplated at least that pressure persisting into the near future. We have talked about the six DC opening for this year as well as the occupancy headwind as we look to continue to invest in repositioning our portfolio, and the mixed trait had been that you called out from trading cards is also contemplated. However, the offsetting factors continue to be pretty consistent with what has been driving our gross margin expansion. The first and foremost, the access and allocation that Ed just talked about, that continues to be the key driver of us continuing to have confidence in the gross margin and the gross margin expansion.

The work that our pricing team is doing, the work that our vertical brand teams are doing. And again, vertical brands carry 700 basis points to 900 basis points of higher margin rate. So as we penetrate more there and those

brands are doing fantastic for us, that's the driver and then outside of that, like Lauren talked this morning about our excitement for the DICK'S Media Network, which is continuing to have a strong growth, as well as the growth that we are seeing in our GameChanger Business, will be the drivers that will be offsetting some of the headwinds that I just mentioned.

Lauren R. Hobart

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

A

Michael, if I can just add to that, I wanted to say the collectibles business, the trading card business are such exciting, incremental opportunities. So while they do have a lower margin than our overall mix, I think thinking of them as a pressure or any sort of negative thing is the wrong way to look at it. It's incremental gross margin dollars, bringing people in more frequently, appealing to a younger audience, totally incremental from the rest of our store and driving trips. So we're thrilled about that business and to Navdeep's point, the math will work so that we can grow gross margin for the full year.

Michael Lasser

Analyst, UBS Securities LLC

Q

Lauren and Navdeep, I'd be remiss if I didn't ask you if you wanted to quantify the contribution from collectibles and trading cards in the first quarter, but I assume you...

Lauren R. Hobart

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

A

Do not.

Michael Lasser

Analyst, UBS Securities LLC

Q

...probably won't.

Lauren R. Hobart

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

A

We do not.

Michael Lasser

Analyst, UBS Securities LLC

Q

Okay. Okay. Well, in that case, my follow-up question is on economics of the House of Sport location. This is now more in focus over time as you add more of these flagship stores. How have the economics teams, are you continuing to see the same store sales growth in the second, third and fourth year of these locations, consistent with the overall chain average? And do you think the return on investment, both tangible and may be intangible, because you do get some intangible benefits from your key stakeholders like landlords and vendors? Will the tangible benefits or the tangible returns be sustained as you scale this concept to what could be 75 or more locations over time? Thank you.

Lauren R. Hobart

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

A

Yes. Great question. House of Sport is everything you just said. It has a tangible benefit. It has an intangible benefit. From a financial standpoint, we're thrilled with the results. And we do see comp store growth in years three and years four even, so we've been able to confirm that. So they open fully and then continue to grow. And

they're driving strong sales and profitability and an ROI. So really terrific financial results. But some of the intangibles that you mentioned are really important. And that's everything from the consumer, the athlete who is coming and spending more time in our stores, spending significantly higher than an average a typical fixed athlete, our national brand partners. So this has been an incredible on-ramp for new and emerging brands. You heard us say this quarter, we just added Bioré to our mix of brands last quarter, Gymshark, that's all been enabled because of the House of Sport, where people can really bring a brand to life head to toe, tell their story. And it's a fantastic way for us all to get to know each other. So, that's going to have tangible returns in the future that'll impact the whole business.

And then, lastly, you mentioned the landlord community. Every time, we open one of these House of Sports, we're seeing incredible impact in the center or the mall. We're driving traffic. We're revitalizing different areas of real estate throughout the country. And so, that's giving us access to bigger and better, really more premium locations, which we are working really closely to curate and move forward.

So, I think it's a win-win. The last thing I'll say is House of Sport is translating not just to the House of Sport, but our Field House concept, which is our 50k prototype, is really a mini version of a House of Sport. It's got many of the same elements, just a little smaller. And so, that's a very tangible return as well.

And as we look to the rest of the portfolio, where the whole chain is benefiting from things like product access and experiential selling and elevated, curated experience across the board, so really, really strong House of Sport overall.

Navdeep Gupta

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

A

Yeah. Michael, I'll just build on what Lauren said, which was a pretty comprehensive response. The – another opportunity that we are now investing into in House of Sport is the DICK'S Media Network. So, the way we can bring a brand to life and through the DICK'S Media Network and have the curated experience and engagement with the athlete is what the brands are really excited about.

Our visual team, our marketing team have done a fantastic job not just creating that moment or to have create that interaction, but be able to create that in a way that it's measurable and quantifiable, that we can report the metrics back to the brands. And that's what the brands are really excited about as they think about the DICK'S Media Network.

Michael Lasser

Analyst, UBS Securities LLC

Q

Understood. Thank you so much and good luck.

Lauren R. Hobart

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

A

Thank you.

Navdeep Gupta

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

A

Thank you.

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

Paul Lejuez

Analyst, Citigroup Global Markets, Inc.

Q

Hey. Thanks, guys. Lauren, I think you said you didn't see a trade down between good, better and best. Can you talk about the performance of those three goods that are best in terms of what is driving the comp from each of those different segments might be a clue as to how each of your customer segments are holding up? And then, second, curious to get your updated thoughts on putting some leverage on the balance sheet, maybe aggressive – more aggressive with share [ph] repo (00:51:32)? Thanks.

Lauren R. Hobart

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

A

Great. I'll start with your first question. I did say we did not see a trade down between good, better and best. And I won't get into specifics about all the three, but I do think it's important to know that we are serving different occasions and different athletes. And within our portfolio, we have everything from opening price point, say our DSG brand, which is really tremendously attractive pricing, but high function, high fashion all the way up to, if you look at technical apparel or on the equipment side, really performance driving equipment, cleats, everything.

So, every single one of those categories is doing well and they all play a role in a balanced portfolio. And they're all being reacted to by different consumer groups. And that's what's driving the comp in each of those segments.

I'll turn it to Navdeep to talk about the balance sheet.

Navdeep Gupta

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

A

Yeah. Paul, just to build on your question on the balance sheet and so we continue to have a very strong balance sheet. As you saw in Q1, we bought \$140 million of shares already in Q1 and still finished the quarter one with \$1 billion of cash on the balance sheet. So, we have plenty of flexibility. And from a share repurchase perspective, I would say we'll continue to be opportunistic. And that's the approach that we have taken and we'll continue to take that approach into the balance of this year.

Paul Lejuez

Analyst, Citigroup Global Markets, Inc.

Q

Okay. Just one quick follow-up. The private label business, you mentioned, hey, Lauren, you talked about how private label generally performed versus the rest of the chain.

Lauren R. Hobart

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

A

Yeah, we're thrilled with our vertical brand business. We're thrilled with the DSG brand, the CALIA brand, VRST brand. Maxfli is doing amazingly well. The brands are doing very well versus the rest of the chain and also continuing to expand gross margins. So, a vertical brand on average is 700 basis points to 900 basis points higher in margin, gross margin, than the average fixed margin. And that continues, the team is doing a fantastic job. Continuing to leverage that. So, overall, our vertical brands are a key mix that also fill in white space opportunities in the portfolio. And we're thrilled with how they're doing.

Paul Lejuez

Analyst, Citigroup Global Markets, Inc.

Q

Hey. Good luck.

Lauren R. Hobart

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

Thanks.

A

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

Christopher Horvers

Analyst, JPMorgan Securities LLC

Thanks. And good morning. And thanks for taking my question. So, my first question is, you've been very optimistic about the DICK'S Business, but we're also coming off a period where there was plenty of tax stimulus that affected all levels of the consumer income spectrum. So, my question is, I was curious if you thought the first quarter benefited from tax stimulus such that, that two, three-year trend that you referenced is not sustainable, as we look forward outside of just being prudent.

Q

Navdeep Gupta

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

Yeah, of course, I would say, we were very happy with the overall performance that we saw across both the banners, not just DICK'S and the Foot Locker Business as well. Well, if you look at it, the outlook that we have provided continues to kind of indicate that level of confidence around the core strategies. And we are balancing that against the macroeconomic and the geopolitical landscape.

A

I don't know if I would call out that we saw any significant benefit from the stimulus checks as they were puts and takes, even if you look at it within Q1 with the stimulus check and higher gas prices. And even in those economic conditions, we delivered what we consider as a really strong results across both the banners.

Christopher Horvers

Analyst, JPMorgan Securities LLC

Understood. And then, on the Foot Locker side of the business, a two-part question, can you talk about same-store sales from an AUR and transaction perspective? One would think that it was basically AUR, but you also have all the clearance that you took in the back half and you're going to be remerchandising and getting better just overall in stocks in the stores such that transactions could also accelerate.

Q

And then, on the gross margin side of it, in the Foot Locker gross margin, was there any remnant clearance in there? And presumably, we didn't have any of the buy-in synergies in there yet. Thanks so much.

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

Yeah. I think on the gross margin piece, there was certainly still some clearance. There's always going to be clearance in a retail business. There's products that you think you're going to sell, don't sell. It's all, but all part of the normal aspect of the business. So, we were very pleased with what we did with Foot Locker from – we haven't guided right now and we're not going to report this until it becomes comp in the fourth quarter, the transactions in the traffic piece of this. But we are right on schedule to what we're doing with Foot Locker. We're really excited about it. And we're looking forward to that back-to-school time period where we have that inflection point where we've been – had the ability to buy the product and also lay out the relaunch marketing campaign that we've got with Foot Locker that we're pretty excited about.

A

Christopher Horvers

Analyst, JPMorgan Securities LLC

Q

And then, no, there is no buy-in synergies in that gross margin yet.

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

No, no.

Christopher Horvers

Analyst, JPMorgan Securities LLC

Q

Got it. Thanks so much. Have a great summer.

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

Thanks.

Operator: Our next question comes from the line of Cristina Fernández with Telsey Advisory Group. Your line is open. Please go ahead.

Cristina Fernández

Analyst, Telsey Advisory Group LLC

Q

Thank you. Good morning. I have two questions on Foot Locker. Ed, you mentioned earlier that you were planning on doing more than 250 stores on the Fast Break conversions after back-to-school. How many you think you can do for the year? And with the double-digit comps, would you look to accelerate that?

And the second question is on the changes on the merchandising plan for back-to-school on the back half. Can you talk about what categories will be – the changes will be more pronounced for the consumer, whether it's like basketball, casual running or any more details you can share? Thanks.

Edward W. Stack

Executive Chairman, Dick's Sporting Goods, Inc.

A

Sure. So, the Fast Break stores will have about 250 of them for back-to-school. We will continue that program through holiday. We'll have some – we'll have more done for holiday. We're not going to guide to those right now. We're trying to decide how much we want to disrupt the holiday business with this. But there will be more of those that will be done at the end of the third quarter and at the beginning of the fourth quarter. So, we will continue with this. We're very pleased with how Fast Break stores are doing.

As it relates to the merchandising plans for back-to-school season, the categories that we're focusing on, you'll see a better assortment for women's product. You'll see a better assortment of what's going on from a basketball standpoint and not only performance run, but also the retro run category. We will see better product and more storytelling around that. And then one of the things you'll see is you'll see better apparel product in there and a better apparel assortment around stories associated with tying back to the shoes.

So, it'll be around footwear, apparel and some around, some key accessory items that Foot Locker had run out of in the past that we will be in stock in. And we think we'll certainly help this that the business going forward as we look at this inflection point in the back-to-school.

Operator: Our final question comes from the line of Joseph Civello with Truist Securities. Your line is open. Please go ahead.

Joseph Civello

Analyst, Truist Securities, Inc.

Q

Hey, guys. Thanks so much for taking my question. I was wondering, is there anything you could suss out in your data that suggests that you might be getting incremental comp lift from the usage of GLP-1s, anything like the categories or the sizing or something like that?

Lauren R. Hobart

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

A

Joe, we don't have specific data on that, but for the long time now we've been seeing people leaning in. And this goes back many years, even post-COVID, leaning into a healthier, active lifestyle, outdoor living, team sports, golf. So, in general, our consumer is doing really well and leaning into these, but we don't have any specific correlation to GLP-1s.

Joseph Civello

Analyst, Truist Securities, Inc.

Q

Got it. And then maybe just one follow-up. Can you give any color on the promotional environment and maybe like how it impacts both these DICK'S and the Foot Locker side of the business?

Lauren R. Hobart

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

A

Yeah. In Q1, we didn't – that wasn't a major factor. And we always on both the DICK'S and the Foot Locker side will manage through any promotional environment. We do what's best for the consumer and best for our business, and we're very surgical about it. We've got advanced pricing capabilities where we can really, really be curated in how we lean into a promotional environment, but nothing on the horizon that we're particularly concerned about.

Joseph Civello

Analyst, Truist Securities, Inc.

Q

Got it. Thanks so much.

Lauren R. Hobart

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

A

Thank you.

Operator: We have reached the end of the Q&A session. I will now turn the call back to Lauren Hobart, President and CEO, for closing remarks.

Lauren R. Hobart

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

Thank you, everybody, for your interest in DICK'S. And thank you to our 100,000 teammates and associates around the country and around the world. We have the best team in sports, and we're very grateful for everything you do. Thank you, all.

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

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