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Dick's Sporting Goods, Inc. (DKS)

Bank of America Merrill Lynch Consumer & Retail Tech Conference

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Robert F. Ohmes
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MANAGEMENT DISCUSSION SECTION

Robert F. Ohmes
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We are very pleased to have Ed Stack, Chairman and CEO of DICK'S Sporting Goods; also, Teri List-Stoll, CFO of DICK'S Sporting Goods; and Joe Oliver; SVP of Finance; and I see Anne-Marie Megela as well from DICK'S Sporting Goods here today as well.

I'm just going to turn it over to Ed for some quick comments before we go into the Q&A fireside chat.

Edward W. Stack
Chairman & Chief Executive Officer

Thanks, Robby. We'd like to thank everyone for joining us today. As we said on the call, this is certainly a unique time in our industry. The competitive landscape is certainly evolving and it's creating pressure for some and some opportunities for others. Our opportunity we feel is tremendous.

As the largest and most profitable sporting goods retailer in the country, we've got a powerful omni-channel network. We have enough white space for new stores that can generate approximately an additional $4 billion in sales over time. We've got a very strong balance sheet with no long-term debt and $1 billion credit facility, providing financial flexibility to fund our growth initiatives.

Some of these growth initiatives that we were talking about is: we're going to continue to strengthen our leadership in the sporting goods industry from an eCommerce standpoint; continue to drive store productivity and making some investments there; growing our market share in new and underpenetrated markets; and take advantage of the displaced market share that we are seeing today in the marketplace. It's going to take some time to see these returns, but we're confident in our ability to create substantial long-term value from here.

As the clear leader in sporting goods industry, we're really well-positioned to provide the consumer a seamless shopping experience across any channel, including coming in to buy in a store; buy online, pickup in a store; buy online, ship from our warehouse; buy online, ship from our vendor on a direct basis; buy online, ship from our store. And in this capacity, we really have over 600 distribution centers across the country, providing us a pretty significant advantage out there.

Our organization is set up and organized to be able to handle any of these options that consumer wants through whatever fulfillment channel they want, and we have a fulfillment algorithm that will result in the fastest and most cost-efficient delivery to the consumer. We focus on this because we know that a multi-channel customer spends three times as much as a single-channel customer.

Looking at the online industry, eCommerce is estimated about an $8.6 billion market and grew at a compounded annual rate of 20% from 2010 to 2014. We at DICK'S Sporting Goods have significantly outpaced the market and have definitely picked up market share in the online space. From 2010 to 2015, our eCommerce business grew at a compounded annual rate of 39% and increased over $748 million in 2015.

We continue to leverage our new stores. The synergies of the stores that drive our eCommerce market share are pretty significant. We have improved our capability from a regionalization standpoint, allowing us to customize our homepages to local markets. This allows us to test different pages and different promotions in different parts of the country and see what delivers the best results. We have been expanding our assortment of what's available to buy online and pick up in the store. We've launched a new platform for onsite search. We'll continue to roll out these search enhancements. And we've noticed there's other retailers that customers who engage in search converted on much higher rate, we feel this will help our conversation rates.

And lastly, we're on track to relaunch dicks.com in January of 2017, transitioning ourselves away from GSI, enabling complete operational control over the eCommerce site. We're making both strategic and tactical investments in our online and omni-channel capabilities. As a result, we'll see significant improvement in profitability. As we make this move, we expect to – as we transition to our own platform, we'll generate at least 30 basis points of operating margin expansion in 2017, improving pre-tax earnings by over $20 million in 2017.

We have the levers to more effectively differentiate our online experiences. We'll have easier access to data as opposed to trying to get it through GSI's platform that will allow us to build a more engaging cross-channel and consumer experience and marketing than we're able to do today.

We'll have control over development cycles, which will allow us for much faster testing and implementation. And finally, we're able to stand up new sites to capitalize our market opportunities. We've already launched the Golf Galaxy site and the Field & Stream site on this platform, so we'll have had roughly a year-and-a-half of learnings on this platform before we transition it to the DICK'S site.

In addition to the online business, stores are a very important component of today's omni-channel platform not only for us, but for most retailers. And that's why you'll see a number of the pure play retailers including Amazon and Warby Parker actually talking about building stores today.

Our stores are a great asset. They accelerate our eCommerce business when we open in a new market. In these new markets, we see our eCommerce sales typically double when we open a store in one of these underpenetrated or new markets. Our new stores are very profitable and a very productive growth engine. They generated cash on cash return of 50% in the third year. And today, they generate new store productivity of over 90%. With that kind of a return in performance, the right course of action is to open these new stores in new and underpenetrated markets.

Our new store leasing strategy provides tremendous flexibility. As an example, we have over 25% of our store base coming up for renewal over the next three years and nearly 35% over the following three years between 2019 and 2021. This gives us great ability to move to a new location if we need to. We did that seven times last year. This year, we'll relocate nine new stores and these renewal options that are at our option allow us many times to renegotiate lease terms and conditions.

We continue driving productivity in our stores on several fronts. We remain focused on key items that really drive the business and improve inventory productivity. We also offer a multi-branded experience across a diversified portfolio of categories.

With the strong vendor base that we have, we can access unique assortments, showcase key brands more effectively than any other retailer in the marketplace. And for many of our vendors, we represent their largest customer. Key vendors such as Nike, Under Armour, The North Face, adidas and a few others continue to make investments in our business at an increasing rate.

We're also differentiated in our business by a stable of private brands unique to DICK'S Sporting Goods. Such of the names that you see out there as Field & Stream, CALIA, Top Flite, Maxfli, Umbro, Reebok Apparel, and adidas baseball are just a few of the names of the products that we design, source and market ourselves.

We're particularly enthusiastic about our CALIA brand and anticipate that to be our number three women's athletic brand at the end of this year in our stores. We've been extremely – the consumer response around CALIA has been great. We've learned a lot that we'll be able to apply to other brands as we continue to build them.

The private brands differentiate us from our competition and generate margin rate 600 basis points to 800 basis points higher than the brands they replace. As we continue to focus on these private brands, we see a lot of opportunity ahead, and are targeting $1 billion in sales in private brand over the next several years.

In 2016, we'll elevate our Athletic Footwear business through an industry-leading presentation and industry-leading service, as well as heightened marketing efforts. This enhanced customer experience will be supported by investments in store payroll, physical plants, associate training, and technology. We plan to remodel approximately 150 DICK'S stores to this new full-service deck. We expect this program to be completed by the beginning of the third quarter, just in time for back-to-school. We've already started the process right now and we'll be doing these – we'll have roughly 25% to 30% of the chain will be in this new format by the back-to-school time. This new format will also be included in the majority of our new stores going forward. And by the end of the year, this format will be in approximately 188 of our stores.

As we take a look at the opportunities ahead of us for new store development, we've got a sophisticated sales forecasting model to determine the appropriate size and number of stores in each market. Based on our analysis, there is significant white space across the United States, particularly in California, Texas, Florida, and New York. These four states represent approximately 40% of the new store development program for us going forward.

We've also been testing and are excited about the combo format. The combo format links up a DICK'S Sporting Goods store and a Field & Stream store under one roof, and allows the customer to shop cross-functionally and move in between the banners. The Hunt, Fish and Camp product is all in the Field & Stream store, which leaves a little more room in the DICK'S stores for higher margin, faster turning categories, such as what we're going to do with Athletic Footwear, Athletic Apparel across Men's, Women's and Kids, and Team Sports categories.

We believe this new format, and we've got several of these open today, generate higher sales and store productivity compared to traditional standalone stores, and our customers benefit from the expanded assortment and the ability to move between the two concepts.

This next slide, I think, is one that doesn't get enough attention. When compared to other national retailers, high-quality retailers, we have significantly fewer stores than they do today. We have meaningful white space to grow our business and we can do this without meaningfully cannibalizing any of our current stores. This white space can, over time, generate roughly an additional $4 billion in revenue. As we go after this growth, we will continue to remain disciplined, maintaining our focus on capital efficiency, monitoring new store productivity, productivity per square foot and cash returns. These new stores, as we said, represent 90% of an existing store. So, from the new store productivity standpoint, that's really very, very good.

From a marketing standpoint, what we're doing going forward, our omni-channel network is supported by impactful marketing strategies that build a strong connection between our brand and our customer. We do so and we engage them with an increasingly personalized message through highly targeted direct-to-consumer channels, direct mail, e-mail, and our mobile app. We've done this in a very targeted way, and have significantly reduced our newspaper advertising as a percent of our spend and meaningfully increased our digital marketing through mobile expertise, paid search and personalized in-home communications.

Additionally, we have continued to build our relationship with ESPN through program sponsorship such as Champ Week, which just concluded, which was a big success; and the NCAA college kickoff in August. The marketing that we've done in our business is viewed as really one of the very best in the industry today and has truly established an emotional connection with our consumer.

The U.S. Olympic Committee partnership is the biggest change in our marketing plan for 2016. This partnership will help us – will provide us the ability to significantly broaden our reach. The Olympics are one of the few sporting events that appeals equally to men and women and will enable us to build our brand on a much bigger stage. This year, you'll see a three-part series of ads focused on the Olympic contenders through the end of this summer. We just kicked it off at Champ Week. I'm sure many of you saw it. We'll be showcasing their struggle as they try to balance work, personal finances in their quest to march in under the American flag.

It will highlight these men and women that they're really the true athletes, the athletes that we need to look up to. And that's why we talk about in the ad that we have their backs and we're proud to have about 200 of these men and women working in our stores. We're really excited about this program, not just because it fits into our business model because, for these athletes, we really believe it's the right thing to do.

As I said, this is a unique time in our industry. The competitive landscape is evolving. We will aggressively seek to capture the displaced market share that we see in the marketplace and expect to see through most of 2016. There could be some near-term liquidation pressure from Sports Authority closing their 140 stores, but we expect to start picking up market share in the back half of this year and believe it will be net positive in 2017.

As a leader in this space, we'll continue to make strategic transformative investments in our business to capture this market share. As I said, it may take some time to see these returns, but we remain very confident in our ability to create substantial long-term value from here.

Now, I'm going to turn it over to Teri to walk you through our financials. Thank you.

Teri L. List-Stoll
Chief Financial Officer & Executive Vice President

Thanks, Ed. I'll just briefly walk you through our fourth quarter highlights, our 2016 outlook. I'll touch a little bit on capital allocation and then we'll open it up for questions from you all.

So, just starting with our fourth quarter results. As you know, our business was impacted by unseasonably warm weather throughout the quarter. Our cold weather-related categories were down double digits. Despite this, we still delivered earnings per diluted share of a $1.13, which was within our guided range. The balance of our business was really quite strong, comping up nearly 3%. We continue to be pleased with the performance across important categories and our growth categories including Athletic Footwear, Licensed, and Women's. We returned over $70 million of capital to shareholders through both share repurchases and dividends. We recently increased our dividend by 10%.

And finally, we continue to maintain a strong balance sheet, as Ed indicated, ending the year with over $100 million in cash and with no debt.

Looking to our guidance for fiscal 2016, we expect to deliver earnings per diluted share of between $2.85 and $3 with comp sales of approximately flat to up 2% as we continue to grow our omni-channel platform. As Ed described, we're making some strategic investments in our business this year. These include e-commerce to transition to full operational control in January of 2017, enhancing the shopping experience in our stores, Ed talked about, and then the partnership with the United States Olympic Committee and Team U.S.A. It will allow us to significantly broaden our customer reach.

Just on the e-commerce front, we've decided to resource our data center as part of that project, which provides us both some financial and some strategic benefits. As a result, our total capital spending for that project increases from $65 million, which is the number we've disclosed previously to about $80 million – $81 million. This doesn't have any impact on ongoing operating cost. It was really just a choice between leasing versus buying and we've decided it was more appropriate for us to own those assets.

In total, these investments we've talked about will have an approximately $50 million to $55 million impact on EBT and importantly, we remain committed to operating with a lean mindset, focused on reducing discretionary spending and driving productivity throughout the company.

We've received a number of questions about our outlook for 2017. Given the number of variables currently at play, we have not updated our expectations beyond 2016. However, we do anticipate to return to double-digit EPS growth in 2017 as we complete certain investments that we plan for the current year.

During 2015, we returned over $420 million to shareholders through dividends and share repurchases representing a 9.5% cash yield. In fact, since the beginning of 2013, we've repurchased approximately $813 million in shares and paid over $190 million in dividends. We recently increased our quarterly dividend, as I said. All of these demonstrating our commitment to return capital to our shareholders.

So, in summary, we're committed to generating top-tier total shareholder return. We see significant opportunity to continue strengthening our position as the market leader in the U.S. sporting goods industry. We'll do this by profitably growing market share of our DICK'S Sporting Goods' omni-channel platform, particularly during this time of competitive change and displaced market share. We'll transition our eCommerce business to our own Web platform, drive store productivity and grow our market share in new and underpenetrated markets. And we're fully committed to returning capital to our shareholders through dividends and share repurchases.

I want to thank you for your time and interest in DICK'S Sporting Goods. And now, we'll open it up for your questions.

QUESTION AND ANSWER SECTION

Robert F. Ohmes
Bank of America Merrill Lynch

Q

Great. Thank you very much. I'll ask the first question. Can you help us think about the 0% to 1% comp guidance and the 0% to 2% for the year, or 0% to 1% for the first quarter, 0% to 2% for the year in a sort of – it's a transition year, competitive changes, displaced market share? How should we think about the risks to that range?

Edward W. Stack
Chairman & Chief Executive Officer

A

Well, we think that there's going to be, as we said, be some pressure in the beginning of the year, as Sports Authority's liquidating 140 stores. They've got – from what we understand, there's about another 60 stores that they're out in the marketplace looking – talking to landlords about some rent relief. I'm sure they will get that from some, and others, they may not. So, if there's more stores, we'll see how that plays out, and then, do they emerge. We don't really know what's going to happen.

So, this is a – it's certainly a transition year. We think – we're positive that the net benefit of this is very positive to our business. And where it's going to come, in what quarter and how it's going to play out this year, we really don't know. We don't have enough information. But net positive over – going forward to have either a weakened Sports Authority or no Sports Authority is only positive for our business.

Robert F. Ohmes
Bank of America Merrill Lynch

Q

And then Macy's was here this morning and they – weather came up in an answer to one of their questions, but they sort of gave an indication that when you get beyond the weather issues and the clearance related to that, they feel like their core U.S. customer is pretty decent. Can you give us any comment on how your customer feels?

Edward W. Stack
Chairman & Chief Executive Officer

A

We feel the same way, Robby. We talked – in the call, we said that – and Teri just indicated that the cold weather business, which is an important part of our business in the fourth quarter, and those of you who have been around a while and have heard us talk before, we've often said that if we're playing golf in Pittsburgh on December 15, it's probably not going to be a great quarter. This year, we're actually playing golf in Pittsburgh on January 1. And those areas are an important part of our business, they were down double digits. And we talked about this in the call, if you strip away that part of the business and the issues in the Hunt business, which a lot was caused by warm weather also; our comps were up 3%, so we're pretty confident about that core business.

Robert F. Ohmes
Bank of America Merrill Lynch

Q

And before I open it up, I just want to get clarification on the Footwear rollout. So, it's 150 stores by the third quarter of this year?

Edward W. Stack
Chairman & Chief Executive Officer

A

Yes.

Robert F. Ohmes
Bank of America Merrill Lynch

Q

And then you'll be 188 stores by year-end...

Edward W. Stack
Chairman & Chief Executive Officer

A

Correct. Which is roughly 150 renovated stores plus some new stores.

Robert F. Ohmes
Bank of America Merrill Lynch

Q

And can you give us any sense of what kind of lift you get post these remodels?

Edward W. Stack
Chairman & Chief Executive Officer

A

So, we're not going to provide that guidance now, but we've got six of these up and running right now. We're obviously very pleased with them to be able to be moving at this pace. And what also will happen is we will have a broader assortment of Footwear available to us than we've had in the past. So, some shoes that have been allocated in the past or have been more difficult to get, we'll have access to a broader array of shoes that we haven't had in the past. And we're very excited about that.

Robert F. Ohmes
Bank of America Merrill Lynch

Q

Will you be marketing at some point? How will you be marketing the improvement in the assortment?

Edward W. Stack
Chairman & Chief Executive Officer

A

So, we'll be doing that through direct-to-consumer advertising in those markets as they transition, and we'll be doing – whether it be e-mail, digital, direct-to-home, letting people know that there is a very different experience at DICK'S Sporting Goods from a Footwear standpoint. And believe me, when you walk in the store, you will notice it right off. I mean, it's a very different experience.

Robert F. Ohmes
Bank of America Merrill Lynch

Q

Is there any change on how you'll be merchandising your apparel in those stores?

Edward W. Stack
Chairman & Chief Executive Officer

A

No. No. The apparel stays the same, which we think we do – in this industry; we think we do the best job from an apparel standpoint. Nike feels the same way, Under Armour feels the same way, The North Face feels the same way. That's not going to change. The area where we have Footwear today, that changes, and changes significantly.

Robert F. Ohmes
Bank of America Merrill Lynch

Q

Okay. We have a question up there.

Q

Ed, Skechers have been talking extensively about their expanded coverage or expanded distribution in the DICK'S stores. Can you talk a little bit about what that means kind of against the performance kind of angle that you usually take at the stores, and how Skechers' involvement may or may not change that?

Edward W. Stack
Chairman & Chief Executive Officer

A

Well, I don't think it's going to change the fact that – what's happening in the marketplace today. And today, there's a real blend between performance footwear and the sports-style footwear, and Skechers, they've done a wonderful job with how they've built that brand and we're happy to have them in the store and I think they're going to be a real addition to the store. We've got them not only in the athletics side, we've actually tested them in the golf shoe area and we're very pleased with their golf shoes. The Kuchar ads are pretty good. The Matt Kuchar ads for Skechers Golf shoes are pretty good.

Other questions?

Q

Just regarding the Footwear remodels, will some categories get more allocation than others like basketball versus soccer versus others? Could you maybe detail about the changes that you'll be making to the assortment there?

Edward W. Stack
Chairman & Chief Executive Officer

A

Yeah. So, there will be some categories that will get a broader array of product. Basketball will be one of those that will expand. The running category will also expand, as will the youth category. So we're pretty excited about that. But when you walk into this instead of having the shoes on the floor, you'll have all the shoes on the wall and this is a massive wall. And you'll walk in and you'll see, you'll feel that every category has a broader, and in some cases, we will have a deeper selection of product.

Q

I had two questions. One, just can you give us your outlook in the Golf business? That's been an area that's been soft over the last couple of quarters or maybe longer. And whether you think there's a bottoming going on there perhaps.

And then, secondly, unrelated. Just in terms of the percentage of merchandise, you think as your position gets stronger you can have exclusive among major vendors and sort of how you see that playing out? I'd be interested in your thoughts around that.

Edward W. Stack
Chairman & Chief Executive Officer
A

Okay. Great. So on the Golf side, it's been longer than a couple of quarters. It's been a while, the Golf business had been difficult. But as we said in the call, in the last couple of calls, we feel that that business has stabilized. The last couple of quarters, our margin rates have gone up a couple of hundred basis points in the Golf business as the pipeline has been cleaned out of excess inventory.

So, we're cautiously optimistic about the Golf business going forward. In the fourth quarter, it was relatively flat and we remain cautiously optimistic about the Golf business. I think it's hit bottom and it's going to start to – it's not going to deteriorate anymore.

As far as exclusives, we continue to build exclusives whether it's color or style with the brands. We also continue to build exclusivity around our own brands of what we're doing with CALIA is a great example, the Women's Athletic brand. We've launched that last year. It was a great success. That will be in all stores this year and we expect that to be our number three Women's Athletic brand this year at terrific margins. It's been very well received.

We've got a couple of other things that we're working on that we'll be bringing out next year from a private brand standpoint. So, we're really working those exclusives, not only from the brands, but also the products that we completely control and design, control, and source ourselves. I think it's a big opportunity going forward. Yes.

Q

All right. Can you comment on inventory being a little bit elevated late in the quarter and I think you mentioned on the call that you're going to sell – or you're able to get your vendors to take some of that back or give you some money for it and then also you're going to package, I guess, some of it for next quarter? Is that going to be obsolete at that point or maybe you can talk a little bit more about it?

Edward W. Stack
Chairman & Chief Executive Officer
A

Yeah. The inventory is not obsolete. So, our inventory is a bit elevated right now in the fourth quarter with some of those issues. We've had great response from our vendors that help us with inventory to reduce that inventory liability. We also took some markdowns to clean out some of that inventory.

And then, the products that we're packing up is very basic product that we would buy again next year. So, it's product such as black ski pants. So, we've bought the black ski pant. We've bought it last year. We bought it the year before, we're going to buy it next year and we'll buy it in 2018, also. Basic ski gloves, cold-weather gloves, basic base layer product. That's the product that has been packed up. So, we didn't pack anything up that has any fashion risk. It's all very basic merchandise. Over in that corner.

Q

Yes. When opening new stores, do you have a preference on community power centers or malls? And what is your thinking on going to either of those formats?

Edward W. Stack
Chairman & Chief Executive Officer
A

So, we don't have a preference one way or the other. Our preference is to be in the best piece of real estate. And in some cases, the mall is the best real estate, if it's got the right co-tenants and the mall is doing well. In some cases, it's in a power center depending on what the condition of the mall is. So, we want to be in the best piece of real estate that we possibly can.

We took over a Sears building in King of Prussia last year, and a great store in the King of Prussia Mall. That's a terrific mall. We want to be in those types of malls. There are some other areas that we're better off being in the right piece of real estate is the Power Strip that's lined up with Walmart and Home Depot and Bed, Bath & Beyond and in the boxes. So, we really take a look at the trade areas and the pieces of real estate to make the decision. And we're as happy to be in a good mall as we are to be in a good shopping strip center.

Q

[Question Inaudible] (29:27-29:37)?

Edward W. Stack
Chairman & Chief Executive Officer

A

Would we experiment with it? We would. We don't have anything going right now. We've got enough on our plate right now and with what's going on with Sports Authority, we really want to focus on capturing that displaced market share. But we do have that on the drawing board, so a place like New York City, we've always loved the idea of being in New York.

And then, we take a look at the rents associated with the 50,000-square-foot store and we do that multiplication and it makes us a little bit nervous. So we think a smaller format focused on a narrower assortment of higher [ph] GMOI (30:17) categories is something that we'll test, but it won't be in the next 12 to 24 months, I don't suspect.

Q

Could you just walk through the investments you're making this year? Are you just going to be rolling off in 2017 or how do you think about what's one-time versus systemic?

Teri L. List-Stoll
Chief Financial Officer & Executive Vice President

A

Sure. So, of the $50 million to $55 million we talked about, the three pieces, the eCommerce transition is largely one-time. There's a little bit of tail into next year that we've talked about, but the bulk of it is this year and then we'll start up next year. And then after 2017, it will be – the savings will be ramping up, so we'll be on the other end of that cycle.

The marketing investment behind the Olympics is also largely one-time. Now, marketing is one of those things. You get opportunities that offer a nice payout. We'll think about those, but the Olympic experience is a unique opportunity this year for us to really get a broader platform and reach more consumers. And so that is – we think about that as largely one-time and the footwear deck is a mix because there is a piece of it that is doing the transition that Ed talked about of the 188 stores, the 150 remodels. But then there is a labor component of that, which is an ongoing cost, but it will come with the lift that we expect to get from that investment on a go-forward basis.

Q

[Question Inaudible] (31:47-31:56)

Teri L. List-Stoll
Chief Financial Officer & Executive Vice President

A

Well, for the current year, there is a lot of timing at play in terms of when will we – if these are up by back-to-school, you're already into the latter half of the year when you start to see the lift. So it really is just the timing in 2016. We think about these as investments that are laying the foundation for growth into 2017 and beyond. So that's why you see less of the impact coming through in the current year.

Edward W. Stack
Chairman & Chief Executive Officer

A

As we go through this remodel of this Footwear area, there will be some disruption to the Footwear business as we go through these. Now, it won't take us any more than 30 days to renovate a particular store, but for those 30 days, there's going to be some disruption. And if you walk into one of the stores and take a look at our Footwear presentation during this transition, as I said in one of the group meetings upstairs, you won't look at this and say, this is optimal. It will be a bit of a mess for those 30 days. But after the 30 days are over, you'll walk into that store and you'll say, what a fantastic Footwear presentation. Probably – as Nike called it, it's the best Footwear presentation they've seen anywhere in the world. So we're pretty excited about that.

Robert F. Ohmes
Bank of America Merrill Lynch

Q

In the presentation I believe you said that 2017 earnings will grow double digit, and I realize that you're not giving full guidance based on that, but maybe if you could just talk about what gives you the confidence in that statement? And then, are you factoring in any benefit from what's going on with Sports Authority?

Teri L. List-Stoll
Chief Financial Officer & Executive Vice President

A

So the reason we – we got some questions on that and we're not in a position to give a 2017 update. But if you just simplistically look at some of the one-time investments and see those rolling off, we can easily see our way to getting to double-digit earnings per share growth. Frankly, we'll be striving for more. There is a lot of opportunity there. We're just not in a position to understand how that will roll out and be able to quantify it specifically at this point. But we wanted to give some comfort that the pathway is there.

Edward W. Stack
Chairman & Chief Executive Officer

A

Other questions?

Robert F. Ohmes
Bank of America Merrill Lynch

Q

Actually, I wanted to ask a question on eCommerce, and just maybe a help on how you think about competition versus the vendor sites, competition versus other omni-channel players, and maybe lead into that, a lot of questions, obviously, on the Footwear investment at the stores. Is that going to change allocations to your eCommerce site as well and support your online Footwear business?

Edward W. Stack
Chairman & Chief Executive Officer

A

So the answer is yes. It will help support the online business. That will be, over a period of time, it will kind of transition, not necessarily on day one, but over a period of time.

One of the things that I think is overblown is the competition between our brands and ourselves, of what they're doing direct-to-consumer and the impact it's having on our business. So, is there an impact? Are they doing business? Yes. But I think it doesn't get enough airtime of the investments that those brands are making in our business. And there's a quid pro quo there, that they need us and we need them, and that the investments that they're making in our business, whether it be from an online standpoint and support our online business, whether it's in the stores, whether it's the marketing effort, whether it's exclusive product, the relationships between our key vendors: Nike, Under Armour, North Face, a few others, it's never been better.

And we do know that it's a dynamic marketplace out there. To some extent, they're not happy about what we're doing from a private brand standpoint. So, with what we're doing from a CALIA standpoint, there's some concern from their part of what we're doing on CALIA. We're concerned about what they're doing from a direct-to-consumer. But at the end of the day, we all know that we need each other and we have to work together.

If we were a smaller retailer, a smaller regional retailer, I think you'd have the right to be very concerned about what's going on. But the size of the player that we are here in the United States and what these brands mean to us and then what we also mean to those brands, there's a great relationship that we know that we need each other and we're working very, very well together. I think if you talk to them, they'd tell you the same thing. And I know that they have actually – some of those brands have actually talked about that in their calls and in their communications to the Street too. So they couldn't be better. There's not this head-butting and this tension between us all. It's actually pretty good.

Q

If Sports Authority were to totally liquidate, how many potential stores are there that don't overlap in markets that you'd potentially be interested in?

Edward W. Stack
Chairman & Chief Executive Officer

A

So, I'm not going to answer that question specifically because there's a number of things that go into play there. There could be a store that does not overlap with us, but we don't like the real estate or we don't like the rent that they're paying or we don't like the term that they have left on the lease. So we've got to get a lot more information to be able to fully vet that whole process to see what the stores are, because there could be a store – and I can think of one, in particular, which I'm not going to give you the location, just from a competitive standpoint. But I can think of one location that we looked at that we love the location, and we would love to get that site. But we'll have to work with the landlord because it's not that they're paying too much for it, they don't have enough term left on the lease and no options left to be able to continue that location. So we need to work with the landlord to do a new lease with them. We can't just assume their lease. So it's a very difficult question to answer.

Q

Okay. I'll try another one.

Edward W. Stack
Chairman & Chief Executive Officer

A

I hope I have as good an answer.

Q

It could be the same answer. In terms of Sears, they're undergoing this repositioning. I think you've done two stores, and I'm curious as to how those stores have done and what you see is the opportunity there in the 200-and-some-odd stores they have separated.

Edward W. Stack
Chairman & Chief Executive Officer

A

Yeah. So, there's a number of those stores there that we would be very interested in, and it depends on what mall they're in and is Sears giving up the entire box, are they giving up a floor of the box? Every one of these, you have to take with – you have to look at individually as a particular real estate play. And on the Sears boxes, we don't have enough information yet. They haven't provided enough information. I'll tell you, the one we did in King of Prussia, we are extremely pleased that we did, and we're working on a couple more.

Q

Will the new expanded Footwear platform, will that – will Nike be giving you, let's say, better or more allocations of marquee product, basketball or even across running?

Edward W. Stack
Chairman & Chief Executive Officer

A

There are products that we've talked with them about that we will have a broader selection of key products, yes. So that's...

Q

Would that include Jordan?

Edward W. Stack
Chairman & Chief Executive Officer

A

Yeah. We're doing a test with Jordan right now that if you come into our stores, we've got a test that we're working through. And the Jordan brand and us would like to be able to roll this out. Where we have a specific dedicated Jordan pad that is Footwear and apparel-based that it looks fantastic. The Jordan brand is extremely excited about it, we're extremely excited about it, and we're working through that. We've got that in 10 stores right now. So, the answer to your question is, yeah, we've got a great relationship with them, are continuing to work through that.

Q

Thank you.

Edward W. Stack
Chairman & Chief Executive Officer

A

Sure.

Robert F. Ohmes
Bank of America Merrill Lynch

And we have run out of time, so I want to thank DICK'S Sporting Goods management for a great presentation. Great. Thanks, everybody.