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Dick's Sporting Goods, Inc. (DKS)

Q2 2024 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 everyone to the DICK'S Sporting Goods Second Quarter 2024 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 will now turn the conference over to Nate Gilch, Senior Director of Investor Relations. Nate, you may begin.

Nathaniel A. Gilch

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

Good morning, everyone, and thank you for joining us to discuss our second quarter 2024 results. On today's call will be 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 a reconciliation of our non-GAAP financial measures referenced in today's call.

And finally, for your future scheduling purposes, we are tentatively planning to publish our third quarter 2024 earnings results on November 26, 2024.

And with that, I will now turn the call over to Lauren.

Lauren R. Hobart

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

Thank you, Nate, and good morning, everyone. As we announced earlier this morning, we delivered a very strong quarter. Our Q2 results continued to demonstrate how well our long-term strategies are working and the great execution of our team.

Powered by our compelling omni-channel athlete experience, differentiated product assortment, best-in-class teammate experience and our ability to create deep engagement with the DICK'S brand, we are driving sustained top line momentum and gaining market share. I am really proud of our team.

Today, we are again raising our full year outlook. This reflects our strong Q2 results and the confidence we have in our business. We now expect comp sales growth for the year to be in the range of 2.5% to 3.5% and EPS to be in the range of \$13.55 to \$13.90.

Now moving to our results. For the second quarter, our sales increased 7.8% to just under \$3.5 billion. Adjusting for the calendar shift, our comps increased 4.5%. This strong comp was driven by growth in average ticket and in transactions.

We saw more athletes purchase from us and they spent more each trip compared to the prior year. With growth in sales, gross margin expansion and SG&A leverage, we achieved EBT margin of nearly 14% and EPS of \$4.37, both significantly ahead of last year.

At the heart of our strategy is our omni-channel athlete experience. We're continuing to invest across our digital and store experiences to meet our athletes wherever they are, create confidence and excitement, and get products into their hands faster. We continue to be very pleased with the performance of House of Sport and our next-generation 50,000 square foot DICK'S locations, which internally we refer to as our Field House concept.

With House of Sport, we are redefining sports retail and creating very strong engagement with our athletes, our brand partners and communities. It's also driving significant benefits to our real estate partners. We continue to hear from mall operators that our House of Sport locations drive increased traffic, sales per square foot and occupancy rates for the malls where they operate.

House of Sport is drawing unprecedented landlord interest and the opportunity to join many of the best shopping centers in the country. Later this month, we are excited to open our 15th House of Sport location and look forward to opening another five locations this year.

We've also completely revolutionized our most typical format, our 50,000 square foot DICK'S store into what we're calling our Field House concept. Field House is inspired by House of Sport and includes interactive experiences and elevated presentation and service. These stores are performing exceptionally well. During Q2, we opened four Field House locations and with 17 now opened, we look forward to opening nine more locations this year.

Investing in our digital capabilities is central to our omni-channel athlete experience. This includes DICKS.com and our DICK'S mobile app, which continues to be key to our business and have strong engagement with our athletes. We continue to make the digital shopping experience better for our athletes and recently launched several features to help accelerate this journey, including elevated imagery, 3D viewing of select footwear and AI-powered chat features.

As we've talked about, we're also focused on digital innovation. With GameChanger, we built a platform that engages with youth sports families in a uniquely authentic way with the content most valuable to them, their kids' sports game. Over 6 million unique users engaged with GameChanger in Q2, an 11% increase from last year, averaging approximately 45 minutes per day in the app, speaking to the power of this content to sport families, coaches and players.

GameChanger allows us to connect with our athletes beyond the traditional shopping experience and reinforces our leadership in sport. Importantly, GameChanger families are some of DICK'S most valuable customers. A GameChanger customer who also has a DICK'S ScoreCard spends over two times more per year at DICK'S than a typical ScoreCard customer.

The GameChanger business model generates predictable, recurring, high-margin subscription revenue and during Q2, it drove continued robust sales growth. Providing differentiated on-trend product, which is our second strategic pillar, helps make DICK'S the go-to destination for sport in the US. We are excited about our assortment for the important back-to-school season and the product pipeline from our key brand partners and vertical brands.

Our teammates are a critical driver of our success and our third strategic priority is providing a best-in-class teammate experience. Our engagement surveys demonstrate that we are a fun and rewarding place to work. Our teammates are proud, personally committed and optimistic about our future, and we're seeing fantastic improvement in turnover across our stores.

Lastly, we're continuing to invest in DICK'S brand building. We recently announced a new partnership with Team USA and LA28, designating DICK'S as the official sporting goods retail provider. During the recent Olympic Games, we launched our latest marketing campaign that celebrates youth athletes and builds on our belief that sports have the power to change lives.

In closing, we are very pleased with our second quarter performance, including the strong results of House of Sport, our Field House concept and GameChanger, and we are highly confident in our strategies to drive sustained and profitable growth.

Before concluding, I'd like to thank all of our teammates across this company for their outstanding efforts and continued commitment to DICK'S Sporting Goods. Our strong performance is a direct result of their efforts.

With that, I'll turn the call over to Navdeep to share our financial results in more detail.

Navdeep Gupta

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

Thank you, Lauren, and good morning, everyone. Before jumping into our Q2 results, I want to acknowledge the voluntary 8-K we filed last week, in which we disclosed that on August 21, we discovered unauthorized third-party access to our information systems. Based on our current knowledge, we do not believe that this incident is material. It did not disrupt our business. Our stores remained open, and our eCommerce sites were functioning throughout.

Moving to our second quarter results, we are very pleased to report a consolidated sales increase of 7.8% to \$3.47 billion. This included a benefit from the calendar shift due to the 53rd week last year of approximately \$95 million or \$0.30 in earnings per diluted share.

Adjusting for the calendar shift, which we believe provides the clearest view of the business, our comps increased 4.5% as we continued to gain market share. Our strong comps were driven by a 3.5% increase in average ticket and a 1% increase in transactions. We saw strength across key categories led by footwear and athletic apparel.

Gross profit for the second quarter was \$1.28 billion or 36.73% of net sales and increased 231 basis points from last year. This increase was driven by higher merchandise margin of 169 basis points and leverage on occupancy costs due to the higher sales. The increase in merchandise margin was driven by favorable sales mix and the quality of our assortment. It also included lower year-over-year shrink of 83 basis points as we anniversaried higher shrinks from 2023 that included an unfavorable true-up based on the physical inventories last year.

On a non-GAAP basis, SG&A expenses increased 4.1% to \$786.3 million, and leveraged 78 basis points compared to last year due to the higher sales. The increase in SG&A dollars included higher incentive compensation expense, planned investment in marketing and cost in support of our sales growth. Pre-opening expenses were \$8.9 million, a decrease of \$24 million compared to the prior year. This decrease was driven by the timing of our new store openings.

EBT in the second quarter was \$482.3 million or 13.9% of net sales. This is up from EBT of \$325.9 million or 10.1% of net sales in Q2 of 2023. In total, we delivered earnings per diluted share of \$4.37, an increase of 55% compared to the earnings per diluted share of \$2.82 last year. As I mentioned earlier, this included a \$0.30 earnings per diluted share benefit from the calendar shift.

Now looking to our balance sheet, we ended Q2 with approximately \$1.7 billion of cash and cash equivalents and no borrowings on our \$1.6 billion unsecured credit facility. As a result of our consistent and strong financial performance and commitment to a healthy balance sheet, Moody's upgraded our credit ratings from Baa3 to Baa2 in early August.

Our quarter end inventory levels increased 11% compared to Q2 of last year. This inventory investment has been a conscious decision to lean into differentiated key items and categories which are expected to drive our growth into the second half of 2024 and into early 2025. We believe our inventory is clean and well positioned as we enter into Q3.

Turning to our second quarter capital allocation, net capital expenditures were \$199 million and we paid \$89 million in quarterly dividends. We also repurchased 252,000 shares of our stock for \$49.9 million at an average price of \$198.05. Thus far this year, we have repurchased a total of \$163.6 million of our stock. For the full year, we continue to expect share repurchases of \$300 million.

Now moving to our outlook for 2024, as Lauren said, we are again raising our full year outlook. This reflects our strong Q2 performance and our confidence in our strategic initiatives and operational strength balanced against the dynamic macroeconomic environment. We continue to expect 2024 consolidated sales in the range of \$13.1 billion to \$13.2 billion.

We now expect full year comp sales growth in the range of 2.5% to 3.5%, compared to our prior expectation of 2% to 3% growth. EBT margin is now expected to be at 11.2% at the midpoint compared to 11.1% previously. We now expect gross margins to expand year-over-year compared to our expectation for a modest expansion previously.

Based on the strength of our business, we are making some strategic investments to drive long-term growth, and we now expect SG&A expenses on a non-GAAP basis to deleverage modestly year-over-year. For pre-opening expenses, we expect second half expenses to be moderately higher than the first half, driven by the timing and mix of our new store openings. The vast majority of this expense will fall into the third quarter.

In total, we now anticipate full year earnings per diluted share to be in the range of \$13.55 to \$13.90 compared to our prior expectation of \$13.35 to \$13.75. Our earnings guidance is based on approximately 83 million average diluted shares outstanding and an effective tax rate of approximately 23%. We continue to expect net capital expenditures of approximately \$800 million for the year.

Lastly, keep in mind that due to the impact of shifted calendar, our reported total sales and EPS benefited by approximately \$140 million or approximately \$0.45 in earnings per diluted share in the first half. We expect an offsetting negative impact in the second half of the year. With the key back-to-school week shifting out of Q3 and into Q2 this year, the vast majority of this offset will happen in the third quarter.

We estimate the unfavorable impact to Q3 reported total sales to be approximately \$105 million or approximately \$0.35 in earnings per diluted share. Excluding the 53rd week last year, which added \$170 million or \$0.19 in earnings per diluted share, this shift will not impact our full year results.

In closing, we are very pleased with our second quarter performance and the success of our long-term strategies. We remain very enthusiastic about the future of our business.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from Adrienne Yih with Barclays. Please go ahead.

Adrienne Yih

Analyst, Barclays Capital, Inc.

Q

Good morning. Let me add my congratulations. It's not often we see this kind of success selling at full price in this landscape. So, congrats. Lauren, I guess my first question is going to be pretty high level. I kind of wanted to see if you'd go over again why DKS is having the success post-COVID, right, in what arguably is kind of a slowing athleisure or athletic environment? And can you go through – you did it during the prepared remarks, but can you go through again kind of the top three things that DICK'S has done kind of pre-pandemic to post-pandemic and why you kind of are emerging as the dominant player in the sporting goods landscape? Thank you.

Lauren R. Hobart

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

A

Thanks, Adrienne. We are – appreciate your congratulations – very, very pleased with the Q2 performance that we just put up, 4.5% comp, that was on top of a 2% comp last year, and we are driving market share gains. And I think that really speaks to the fact that our athletes, our consumer, we call athletes, are holding up very well. They continue to prioritize a healthy outdoor active lifestyle, they're prioritizing team sports. But I think the reason we continue to gain market share is because our long-term strategies are working.

So, to your point about what's changed and it's even before COVID, over the past several years, we have been focused on several key strategic pillars. The first one is differentiated product. Our merchant teams have done an absolutely outstanding job bringing in products that are high demand, that people are seeking, that teams are seeking, that all athletes are looking for, and that's product that is both for a competitive performance athlete, but also lifestyle for that athlete or for that consumer. And so we now have an assortment that is truly differentiated in the marketplace and enables us to continue to drive sales and the healthy margins that you mentioned.

Our athlete experience is another thing that we've been incredibly focused on, and that means a lot of things to us. That means both enhancing the service in our stores, making sure that we – and on our website, making sure that we get product into people's hands sooner, making sure we get people the right product, and it also speaks to the reinvention of our entire portfolio. We keep reinventing DICK'S Sporting Goods, and that's something that's core to our values and our culture. But with House of Sport and the Field House, we continue to push what a reinvented model for serving athletes can look like, and those learnings continue to trade down – trickle down through our entire company.

Overall, I'll just say we saw this past quarter, we saw growth across all income demographics, which was terrific and we saw more athletes purchase from us, spending more per trip, so that's the increase in transactions and

tickets, and we added 1.6 million athletes to our database in the quarter, so great quarter, but this has been a long-term strategy, multiple years, starting even pre-pandemic, and I'm very, very pleased with how the team has executed.

Adrienne Yih

Analyst, Barclays Capital, Inc.

Q

Great. And then a quick follow-up for Navdeep on the inventory. Obviously, you are building the inventory, was a little bit higher, right, than where we are in sales. Often that's something that people look at. But can you just describe – there's a time in retail when you actually press on the accelerator and start to give that more gas to the inventory, and it's when you actually see the comps accelerating. So, can you just talk about kind of giving the balance a little more oxygen to be able to taste those comps, and how you're de-risking it on the backside, are you taking more upfront? Are you – how you're managing that? Thank you.

Navdeep Gupta

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

A

Adrienne, thank you for that question. First of all, I think that you framed it really well, that this is us pouring a little bit more accelerant into our core strategies. What Lauren talked about, and she touched upon both of the most important facts on why the inventory investments we are making. First of all, it goes back to the access that we have, the work that our merchants have done in getting the differentiated product into our stores and on our website. This assortment is resonating so well, and so this is, we see as a key area, and what I called out in my prepared remarks, as a key area of a conscious investment that we are making.

The second thing that I would point to is our inventory is really clean and very well balanced. Our clearance inventory is meaningfully down compared to last year in Q2. And then the third thing is, if you look deeper within into our updated guidance that we have provided, this goes back to the confidence that we have in our assortment. We raised our second half comp expectations modestly, and actually raised our merch margin expectations also modestly in the second half, again, coming back to the quality of assortment that we have, the access that we have to a very differentiated assortment. So, we feel really good about the inventory and how well we are positioned for back-to-school season.

Lauren R. Hobart

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

A

Yeah. And Adrienne, I would just add that the inventory that we've invested in is in things like key items, in strike points and brands, and it has a long sale life. So, we expect to have this inventory available and ready to sell into the spring in the Q1 of 2025. It's really good inventory.

Adrienne Yih

Analyst, Barclays Capital, Inc.

Q

Fantastic. Best of 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

Thanks, Adrienne.

Operator: Your next question comes from Brian Nagel with Oppenheimer. Please go ahead.

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

Q

Hi. Good morning. I too would like to add my congratulations on another very nice quarter.

Navdeep Gupta

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

A

Thanks, Brian.

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

Q

So, the first question I have, I'll ask a high-level question and my follow-up will be more specific. But from a high-level perspective, look, a lot of us follow closely your partners, your vendor partners, and what we're hearing out there is this refocus, if you will, on product innovation from Nike, Under Armour and many others. So, the question I want to ask is, you know what, DICK'S has been performing very, very well through a difficult macro backdrop, through a level of product innovation. Are you starting to see now from these vendors the product innovation accelerating? And to the extent you are, I mean, how much of an incremental tailwind for DICK'S will this be as it continues to take shape?

Lauren R. Hobart

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

A

Thanks, Brian. Absolutely, we're seeing our vendor partners focus on innovation. And we, ourselves, as I mentioned earlier, are innovating our entire experience as well. With our strategic partners, we have really long-term sharing sessions, strategy sessions where we do look at the pipeline for years to [Technical Difficulty] (00:24:23-00:24:33).

Operator: Ladies and gentlemen, this is the operator. We are experiencing technical difficulties. Please remain on the line. [Operator Instructions] And ladies and gentlemen, we will resume. Brian Nagel, your line is now live.

Lauren R. Hobart

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

A

Brian, I apologize. I heard your question, and I don't know whether you heard any of my answer. Our line dropped. So, should I start over?

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

Q

You started to respond. So, I mean, do you want me to repeat the question?

Lauren R. Hobart

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

A

Sure. Why don't we do that? Thank you very much.

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

Q

Sure. So, look, my question was, what we're hearing from a number of your key vendor partners is that they're refocusing on – post-pandemic, refocusing on product innovation. DICK'S has performed extraordinarily well through a tough macro backdrop and maybe while product innovation throughout the sector was lowering. So, the question I have is, as you look – I mean, A, are you starting to see some benefits of this product innovation from your vendor partners? And then B, how should we think about this refocusing on product innovation on the part of these vendor partners as an incremental tailwind for DICK'S either through the balance of 2024, into 2025 or whatever?

Lauren R. Hobart

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

A

Thanks, Brian. Yes, we are excited about the product innovation cycle that we see coming down the pike with our vendor partners. And we have, as you would expect, long-term strategy meetings where we get peeks under the tent about what's coming. We're excited about the product innovation. But I would also point out, as I mentioned to Adrienne's question, the innovation that we have in our own business in terms of how we are serving athletes, the reinvented portfolio and the access that we have to highly differentiated products. So, product itself is a key tailwind for us, has been for some time, and we continue to see that due to the access, due to the innovation coming, we think it's a key pillar for us.

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

Q

Thanks, Lauren. That's helpful. And then my second – my follow-up question, I guess, maybe more for Navdeep. So, you mentioned in your prepared comments, it sounds like incremental investments that you're going to undertake here in the second half of 2024, which changes somewhat kind of the leverage profile of the business, at least near term, so I guess the question I'm asking is what are the – maybe you can elaborate more on those investments?

Navdeep Gupta

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

A

Yeah, Brian, just let me give a little bit of color to that. So, if you look at it, we are investing in the core strategy. The strategies that Lauren articulated so well that are working so – that are resonating with our athletes and are working so well. So, things like repositioning our portfolio is one. The technology investments that are allowing us to provide a very differentiated level of service to our athletes when they walk into our store or the technology investment that is making our website so much more functional, those are the core areas of investment that we are leaning into to continue to position our business for 2025 and beyond in a very differentiated way.

The other comment that I would add to that is the investment in our SG&A is balanced against the confidence that we have in our total margin expectation. So, if you look deeper into our guidance, we have raised our total margin expectations for full year and invest – and then net that against the SG&A investment, in totality, we actually have taken our operating margin expectations up by 10 basis points compared to our prior guidance.

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

Q

That's helpful. Thank you.

Navdeep Gupta

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

A

Thank you.

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

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

Hi. Good morning, everyone. Lauren, I wanted to start asking about the top line and engagement on the customer side. The angle is this proliferation of some of the strongest brands, and I won't name them all, but there's a handful that are higher profile that are probably driving a good amount of growth, at least that's a perception.

My question is, what are you paying attention to that gives you confidence that you're maintaining engagement with your customers on all of these of these brands? And my perception is that some of these brands are starting to proliferate into other places. So, how is that engagement changing as we see some of these brands and products end up in more places?

Lauren R. Hobart

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

A

Thanks, Simeon. Our engagement with our customers, we call athletes, is as high as it's ever been, and that's a credit to the experience that we have in the stores. It's also a credit to our brand campaign and what our marketing team has done. I know many of you have seen some of the work that came out during the Olympics. So, we're – top of mind awareness is great.

But when you get into products, we are unique in our ability to provide both performance and lifestyle, head to toe. We know the outfit starts with the footwear for a kid, and we can outfit them for their entire outfit both every day in life and on the field as well. So, we are excited about the differentiation that we have versus our competitors. We feel really good about the increased access that we have to products, and we also feel really good about our performance of our vertical brands. So, in general, very optimistic about our continued growth.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

A quick follow-up on House of Sport. Can you talk about the trajectory versus initial forecast and more so in – post the 12-month period, so in the 12 to, I think, I don't know what month we're at, 18th month or so, maybe closer to 24 in one or two cases. Anything that's surprising in terms of product categories or merchandise since – versus your forecast?

Lauren R. Hobart

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

A

Yes. Simeon, we continue to be really pleased with how our House of Sport stores are performing. We did give comp guidance at the end of last year that the two had been opened enough to have a comp, comps positively. And the things that get us very excited about the House of Sport is both the fact that athletes are traveling further, they are visiting more frequently, they're increasing the dwell time, the amount of time that they spend in our stores.

And in general, what we're seeing is that that – the ability to bring a brand to life is really helping us engage in some of that product innovation that you talked about just a moment ago. So, we can bring a brand's life in our collaborative spaces, we call them our co-labs, in such an engaging way where we can talk about a brand story with some of our existing partners or bring in new brands to life. It really is – it's been a fantastic way to get to know new brand partners and also to develop access with our current partners.

And the last thing I would say that's just been increasingly noticeable is how much noise and excitement that we are making with the landlord and mall owner and operator business, and the fact that when we open a House of Sport, we do see – the mall owners are telling us that they see increased traffic, they see increased sales per square foot and occupancy rates. So, that's actually giving us access to some of the best malls and best shopping centers in the country and it's a big part of our strategy.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

Okay. Thanks. Well done. Good luck.

Lauren R. Hobart

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

A

Thank you, Simeon.

Navdeep Gupta

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

A

Thanks, Simeon.

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

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

Hey. Good morning, guys. Great quarter. My first question, and probably both of them are actually for Navdeep. Navdeep, can you talk about the House of Sport conversions and sort of how that might have benefited comps in the second quarter and how we should think about House of Sport conversions in the back half as a benefit to comps versus maybe what you saw in the first half? And then another modeling question, I'll just give you the two upfront, would just be for gross margin in the back half, if you could give us any thoughts on puts and takes for us to think about in 3Q versus 4Q that would be great.

Navdeep Gupta

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

A

Thanks, Robby. Appreciate your comment on the second quarter performance. So, in terms of the conversion benefit for House of Sport, very consistent with what we had said at the end of last year. We had guided to the fact that our first half will benefit because as you recall, there were eight House of Sport conversions that we were doing last year that were all closed remodels. And so our first half of the comp of 2024 benefited from those closed remodels. And our expectation for the second half in the updated guidance that we have given is that our comps will be again positive in the second half. However, we'll see a little bit of a takedown of the benefit that we saw in the first half.

We continue to remain really confident about the House of Sport overall strategy. As Lauren just said in the prior question, the product access that we are having, the differentiated service that we are able to provide, how well that service and the product offering is resonating with our athletes that are traveling further, spending more time in the stores, our store teams are doing a fantastic job of leveraging the assets that they have in store, including the field and engaging deeper with the community. And that is what is giving us the confidence that you see us taking the House of Sport learnings and translating that into the Field House concept that we talked this morning about. So, hopefully, that answers your question in terms of the House of Sport, the first half versus the second half.

Coming to the gross margin expectation, it's a great question because there are definitely some puts and takes as you look to the gross margin expectations for the second half. So, let's start back to what we said at the end of last year. We said that our occupancy costs will be deleveraging this year, and that was contemplated in our original expectation. We still expect occupancy cost to deleverage on a full year basis. However, it will be – the deleverage will be less now because of the elevated sales expectation that we have.

The impact of Q3 shift of the important back-to-school sales shifting out of Q3 into Q2 to the tune of \$105 million needs to be modelled appropriately when you're looking into the Q3 gross profit expectation. And likewise, keep in mind, in the fourth quarter, we had the week 53 as well. So, that additional week of \$170 million of sales, when you're modeling in the gross profit expectation for fourth quarter needs to be contemplated.

In totality, what we have said is driven by the strong performance that we have driven in Q2, we have raised our total margin expectations for full year and also taken modestly up our merch margin expectations in the second half, driven by the confidence that we have in our assortment.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Thank you.

Q

Navdeep Gupta

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

Thanks, Robby.

A

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.

Okay. Also a couple of questions. One, I remember DICK'S was all about the athlete and it wasn't really focused in the past as much on lifestyle. I get now that it's still all about the athlete. That's clear. But it seems like there's been a little bit more of a shift towards some lifestyle-type products. Is that just in House of Sports or is that across the entire chain? Am I right in my perception that that shifted a little bit? Any way to sort of frame that up a little bit, please?

Q

Lauren R. Hobart

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

Mike, it's a great question. So, we have always been rooted in sports, and we remain rooted in sport. We will always be about athletes and performance and getting people confident and excited about the product that they have that's going to increase their capabilities. What we didn't have access to before we started to invest in the

A

premium full-service footwear decks, was the product that these kids want, these are athletes as well, rooted in sport, but what they're wearing off the field, off the court as well and it's just a part of their lifestyle, the lifestyle of an athlete.

So, now that we've invested in our premium full-service footwear decks, you are correct in saying we have both. We are rooted in sport. We still have incredible – both, footwear, apparel and gear for anybody who wants to compete at a high level. And in fact, that continues to improve as we get access even in our footwear decks, things like really elite soccer fleets and things like that. But in the same time, we now have access to the cool shoes and that's important to the athlete when they come and they can get everything that they need.

Navdeep Gupta

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

A

And, Mike, let me build on that. This is much beyond just the House of Sport...

Lauren R. Hobart

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

A

Yeah.

Navdeep Gupta

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

A

...as well. As we have called out in the past, 90% of our chain now has a premium full-service footwear deck experience. So, the access that Lauren just talked about goes well beyond our House of Sport locations into our Field House and actually it goes into the almost vast majority of our DICK'S Sporting Goods chain as well.

Michael Baker

Analyst, D.A. Davidson & Co.

Q

Got it. Makes sense. One follow-up and sort of a serious question, I'll say, how much did the Celtics help in the quarter? You must have sold a ton of Celtics gear. I bought a lot. Did that help the comp at all? And I do ask, we didn't actually see a lot of stuff marked down pretty quickly after the championship. I'm just wondering how that – how the Celtics championship and that kind of licensed product sales impacted the quarter?

Lauren R. Hobart

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

A

So, we love the Celtics. We love all teams that are winning, but it wasn't material in the quarter. It's always great to have some – it's always great to have license hot, but it wasn't material.

Navdeep Gupta

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

A

And then on to the markdown question, you will continue to see us being very decisive about the inventory that we have. We want to make sure that we have access as well as space available in store and online for the right product that can continue to drive this enthusiasm we are seeing from our athletes.

Michael Baker

Analyst, D.A. Davidson & Co.

Q

Awesome. Excellent. Thank you.

Navdeep Gupta

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

A

Thank you.

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

John Kernan

Analyst, TD Cowen

Q

Good morning. Thank you for taking my questions and congrats on a great quarter.

Lauren R. Hobart

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

A

Thank you.

Navdeep Gupta

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

A

Thanks, John.

John Kernan

Analyst, TD Cowen

Q

Your supply chain has evolved quite a bit over the last several years. You're flowing through and setting inventory very high full price sell-through. I know you announced the – another DC opening in Fort Worth. Can you talk about the supply chain going forward, your strategy within the entire omni-channel strategy and any – how does – how the costs look in the supply chain going into the back half of the year?

Navdeep Gupta

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

A

Yeah. So, we couldn't be more excited about the – not just the supply chain team, but how well our merchandising team and our supply chain team and our inventory allocation team work closely together because it is all about making sure you have the right access, but then are able to flow that product in the most efficient way and in the quickest way possible where if it's a raw product or if it's – as we talked about the license product that needs to flow at a different speed through the network. And all these three teams work so well together.

And the investment that we are making into the new DC is driven by the fact that if you look at our business compared to 2019, our business top line is up significantly more than where it was in 2019. The SKU, the velocity of the SKU and the product access that we have is so differentiated. So, we look at it and say that we need to make some fixed investments into our supply chain, and that's the plan to open the sixth DC in Dallas, which will open in early part of 2026.

In terms of the second half expectation, there's nothing material to talk about the supply chain. It's running in line with our expectation. The team is doing a fantastic job in kind of continuing to navigate the challenging landscape that we see, especially on the international freight side. But overall, really pleased with the partnership that exists and the work our supply chain team is doing.

Lauren R. Hobart

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

A

John, I just want to add a point to Navdeep's comments about our fulfillment for eCommerce and the fact that our stores have become a really critical part of our supply chain. We fulfill the vast majority of our eCommerce demand through our stores, and that gets us closer to the athletes, quicker delivery, lower cost. And so part of our supply chain, we're opening sixth DC to help service all of our stores, but our stores are also an incredible piece of our supply chain as well as being athlete serving.

John Kernan

Analyst, TD Cowen

Q

That's helpful. Thanks. And Navdeep, maybe a follow-up for you. It seems like some of the private owned brands like CALIA, VRST and DSG have gained square footage space inside the stores. How are those performing versus the chain and what's the outlook for owned brand? Thanks.

Lauren R. Hobart

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

A

Thank you. We are very excited about how our vertical brands are performing across the board. In particular, I would point to DSG, VRST and CALIA. DSG – all three of them actually are filling a white space in our portfolio. DSG filling a fantastic white space for opening price point product that's very high function, high fashion and doing incredibly well. So, yes, you're seeing increased space across all of these vertical brands because they are performing so well and consumers are reacting.

From a VRST standpoint, we just had a relaunch our Limitless Pant, which is really exciting and doing very well. And CALIA continues to do incredibly well, again, meeting a need in a lifestyle to from the field and out – or to the gym and outside and doing incredibly well. So, we continue to grow both our strategic brands and our vertical brands. The whole portfolio is doing well.

John Kernan

Analyst, TD Cowen

Q

Excellent. Thank you.

Lauren R. Hobart

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

A

Thank you.

Operator: Your next question comes from Chuck Grom with Gordon Haskett. Please go ahead.

Q

Hi. This is Eric on for Chuck. Just wanted to ask about the incremental SG&A investments you're making. Are these just – are you pulling forward investments from 2025 into this year? Are these purely incremental now just from a position of strength? And how should we think about the timing of these investments in the back half of the year?

Navdeep Gupta

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

A

Yeah. I would say it's a combination of both things. We are seeing some pull forward opportunities from 2025 into this year as well as some incremental investment opportunities to continue to position better for 2025 and beyond. In terms of the timing of these expenses, I would say, they would be ratably between Q3 and Q4. One of the things, as you're, Eric, thinking about the modeling, I want you to keep in mind the pre-opening expenses in Q3. That will be an area of investment also when you look to the back half expectations.

Q

Great. And then can you just provide any quantitatively how impactful the House of Sport was as you lapped the temporary closings from last year with the conversions? And was there any benefit this quarter from the Olympics or the summer soccer tournaments? And just any commentary on Q3 to-date?

Navdeep Gupta

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

A

Well, let's start with the last one because I think that's the easiest one. We won't provide the commentary. We are very excited about the key back-to-school season, and we are in the middle of the back-to-school season. So, we'll provide more details about our Q3 commentary in late November.

In terms of the Olympics, Olympics is a fantastic opportunity to continue to showcase the importance of sport and sport lifestyle in all athletes, whether it is the youth athletes or whether it is the adult athletes. So, we see that more as an opportunity to showcase the importance of stores and active lifestyle in the communities. It necessarily does not have a significant impact to our comp sales performance that we saw here in Q2.

In terms of the House of Sport conversion, we – I wouldn't quantify that right now. But like we said, the first half benefited, but the benefit in Q2 was lower than in Q1, as you can imagine, because last year, we started to open some of these closed remodels in the second quarter of last year.

Q

Great. Appreciate it.

Operator: Your next question comes from Will Gaertner with Wells Fargo. Please go ahead.

Will Gaertner

Analyst, Wells Fargo Securities LLC

Q

Hey. Hey, guys. Thanks for taking my question. Can you guys just provide some more detail on what categories are driving the same-store momentum for you?

Lauren R. Hobart

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

A

Yes. Thanks, Will. With the 4.5% comp, we saw growth across many aspects of our business. We did see particular strength in footwear and apparel, and we saw some puts and takes within hardlines. But overall, just really pleased across the board.

Will Gaertner

Analyst, Wells Fargo Securities LLC

Q

Got it. And just one more for me. Is one of the reasons why you're bringing in inventory earlier, are you seeing delays with Red Sea? Is that still an issue for you guys?

Navdeep Gupta

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

A

Will, there is some aspect of it, but I won't call that as a material. We are working through kind of a dynamic supply chain environment that exists, but it's not a material driver of the inventory investment. Just a slight amount of timing difference between this year Q2 and last year.

Lauren R. Hobart

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

A

Yeah. We're not bringing inventory in earlier, so to speak. We're making strategic investments, cautious choices to invest in inventory so that we can meet athletes' demand.

Will Gaertner

Analyst, Wells Fargo Securities LLC

Q

Understood. I'll pass it on. Thank you.

Lauren R. Hobart

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

A

Thank you.

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

Justin E. Kleber

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

Q

Hey. Good morning, everyone. It's Justin Kleber. Thanks for taking the questions. First one for me was just curious how you're thinking about shrink over the back half of the year. It looks like this quarter you effectively recaptured all of last year's cumulative true-up. So, does your revised margin outlook assume shrink is a tailwind across the back half of the year?

Lauren R. Hobart

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

A

Yeah. You're correct that we trued up shrink over last year when we had done inventories, and so you should expect it to be flat going forward into the second half.

Justin E. Kleber

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

Q

Got it. Okay. Thanks. And then one other question just on the guidance, the comp guide was raised, but you held the total sales view. So, is that just a function of fewer temp warehouse stores that are not in the comp base or is there something else going on there?

Navdeep Gupta

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

A

No. It's few of those puts and takes that happen. First of all, there's a little bit of timing. There's a little bit in the non-comp sales as well as you can imagine, there is a rounding factor as well when you're rounding to billions of the dollars. But yeah, it's a combination of those three things.

Justin E. Kleber

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

Q

Got it. Okay. Makes sense. Thanks guys and congrats on the quarter.

Lauren R. Hobart

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

A

Thank you.

Navdeep Gupta

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

A

Thank you.

Operator: Your next question comes from Warren Cheng with Evercore ISI. Please go ahead.

Warren Cheng

Analyst, Evercore ISI Group

Q

Hey. Good morning. I wanted to ask what's the limit on how much of the chain can eventually be upgraded to Field House locations and are you accelerating the pace there? And one follow-up on that was just SG&A load per store, how does that compare to the base for those Field House locations?

Lauren R. Hobart

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

A

Yeah. Warren, there's no set limit on how many stores could be upgraded to Field House. We have a significant number of our stores that come up for renewal every year, and we'll continue to upgrade as it makes sense or we'll relocate as it makes sense and develop a Field House. But long-term, that is the future of DICK'S Sporting Goods. And I will pass it to Navdeep for the SG&A question.

Navdeep Gupta

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

A

Yeah. Warren, as you can expect, we are definitely making investments in elevated levels of service and experience in these stores. But keep in mind, what we shared last year that the Field House stores are – have both a very strong top line and a bottom line profile with an EBITDA margin of 20% or slightly more. So, we continue to be pleased in balancing the investments that we are making and the returns that we are driving.

Warren Cheng

Analyst, Evercore ISI Group

Q

Got you. Thanks. And then for my follow-up, some of the new House of Sport locations are opening in a little bit smaller footprints than the original 120,000. Is there some convergence happening between those and the Field

House locations? And what really makes the House of Sport differentiate from Field House kind of – or what are the kind of defining characteristics that define House of Sport? Thank you.

Lauren R. Hobart

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

A

Yeah. It's a great question. Some of our first House of Sport locations were very large, well over 100,000 square feet. And we continue to iterate, we can adapt that model to any – 100,000 square feet, we can continue to adapt. When we look at a Field House concept, it's definitely leaning more toward our original 50,000 format. And while it has elevated presentation, elevated service, elevated product, there's some of those interactive experiences like a rock climbing wall and track and field and things like that that we simply can't put into a Field House location. But I wouldn't say – there's a convergence except for in a positive way that the learnings from House of Sport continue to trickle to Field House and then to the entire rest of our chain.

Warren Cheng

Analyst, Evercore ISI Group

Q

Great. Thanks for the color. Good luck.

Lauren R. Hobart

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

A

Thank you.

Navdeep Gupta

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

A

Thank you.

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

Kelly Crago

Analyst, Citigroup Global Markets, Inc.

Q

Hi. Thanks. This is Kelly on for Paul. Thanks for taking our question. It looks like the 2H outlook assume comp kind of flattish to up 2%. Just curious what your assumptions there on the low end versus the high end and any differences we should take into account 3Q versus 4Q?

Navdeep Gupta

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

A

Yeah. The second half guidance is, I would say, if you've modeled it, it won't be flat. It would be – we are expecting positive comps in the second half, both in Q3 and Q4. The only thing that we – between – the difference between the high end of the range or the low end of the range is balancing the macroeconomic uncertainties that exist, as the consumer continues to be under pressure and we are balancing our optimism and our confidence in our core strategy against the macroeconomic backdrop. Q3 and Q4, I would say, no significant differences. Back-to-school is an important season when we think of Q3 and then holiday continue to be such an important part of fourth quarter.

Kelly Crago

Analyst, Citigroup Global Markets, Inc.

Q

Got it. And just a follow-up. I know you talked about some of these high-performing brands already, HOKA and On specifically, I think you did roll out some more doors in 2Q. So, any additional color on the door rollout, how they're performing on a like-for-like basis, and if there's more opportunity to expand doors with these brands in F 2025? Thanks.

Lauren R. Hobart

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

A

Yes. There is more opportunity to expand both in HOKA and On, and we'll be continuing to do that. And the brands are performing very well where we have them in same stores.

Kelly Crago

Analyst, Citigroup Global Markets, Inc.

Q

Thank you.

Lauren R. Hobart

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

A

Thank you.

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

Michael Lasser

Analyst, UBS Securities LLC

Q

Good morning. Thank you so much for taking my question. So, recognizing that you don't guide by quarters, DICK'S did outperform the consensus by \$0.50 in the second quarter. You're raising the full year guide by \$0.15 to \$0.20. So, how at all did your expectations internally for sales and profit change in the back half of the year?

Navdeep Gupta

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

A

Yeah, Michael, maybe I'll start with the consensus part of the question because one thing that we had guided very clearly at the end of Q1, and hopefully, more and more analysts will listen to what we say is the fact that we set the \$100 million of important back-to-school week shifting out of Q3 into Q2. And what we told today was \$95 million of the benefit that was – when you see the delta between the comp sales and the total sales, that \$95 million was driven by the shift. And it benefited the second quarter to the tune of almost about \$0.30. So, that is one thing that I want to make sure that analysts, everybody's modeling that appropriately.

What we did as far as the guidance is concerned, we have flown through the beat that we delivered here in second quarter, both in top line, gross profit expectation as well as on the EPS on a full year basis. In addition to that, we modestly raised our second half comp expectation based on the confidence that we have in our product assortment and our core strategies. Keep in mind, again, as you're looking into Q3 on a year-over-year basis, you want to keep that \$105 million of an unfavorable impact with the back-to-school beat now into Q2 impacting Q3. And we quantified that as well that it's about approximately \$0.35 of an unfavorable impact we will see in Q3.

Lauren R. Hobart

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

A

Yeah. I want to just build on Navdeep's point because it's such an important point. So, there was absolutely no deceleration in our back half expectations. In fact, modest improvement in comps, as Navdeep mentioned. But

there may be some confusion in terms of the impact from third quarter to second and the 53rd week. So, we'd be happy to answer any questions after the call.

Michael Lasser*Analyst, UBS Securities LLC*

Q

Thank you very much. My follow-up question is given you have a core base of House of Sport up and running, what are you seeing from these locations in terms of their economics at influencing how you will proceed with the coming tranches of new models that you will be locating given that there should be 60 to 80 additional House of Sport locations over the next couple of years?

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

A

Yeah. Michael, I would say that we continue to be really pleased with the performance that we are seeing out of the House of Sport locations. We have almost about – we'll have 20 locations by the end of this year and the performance that we have seen in the first tranche of the stores that have already finished – that are in the second year of the comp journey with us, those are – those stores are still comping positively.

The stores that we have opened last year and this year, they continue to meet our – not only our financial expectations, more importantly, our expectations from how well they are resonating in the communities that they're opening. So, this is continuing to give us confidence into positioning our chain even further as we think about these opportunities. And we are pretty confident in the long-term outlook that we have given for House of Sport.

Michael Lasser*Analyst, UBS Securities LLC*

Q

Thank you very much and good luck.

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

A

Thank you.

Operator: And we have time for one more question, and that question comes from Steven Forbes with Guggenheim. Please go ahead.

Steven Forbes*Analyst, Guggenheim Securities LLC*

Q

Good morning, Lauren, Navdeep. Maybe just a quick follow-up on Michael's question. Given that you do have both formats sort of maturing here and some entering the comp base, any way to help frame how the range of profitability and sales are trending relative to the store targets you've given, meaning is the range tight and giving you confidence that maybe those original store targets are conservative or any way to just help frame up how they're performing versus the pro forma plan?

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

A

They're meeting right in line with our pro forma expectations. Internally, we look at it from a financial return perspective. They are hurdling right at the level that we expect those to be. And that's the reason you are seeing

us not only lean into the House of Sport strategy, but also lean in from a CapEx perspective where we are going and acquiring some of these locations because we feel this is a differentiated offering that we can offer to our athletes and also provide a very different level of service and experience to our brand partners and to the landlords. So, we continue to be very confident in the capabilities as well as the returns that we are seeing through the House of Sport stores.

In terms of the long-term outlook – yeah, let me just finish one more. In terms of the long-term outlook, we'll share that as we start to provide the more detailed outlook for 2025. However, what I can say is our focus internally and consistently with what we have said in the past is to drive both the sales and profitability for the long term of the business, and that's where we will continue to be focused as we look to the repositioning the portfolio, opportunity or the investments that we are making.

Steven Forbes

Analyst, Guggenheim Securities LLC

Q

And then just a quick follow-up on maybe the makeup of the second half implied comp guidance. Given the strength in comp average ticket, but also your comments right around engagement with your athletes, what should we expect to moderate in the back half of the year? Is it more ticket moderation or transaction moderation? Thank you.

Navdeep Gupta

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

A

Yeah. We don't provide the guidance at that level of detail. So, I would say, Steven, at the aggregate level, we feel really confident about the core strategies and the core product offerings that we have. We couldn't be more excited about the back-to-school season and the holiday season that is upon us. The range that you are seeing from a guidance perspective on comp basis is primarily driven by the macroeconomic uncertainties that we just want – that we wanted to be acknowledging as we provided the guidance today.

Steven Forbes

Analyst, Guggenheim Securities LLC

Q

Thank you.

Operator: And ladies and gentlemen, I will now turn the conference back over to Lauren Hobart for closing comments.

Lauren R. Hobart

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

Thank you, all, for attending our call today and for your interest in DICK'S Sporting Goods and to all of our teammates across the country and the world. Thank you so much for all you do to drive our results. Thanks, everybody. See you next quarter.

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

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