

14-Mar-2018

Dick's Sporting Goods, Inc. (DKS)

Bank of America Merrill Lynch Consumer & Retail Technology Conference

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MANAGEMENT DISCUSSION SECTION

Robert F. Ohmes
Analyst, Bank of America Merrill Lynch

Great lineup from DICK'S Sporting Goods today we're really pleased to have Ed Stack the Chairman and CEO; we also have Lauren Hobart the President; and Lee Belitsky the CFO of DICK'S Sporting Goods. They obviously reported this week so the timing couldn't be better as well. I'm going to turn it over to Lauren for some comments and then we're going to go into the Q&A fireside chat. Thanks for having.

Lauren R. Hobart
President & Director, Dick's Sporting Goods, Inc.

Thanks, Robby. Okay, thank you and thanks all for being here today. Before we get started I just wanted to note the Safe Harbor statement on the slide behind me for everybody's benefit, it's also on the webcast. As – as we said on our earnings call yesterday we see a tremendous opportunity as we continue to transform our business and meet our customers' ever changing needs. Across the organization our focus for 2018 is on executional excellence and continued innovation to drive differentiated competitive advantage.

Our goal is to build – build the best omni-channel experience in the sporting goods category. And to that end we will continue to increase our investments in our core business. We will invest in our supply chain in an effort to increase our in-stock levels and improve the speed of delivery to our customers.

We expect these investments will improve customer satisfaction, inventory turnover and merchandise margin rates. We will also invest in technology as we seek to improve the customer experience online with reduced friction and improved navigation along with more targeted marketing to better serve the athletes who count on DICK'S.

We will also make investments in fulfillment systems and networks to shorten our delivery windows for online orders. Additionally, we remain focused on driving differentiation and growth within all of our private brands. We will accelerate our investment in talent as well as marketing, design, and technology to drive growth in key brands such as CALIA, Field & Stream, Top Flite, Walter Hagen and Fitness Gear. And we're also going to launch a number of new brands.

We continue to believe our private brand portfolio can reach \$2 billion in sales over a relatively short amount of time. We're making these investments from a position of strength and believe they will continue to position DICK'S

as the clear leader in our industry. Thank you all for your time and interest in DICK'S Sporting Goods and now we are happy to open it up for questions.

QUESTION AND ANSWER SECTION

Robert F. Ohmes

Analyst, Bank of America Merrill Lynch

Q

Great. Thanks Lauren. I'll kick it off. When you reported earnings, the same store sales guidance you gave was 0% to minus 2% for the year and I think, prior to that, people were expecting a flat. Can you just remind everybody how to think about the hunting category and the electronics category maybe having an impact on changing the range versus your core business outlook being more than intact?

Edward W. Stack

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

A

There were two main changes that we made to our business going forward from what we had talked about before the fourth quarter started. One of them was the electronics business, the accessory business, the performance tracking business, which at one time was a pretty good business for us. But over the last couple years, that business has continued to deteriorate.

You can see that in the manufacturers, what they've reported, that business has continued to deteriorate. There's been significant margin pressure and we've decided that we would be best off to basically exit that business. We'll still have a little bit of product there, but the amount of floor space that we put to that and the time and effort, we don't really feel that that's worth it. We were hoping that in the fourth quarter, would get a little bit better. It didn't. We felt that we should primarily exit that business.

And the other piece of this was the change in our firearms policy, we feel that we did what was really right and the change in that firearm policy is going to – the business has been soft and you could see that with what's going on with Gander going out of business and Remington suggesting they were going to file, and what's going on with the manufacturers. And with our change in policy, after what happened at Parkland, we're going to have some blowback and some pushback on that business. It's going to be even softer than we had originally anticipated.

The balance of our business we're pretty excited about. We're excited about what's going on with the innovation pipeline in the Athletic Apparel business, the Athletic Footwear business, we're excited about what's going on in Golf, Team Sports. So, ex those two categories, we're relatively optimistic about our business.

Robert F. Ohmes

Analyst, Bank of America Merrill Lynch

Q

And Ed, maybe I could get you to elaborate a little more on that, I mean I think you guys do sound better maybe than you did in the late back half of last year in terms of how the inventory levels look out there for the industry. What do you see is – what's your outlook for as we head towards back to school here and what it can look like versus last year?

Edward W. Stack

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

A

Well, I think the marketplace has been cleaned up from an inventory standpoint. So, there's not going to be as much promotion going on out there. As I said, the innovation pipeline with some of the brands that we do business with we're pretty excited about. The segmentation with those brands Nike, adidas, some of the product that's coming out is going to be more narrowly distributed. We have access to that product. The Nike React shoe that we just launched a few weeks ago at \$150 was terrific, all at full margin. And we see more that we see more of that out there, and we just feel better about the marketplace as a whole than we did last year.

Robert F. Ohmes

Analyst, Bank of America Merrill Lynch

Q

And then can you talk about which brands you're investing more in this year versus last year?

Edward W. Stack

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

A

So the biggest investments we're going to have this year are going to continue to be in our private brands, which in the fourth quarter comped double digits with expanded margin rates. We're going to continue to focus on our private brands, the CALIA brand, Field & Stream, Reebok. Our golf brands have done extremely well. The golf apparel brands, Walter Hagen, the equipment brands of Top Flite.

We're launching a new golf equipment brand Tommy Armour in a few weeks. We partnered with BMW on the design of the new driver that we're bringing out which will be \$299. And one thing we're really excited about with that driver, we had our Golf Galaxy Summit down in Florida where all the brands come in, show the new product to the Golf Galaxy managers. And these guys are really hardcore golf guys. And the number of comments I got and notes that I got back after they tested the Tommy Armour driver, the view was that they thought that was the best driver out there. They were really excited about that. So, we'll continue to invest really heavily in our private brands.

And then we're investing heavily in Nike, adidas, Callaway. We think that the innovation pipeline there is great. Brooks from a running shoe standpoint has been terrific, we continue to invest there. So those are the main brands that we're really going to be investing in.

Robert F. Ohmes

Analyst, Bank of America Merrill Lynch

Q

And then can you talk about the dotcom business, two questions. First, just maybe a little more detail on what happened in the fourth quarter I know there were demand spikes and things like that, maybe how we should think about that what that that looks like going forward and when you anniversary it next year? And then also competitively maybe remind us how your online business competes with the vendors, as well as other retailers that have online businesses?

Lauren R. Hobart

President & Director, Dick's Sporting Goods, Inc.

A

Sure. So – just – first going back to the fourth quarter, we had tremendous spikes in demand, we actually insourced our platform last year, so it was the first full year on a new platform and then in the fourth quarter when the vast majority of online business happens we were preparing all year for major spikes. We actually did very, very well during the fourth quarter. We met our Cyber Monday volume which was the peak for – it's actually our peak of all time, it was an incredible day, but there were intermittent issues that we had, none of them catastrophic, none of them you would have read about but where people are having difficulty checking out or difficulty navigating through the site. And that was throughout the year but exacerbated in the fourth quarter.

So, we do feel like we have gotten on top of most of those issues. We actually brought in a new chief technology officer a couple of months ago who's added already tremendous value and we'll be – we'll be redoing the entire consumer experience online. So to get to – if I remember correctly the second part of your question about how we're going to compete, we are focused on driving differentiated customer experience online and really showcasing to the consumer what's important, what's the right product for them, how to get them basically quicker through the site and into – and work on speed of delivery as well. So, we've got a lot of initiatives. Overall very pleased with our eCommerce business and it has accelerated as we've gone into Q1. The growth has accelerated.

Robert F. Ohmes

Analyst, Bank of America Merrill Lynch

Q

And then feel free if there are any questions out there. Can you – while we're waiting to see if anybody has any questions, can you talk about the – just the Team Sports business and how we should think about football versus baseball and then sort of how – what the overall outlook is for 2018?

Edward W. Stack

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

A

Yeah. We're enthusiastic about the Team Sports business in most categories. So, the baseball business has been very good and will be very good through the first couple of quarters with the new USABat regulations for Little League. Virtually, every – everyone who plays Little League this year needs to buy a new bat because of the new regulations. The bats from last year, they're not legal to be used anymore, similar to what happened with the BBCOR bats in high school few years ago, so that business is going to be very good.

The overall baseball business, we're excited about the soccer business, the one Team Sport business that is continuing to have some struggles is football. And the younger the athlete who's playing football is the worse that business is. There're just so many people saying – parents saying, "kid's not playing football". But that's fine, because what's happened with that they haven't stopped playing a team sport. They've gone in a different direction. They've gone to either fall ball, fall baseball has gotten really significant and/or they're going into soccer. And we're fine with baseball because the ticket in baseball is more than the ticket in football.

So, when you – because the teams supply the shoulder pads and the helmets and – but you build a big ticket in baseball with a bat, a glove, batting gloves, cleats, practice pants; it's a big ticket. But we're pretty excited about all of that with the exception of football.

Q

Can you talk about where you are in fulfillment and then what additional investments that you need to make?

Edward W. Stack

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

A

From a fulfillment standpoint into the stores, we're in very good shape. We've just put a new distribution center in upstate New York that will service in Northeast. So, from a brick-and-mortar standpoint our fulfillment, we really don't think that we need anything more from a fulfillment standpoint for brick-and-mortar. From an online standpoint, we're looking at what we're going to do and how we're going to fulfill going forward. Right now we fulfill the majority of our online orders are out of the store.

We're taking a look at how we want to do that from a central fulfillment center or centers. The building that we put in upstate New York, we've added on to that, going to make an investment there. And that will service the Northeast and we'll be able to get product to – from an online standpoint into the Northeast in probably a day. So, we've got some investments to make from an online fulfillment standpoint but brick-and-mortar we're in good shape.

Q

Can you talk about how you think about the soccer opportunity a little bit more in the U.S. Target specifically has announced some new brands around soccer and focus on soccer in the U.S.? I just would like to get a little bit more perspective in terms of how you think about that opportunity?

Edward W. Stack

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

A

Well, we're pretty excited about the soccer opportunity. We wish the U.S. team was in the World Cup this year. So, we're a little disappointed that they're not. But soccer is one of the beneficiaries of the lack or the declining participation in football as I said. And our relationships with Nike, with adidas, some of the other soccer categories what we're doing from our own private brands from a soccer standpoint, we're really excited about soccer.

We've got a – we'll continue to take a look at how we market the soccer business, but soccer is one of those growth areas that we're pretty enthusiastic about.

Lee J. Belitsky

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

A

Yeah, the one – the one additional thing we have in the Team Sports area, the one additional competitive advantage is that we have all the data on participation. So through these small technology companies that we've acquired over the years, we've accumulated millions of kids' worth of registration information, who's registering to play, baseball and soccer, who are the new kids that are entering the space and everything. So, we always have a sight line to the new kids coming up, regeneration of that data base each year, so we can develop tailored marketing to those customers as well and that's something that Target doesn't have and Amazon doesn't have and so on, and we're really excited about the potential we have in that data.

Q

Hi. There's a lot of talk about the millennial shopper and how they are less about acquiring stuff and more about acquiring experiences. How does DICK'S kind of look at that particular situation and is there anything from a merchandising or marketing standpoint that you guys are kind of doing in order to attract more of the millennial customer?

Edward W. Stack

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

A

Yeah. So that's absolutely true and I've got a group of millennials in my family. So, I've got a great focus group. And so, they are looking for experiences, but they also need equipment or things to do to have those experiences, whether it's hiking, skiing, whatever those experiences are. And the outdoor category's an area we think we've got a great opportunity for growth with the millennials and the experiences. I know that my kids are doing a lot more hiking. They're doing a lot more skiing. They're being outdoors, kayaking, and you need products to go do those

things, and I think we're really well-positioned in those categories. And that business has been a really very good business for us for the last few years.

Robert F. Ohmes

Analyst, Bank of America Merrill Lynch

Q

Can I get you guys to talk more about two areas that I get asked about all the time, allocations and segmentation. So, if you look at 2017 and you look at the allocations from leading brands like Nike, how does that look for you for 2018? And then when you look at segmentation and brands like Under Armour in 2017 where you had a competitor get a lot more access, how does that look in 2018?

Edward W. Stack

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

A

So from a – some of the brands I think they've done a really good job from a segmentation standpoint and an allocation standpoint. So, we take a look at Nike, adidas. We're getting product. We're getting access to a broader range of product and more product. The Nike React shoe is a perfect example. We were one of the key leaders in the marketplace with that shoe, as I said, at \$150 and it blew right out. We worked with Nike on what we were going to do in-store from a presentation standpoint, what we were going to do online from – standpoint, what we were going to do from a digital marketing standpoint and it was beyond our wildest dreams. We'll continue with that going forward with the React and some takedowns on the React. So, we're really excited about that.

On Under Armour, I think Under Armour is going to get it figured out. I know they're working really hard. Kevin and I have been talking and they're going to get it figured out. I just don't think there's going to be a meaningful change this year. We would look at probably 2019 as the time where there's a meaningful change there, hopefully.

Q

Hi. Would you mind just touching on that the real estate footprint, the short-term and more medium-term strategy around maybe being able to reposition stores? What kind of uplift to sales you might be able to receive? What kind of leverage you have with landlords and if we're actually [ph] going to be able to see (17:13) things through the P&L, because you know the cost associated with moving?

Lee J. Belitsky

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

A

Sure. So, right now as we've noted, we are slowing our growth of new stores. We had been opening stores at a 40 to 50 store per year pace. This year we talked about opening, I think, 19 stores in the coming year and we expect it to be even slower than that next year. And one of the reasons for that is we are seeing the price of real estate coming down pretty significantly in all but, I'd say, the A malls right now. So, we perform well in power centers, in A malls and B malls and free-standing locations and high trade areas. So, we have a lot of flexibility to go to different parts of the trade area.

The one big opportunity we have is with our lease renewals that we have, we have a lot of stores that are coming up to the end of their lease period and we have options beyond that. And we have about half of the chain coming up in the next five years for renewal. And with the vacancies that are out there, right now there are opportunities within the trade areas. These renewals come up that we can look at, going to a power center, a mall, a free-standing location and create kind of a jumpball in that market to drive kind of reverse auction to get us into the locations. And we're seeing some really good rent reductions as these renewals come up and driving some significant expense savings along the way. It's not in all locations but it's in many locations that we're able to drive

expense reductions. And when we do get a great offer to relocate a store, we do see a pretty significant sales lift in relocating the store. And oftentimes right now, we're getting that relocation, getting the new store and getting it at a lower rent than the rent we have in the existing store.

So, there's a lot of opportunity in real estate right now, but it's more focused in renewals and relocations and this and adding new stores, although there are still a number of trade areas that are attractive to us where we would open them given the right deals.

Q

Just one quick follow-up on that is the mix, the benefit you're getting, is it more in terms of just reduced rent over the life of the lease or is it more in terms of the leasehold improvements that you get upfront to help with your build out costs, I mean what's the...

Lee J. Belitsky

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

A

I would say it's leaning toward rent reductions right now, but in some cases if we've got great stores, we're also taking the tenant improvement allowances as well and remodeling or relocating the stores along the way but it's more – little bit more trending toward just taking straight rent reductions.

Robert F. Ohmes

Analyst, Bank of America Merrill Lynch

Q

When we – when you look at what your plans were pre-tax reform and now post-tax reform, can you sort of walk us through what are incremental investments or things that you're accelerating given the tax reform benefit?

Edward W. Stack

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

A

[indiscernible] (00:20:06).

Lee J. Belitsky

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

A

Okay. Sure. So, going into this year in November, we talked a little bit about the earnings – taking down earnings by as much as 20%, because we were going to be investing significantly in the business. And we had outlined a pretty significant number of areas that we were going to invest in, in technology and eCommerce and fulfillment and so on. So, we had a pretty aggressive investment plan laid out already and we've made some changes to that, to accelerate some things a little bit faster. But kind of the majority of what we're looking to do we're sticking with and this gives us really kind of the increased confidence and certainty around having great cash flow next year that we're going aggressively into – largely into investments we have identified. Some will move a little bit faster than we had otherwise planned, but there is not a large difference in really the investment portfolio as a result of the new tax laws.

We're certainly going to be filling a lot of positions that we need to fill to accelerate our technology improvements that we've gotten, our eCommerce improvements that we're looking to make and again, the expansion of our eCommerce fulfillment capabilities in Upstate New York, that we're stepping on the gas on that and accelerating some of that CapEx to move faster on that initiative than we otherwise would have.

Robert F. Ohmes

Analyst, Bank of America Merrill Lynch

Q

Can you walk us through the private label business at DICK'S Sporting Goods and maybe remind us what the largest brands are and then also where you're expanding the most in private label?

Edward W. Stack

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

A

Yeah. We've – our – our biggest brand is Field & Stream, it goes across the both chains, that's our biggest – biggest brand and it's across a wide range of products. So, we've got Field & Stream field boots, Field & Stream hiking boots, we've got Field & Stream fleece, sleeping bags, tents. We'll be introducing a Field & Stream kayak and the paddle sports this next year. So, Field & Stream goes across a wide range of the whole outdoor category. And so, we'll continue to invest pretty heavily there.

We think we've got an opportunity from an apparel standpoint there. We've been – that's done okay. But we think we can do better from an apparel standpoint, Field & Stream. After that you come to Reebok, the Reebok brand has been really very good. It's more of an opening price point product for us across men's, women's and kids, and that's grown at a very fast rate. We think that that can continue to grow at a pretty rapid rate. And after that is CALIA and we are extremely excited about what's going on with CALIA. It's a premium brand. We've done that with Carrie Underwood who's been a great partner with us and we'll – and that's just in – and that's only in women's athletic apparel, so you can imagine how big that is having just that one category of business. And we were really excited to continue to broaden out the line with the CALIA and those would be the three that we are most excited about.

Robert F. Ohmes

Analyst, Bank of America Merrill Lynch

Q

And then can we – can we get a update on the Team Sports headquarters business and...

Lauren R. Hobart

President & Director, Dick's Sporting Goods, Inc.

A

Yeah.

Robert F. Ohmes

Analyst, Bank of America Merrill Lynch

Q

Remind us what's you're doing there and the focus was for 2018?

Lauren R. Hobart

President & Director, Dick's Sporting Goods, Inc.

A

Yeah. So, Team Sports HQ for anyone who doesn't know is an attempt that we're making to kind of really become the ecosystem of youth sports around kids, families, coaches. So, we did acquire three small technology companies, Blue Sombrero, which is a registration company; Affinity, which is a governing body support system; and then GameChanger, which is really, I don't know if anyone has kids who play baseball, but GameChanger is a preminent consumer app that does scoring and statistics.

And so, we're looking at it as several opportunities. It is a ton of data as Lee mentioned and in just soccer, we've partnered with a lot of governing bodies, Little League, AYSO in soccer and many others, and we are their preferred technology partner. So, their registrants opt in to register for their teams on our platforms, and we get

just incredibly rich data from that, which we're already starting to use in our CRM activities. But we think we can even do much, much more as our personalization techniques continue to grow.

Then you look at the other. So, that's kind of just the one-to-one marketing opportunity. There's also new category opportunities for us, in uniforms, in FanWear, in just selling eCommerce to the teams as they register. So, here's the list of things your team needs. And then most recently in a new acquisition we just made in bulk equipment. So teams need tons of baseballs. We just bought a company that can help us, instead of B2C really be B2B and supply the needs of the coaches and the leagues. So, there's – it's an infinite number of opportunities. We really do view it as the future of kind of how we're going to, want to embed into the lives of Team Sport athletes.

Robert F. Ohmes

Analyst, Bank of America Merrill Lynch

Q

When you – when you look at the fourth quarter and sort of think about the competitive promotional environment maybe not being as bad as you thought maybe even as recently as December, is it getting better across the board or where is the alleviation coming from and maybe help us understand where, when we look backward at the back half, was it more online competition that was a problem. What kind of role is the off price channel playing today in athletic versus history, maybe paint the picture for us and what happened in the back half of 2017?

Edward W. Stack

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

A

Well, I think the inventory got cleaned up a little bit better, then the supply chain get cleaned up a little bit better than we had anticipated. Pricing was a bit more rational than what we had seen earlier. There had been – had been pretty competitive. Some people started to back off of that. And I think the brands – the brands did a really good job of controlling their brands and going forward we're starting to see this – new products coming to the market, that are differentiated, most of the brands are doing a better job from a segmentation standpoint. And I think the whole market has been cleaned up.

For us what's also been – is helping our margin rates going forward, in a odd kind of way, is our policy from a firearm standpoint, because that business is going to continue to be difficult. And quite frankly, we've got some – we knew that there would be some people upset with us, and there are some people upset with us in that business, who – they're basically – they're not going to shop with us any longer. And we knew that going in, we felt it was the right decision to make. So it's going to impact our sales, but in an odd way it's going to help the margin rates because the margins on that is a little bit lower than the company average.

Q

Thanks. I have two questions, a follow-up to that. The shoppers who may not shop with you because of the firearms policy, do you have any sense of how broad based they were shopping your stores versus other types of shoppers?

Edward W. Stack

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

A

We do. We're not going to kind of go into that but we do, and that's kind of where our comp sales guidance has come from going forward.

Q

Okay. And then as you look at real estate opportunities, lower rents, et cetera, are you also, in the context of developing omni-channel and some of the things you've spoken about, are you looking at store format, store size, are there any changes afoot in that regard?

Edward W. Stack

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

A

As of right now, no. We'll take a look at is there a different size store that we could go into some areas. Like in the five boroughs, we've got virtually nothing in the five boroughs. As we take a look at, if we came into here, what would we want to do? Coming into the five boroughs, we're not really sure we want a 50,000-square foot store with the same assortment that we have today. So, I would think that that would be a bit smaller. So, we're looking at that. But our primary store size, we're not looking at anything significantly different right now.

We think that there's a big opportunity for us from a Team Sports standpoint to be more 12 months. These kids are playing these sports 12 months a year. We think there's a really big opportunity in the women's apparel business. We did a test outside of Chicago where we reallocated some space and gave a much bigger space to the women's athletic brand and put kind of a studio in there. We're relatively pleased with how that's performed. So, we're looking more at allocation of space than we are looking at size of store.

Robert F. Ohmes

Analyst, Bank of America Merrill Lynch

Q

How are you thinking about acquisitions right now and maybe work into that? You guys have been executing well in what wasn't the best environment in 2017, but I think some of the regional brick-and-mortar competitors maybe didn't fare as well as you guys. Are you seeing – do you see consolidation reaccelerating for sporting goods brick-and-mortar?

Edward W. Stack

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

A

I think there'll be some consolidation going forward. You should look at us as an organic grower. I can't say never, kind of depends on price, all of that, but I don't see anything from a brick-and-mortar standpoint that we would be interested in acquiring. If we did any acquisition, it would be more in the digital space than the brick-and-mortar space.

Lauren R. Hobart

President & Director, Dick's Sporting Goods, Inc.

A

Yeah, just to add to that, some of the recent competitors who have gone out of business rather than buying a ton of their stores, we bought their data, so that we could access their customers online, and that's been a different approach, their intellectual property and their data.

Robert F. Ohmes

Analyst, Bank of America Merrill Lynch

Q

And then can you talk about the Golf business, remind us what Golf was like for 2017 and then what you're thinking in 2018 and beyond?

Edward W. Stack

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

A

Golfing for us in 2017 was really very good. Part of that was – there were two real reasons why that happened. There was first Golfsmith going out of business. There was a fair amount of market share that came available and not only ourselves, but some other retailers had a pretty good year from a golf standpoint, as that market share went other places. And we got a lot of that market share, both DICK'S and at Golf Galaxy.

The other thing that helped the Golf business significantly was the product offerings. So, the product offerings of Callaway coming out with the Epic driver was just great. It was probably the best driver launch they've had in – since Ely was probably here, but that was terrific. And Callaway also focusing on the Chrome Soft Golf Ball which got an awful lot of play, and then TaylorMade with what they did with their drivers and their golf ball, the business was pretty good.

We expect it to be pretty good again this year. The product launches that have come out this year with Callaway with the new Rogue driver, TaylorMade with the M3 and M4 have been helpful. Callaway focusing on the Chrome Soft Golf Ball and the Truvis, which is the different colors of golf balls, there's a pretty good product cycle out there. And I also think a guy named Tiger playing pretty well and kind of juicing up the golf business is pretty good for golf too.

I don't know how many people – they actually sat home on Saturday and Sunday just to watch Tiger play and see how he would play and he played great and I think it's reinvigorating the golf business. With the Mickelson winning last, the week before and Tiger almost winning this year. There is some real juice in golf right now. And everybody is pretty jazzed to see what might happen at the Masters. So, we're more enthusiastic about golf.

Robert F. Ohmes

Analyst, Bank of America Merrill Lynch

Q

Ed, you've called out the adidas brand on the last couple of calls, where are you in investing in that brand specifically? Is there more to go there or was – are we going to be in anniversarying – anniversarying a lot of success?

Edward W. Stack

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

A

We've got about 300 adidas shops in the stores now. We suspect we'll have a few more. The brand is really – they've done a great job with the brand. We see that continue to accelerate. We're getting a better allocation of product than we had before. And I think that's – because of the shops that we put in from a footwear standpoint and if you've seen those full adidas shops on our – on the footwear pads, they've been great. So, we're getting a better product there. And we do a lot of co-operative development on the apparel side with adidas and that's just been great. They've been great partners to work with and we're going to continue to invest really heavily with those guys.

Q

Ed, in 2017 we saw an awful lot of promotional activity especially around the footwear side of the business. In 2018, as consumers continue to – to move into a more value-oriented channels whether its family footwear or some of the other value-oriented channels what are some of the other strategies that you can employ other than promotional activity in order to drive some of that footwear business?

Edward W. Stack

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

A

I think working with the brands and having – having a better allocation of – of key product and a deeper allocation of that product and the brands doing a better job from a segmentation standpoint is really going to help us. We're going to be a real beneficiary of that, whether it's the adidas UltraBOOST that we've got a better allocation of or the Nike React that they've just launched or and they've got another React that will be coming out in a couple months and what we're looking at for back-to-school. We think the footwear business is going to go back to be, there'll be still some promotion in footwear.

But the key items will again be sold at full price. They've done a really good job of – of innovation and of getting out and promoting their product creating a demand for their products or demand creation on some of these better products and we think we are going to be one of the – one of the retailers that will benefit from that.

Robert F. Ohmes

Analyst, Bank of America Merrill Lynch

Q

Where are we on the Little League bat regulation changes, a driver to your same store sales and how does that play out from here?

Edward W. Stack

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

A

Well as some of the bats hit towards the end of last year and that bat business has been great. It's – it's great for us when everybody has to buy a new bat, because of the regulation. I don't think they're going to change the regulation again anytime soon but we took a very big position in that. We saw that coming. We have had the experience of what happened at the high school level with the BBCOR bat a few years ago. And we were very aggressive on how we approached that. And we're actually in the process of reordering bats trying to take a bigger position. This is going to be a – this will be a big push this year and will probably be really beneficial first quarter into the second quarter and then it will – it won't be as – it won't be as beneficial going to the back half of the year.

And then as you have with these things then we'll be up against it next year and you guys all be asking, well, why isn't the baseball business up year-over-year. So, which is what happened with the BBCOR bat, so, it's – we got a great wave to ride right now. We're going to ride it as much as we can, but it will create a headwind next year. Remember I said that please.

Robert F. Ohmes

Analyst, Bank of America Merrill Lynch

Q

Is there anything you can tell us about the relative momentum of men's versus women's versus kids in 2017 and if sort of the drivers of your business broken up that way are changing at all?

Edward W. Stack

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

A

Yeah. So, the women's business had been kind of stale from some of the brands in 2017. Men's business was a little bit better. Some of the brands have really come especially Nike has really come to market with some great new product. Putting it all together and we would expect our women's business to lead the way from an apparel standpoint this year followed by probably kids, because last year the kids business wasn't very good. And I think part of that was what we did and how we built our assortment. We're going to be – from a kids standpoint, we're

going to be a little bit lower price point, not lower margins but lower price points more private brand in the kids business. And we think that it'll be women's one, kids two, men's three.

Robert F. Ohmes

Analyst, Bank of America Merrill Lynch

Q

And then on outerwear. Can you characterize what kind of outerwear season was 2017 and then it's a ways away, but just so we can take notes today and then when we get to the back half of next year, what kind of outerwear game are you planning for 2018?

Edward W. Stack

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

A

So outerwear this year was pretty good. In outerwear, those of you who have followed us for a while know that outerwear business is dependent on the weather. We have to buy the right product and have the content and all that, but it's really dependent on the weather. We had a pretty good weather year this year from an outerwear standpoint. Patagonia was, by far, was the key player from a comp standpoint. They have done a great job. We expect them to do terrific again this next year, but how the outerwear business will perform in 2018 will depend on if it's cold and we get some snow. From an outerwear standpoint, if it snows we look really smart, and if it doesn't snow, we don't look so smart.

Robert F. Ohmes

Analyst, Bank of America Merrill Lynch

Q

We have time for one last question.

Q

Ed from a Athletic Footwear category standpoint. What's your outlook on basketball versus running, casual, athletic, et cetera?

Edward W. Stack

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

A

Well, I think the basketball silhouette is going to be okay. I think the running silhouette, from what we see, we think we've got a big opportunity from a running silhouette and so much of the lifestyle business – a lot of lifestyle business is kind of a little bit more in the running silhouette. So, we think that lifestyle's still going to be pretty good in the running silhouette style at least for us, and basketball will be okay. We're really excited about what we can do from a running standpoint and Brooks is the brand that we're going to invest much more significantly in to drive the running business.

Robert F. Ohmes

Analyst, Bank of America Merrill Lynch

Terrific. We are out of time. So, I want to thank DICK'S Sporting Goods management for a great presentation. Great.

Edward W. Stack

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

Great. Thanks, Robby.

Lauren R. Hobart

President & Director, Dick's Sporting Goods, Inc.

Thanks, Robby.

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