S&P Global
Market Intelligence

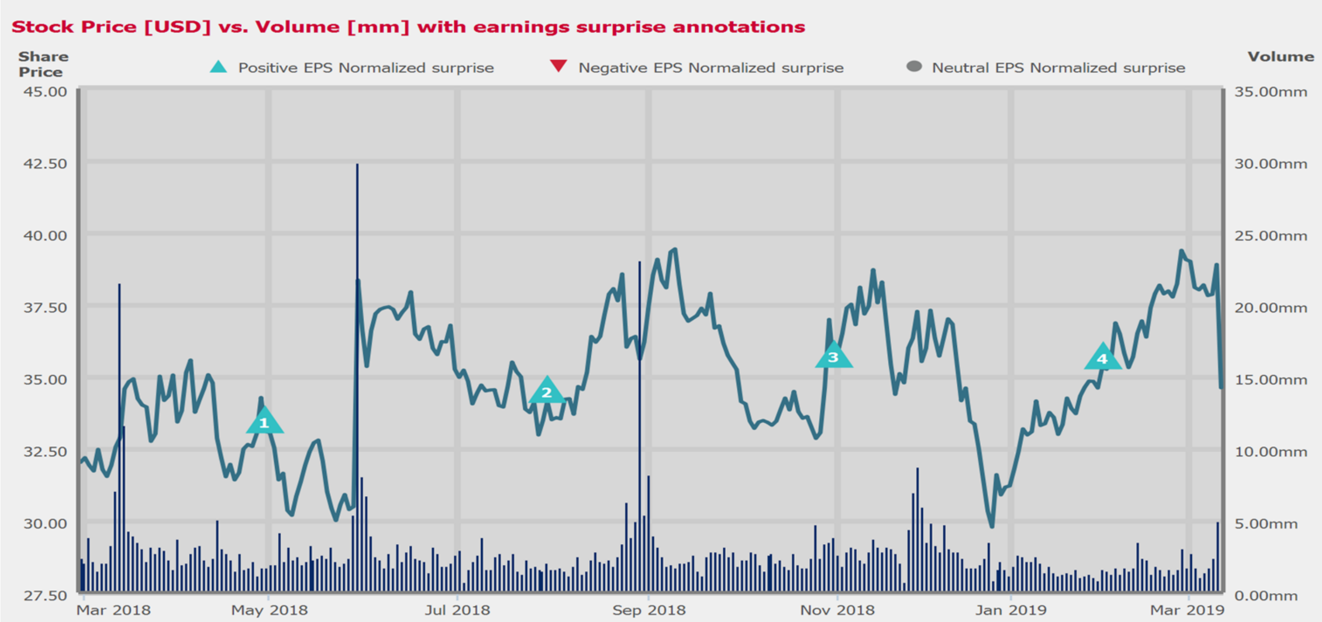
Dick's Sporting Goods, Inc. NYSE:DKS
FQ4 2019 Earnings Call Transcripts

Tuesday, March 12, 2019 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2019-			-FQ1 2020-	-FY 2019-			-FY 2020-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	1.06	1.07	▲0.94	0.63	3.23	3.24	▲0.31	3.35
Revenue (mm)	2476.02	2492.09	▲0.65	1928.57	8423.36	8436.57	▲0.16	8562.06

Currency: USD
Consensus as of Mar-12-2019 1:30 PM GMT



- EPS NORMALIZED -	CONSENSUS	ACTUAL	SURPRISE
FQ1 2019	0.44	0.59	▲34.09 %
FQ2 2019	1.06	1.20	▲13.21 %
FQ3 2019	0.25	0.39	▲56.00 %
FQ4 2019	1.06	1.07	▲0.94 %

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Call Participants

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Presentation

Operator

Good morning, ladies and gentlemen, and welcome to the DICK'S Sporting Goods Fourth Quarter Earnings Conference Call. [Operator Instructions] Please note, this event is being recorded.

At this time, I would like to turn the conference over to Nate Gilch, Director of Investor Relations. Please go ahead, sir.

Nathaniel A. Gilch
Director of Investor Relations

Good morning, everyone, and thank you for joining us to discuss our fourth quarter 2018 results. On today's call will be Ed Stack, our Chairman and Chief Executive Officer; Lauren Hobart, our President; and Lee Belitsky, our Chief Financial Officer.

A playback of today's call will be archived in our -- on our Investor Relations website located at investors.dicks.com for approximately 12 months.

As a reminder, we'll 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 and 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 any non-GAAP financial measures referenced in today's call.

And finally, for a couple of admin items. First, we have added a short presentation to our Investor Relations website to help visually depict several of the strategies we'll discuss in today's call.

Second, a reminder as it relates to quarterly dividend announcements, we will be announcing future quarterly dividends in conjunction with our quarterly and year-end earnings releases.

And lastly, for your future scheduling purposes, we are tentatively planning to publish our first quarter 2019 earnings release before the market opens on May 29, 2019 with our earnings call at 10:00 a.m. Eastern time.

With that, I will now turn the call over to Ed.

Edward W. Stack
Chairman & CEO

Thanks, Nate, and welcome back to the IR team. I'd like to thank all of you for joining us today.

As we announced this morning, we're very pleased to deliver full year earnings per diluted share of $3.24. This was near the high end of our guided range of $3.15 to $3.25, and represents an 8% increase over last year, which included $0.09 for the 53rd week.

For the fourth quarter, on a 13-to-13-week basis and adjusted for the calendar shift, our consolidated same-store sales declined 2.2%, in line with our expectations.

Our eCommerce business remained strong and increased 17% over last year. As a percent of total net sales, our online business increased to 23% compared to 19% in the same period last year.

We're very pleased with the performance of our core business during the quarter. Our athletes have responded positively to many of our initiatives across merchandising, eCommerce and marketing and drove comp gains across key categories, including apparel, athletic footwear, outdoor equipment, fitness and our private brands.

As expected, our prior actions in hunt and electronics offset these gains. Taken together, these 2 categories negatively impacted our fourth quarter comps by 3%.

As we enter 2019, we are enthusiastic about our business. We're excited about the strategies we're pursuing, encouraged by our athletes' earlier response to them, and confident in our ability to convert this momentum into positive comp sales beginning in the second quarter.

While we're pleased with the results achieved so far, we know that we need to continue to reinvest in our business to meet the changing needs of our athletes and increase their engagement with us. With this in mind, we are focused on 3 categories of investment in 2019: enhancing the athlete experience in our stores; improving our eCommerce fulfillment capabilities; and implementing technology solutions to improve the athlete experience and our teammates' productivity.

Enhancing the athlete experience in our stores is critical to our long-term growth, as our stores generate approximately 80% of our total revenue. We, therefore, need to ensure that they meet the demands of all athletes from the beginner to the enthusiast.

That said, we will continue to optimize our assortment, reallocate floor space to regionally relevant and growing categories and make our stores more experiential.

We tested several initiatives last year and have been pleased with the early response from our athletes.

Late in the third quarter, we removed hunt -- we removed the hunt category from 10 DICK'S stores, where it underperformed and replaced it with a more compelling assortment. These 10 stores generated positive comp sales and had a strong margin-rate improvement during the fourth quarter. Following this success, we will remove hunt from approximately 125 additional DICK'S stores in 2019, where the category underperforms. It will be replaced with merchandise categories that can drive growth each based on the needs of that particular market.

We also tested bold merchandise presentations last year, which we call strike points. These strike points provide our athletes with a clear point of view of what's important and showcase key items in a very impactful way. We've been very pleased with how our athletes have responded in our test stores. And beginning late in the first quarter, we will deliver a much more dominant presentation as we expand our strike points across the chain.

Key merchandise categories will benefit from this improved presentation along with a strong product pipeline from several of our key strategic vendors as well as our private brands.

Our relationships with our brands have never been stronger, and our access to differentiated and premium product continues to improve. To make our stores more experiential, we tested the addition of HitTrax technology and batting cages in several stores. This fun and interactive experience allows our baseball and softball athletes to determine the best bat for them by testing and measuring their launch angle, exit velocity and distance.

The strong engagement and response from our athletes led us to expand this test, which is now in 150 stores across the country.

We believe our HitTrax experience, and expanded and more compelling product assortment, and improving the integration of our GameChanger app will make us the destination for baseball athletes from the recreational to the enthusiast player.

Lastly, our private brands will continue to be an integral part of this strategy to drive differentiation and exclusivity in our assortment.

During 2018, our private brands remained strong, growing double digits. As a percent of total net sales, our private brand sales increased to approximately 14% compared to 12% last year.

In 2019, we expect a continued strength as our private brands will play an important role in our space allocation and assortment strategies.

We will expand CALIA's footprint in approximately 80 stores, launch a new athletic apparel brand in time for back to school that will replace Reebok, and enhance the quality of our existing offerings with a focus on product innovation. To support this strategy, we will continue to invest in our product development team to help us reach our $2 billion sales goal in private brands.

In closing, 2019 is an important year in which we are making critical investments to fuel a long-term growth and further solidify our leadership position. I'd like to thank all of our teammates for their hard work and commitment this past year and for their upcoming efforts in 2019.

I would like -- now like to turn the call over to Lauren.

Lauren R. Hobart
President & Director

Thank you, Ed. And good morning, everyone. As we enter 2019, we remain focused on building the best omnichannel experience in sporting goods.

As Ed outlined, we are increasing our investments in the store experience, eCommerce fulfillment and technology. This morning, I'll provide some additional details on these initiatives. In addition, I will discuss how we are leveraging the power of our expert opinion to guide athletes and we'll provide an update on our productivity efforts.

Our teammates are critical to bringing our improved store experience to life. One of our key investments, therefore, is in our stores, where we will deliver more robust training and education. For example, in partnership with key brand partners, we're launching a new multi-day footwear training summit to elevate our teammates' product expertise and selling skills. This focus -- the focus on training will enhance our service model and it will also support new and differentiated experiences for our athletes, such as HitTrax.

Turning to eCommerce, during 2018, we were pleased to deliver 17% growth in our eCommerce business. We provided our athletes with an improved online shopping experience this holiday season, through an enhanced assortment and better functionality. We also worked closely in partnership with industry leaders, Google and Facebook, to dial up our digital marketing and drive increased traffic.

Looking ahead, we believe a big opportunity to continue improving our online experiences through faster and more reliable delivery. To achieve this, we're investing significantly in our fulfillment capabilities.

As I mentioned, last quarter, we're building 2 new dedicated eCommerce fulfillment centers in New York and California. These new facilities will open during the third quarter and will enable us to deliver the majority of our online orders within 2 business days in the near future. The state-of-the-art facility in New York will be highly efficient as we invest in robotics to drive automation and optimize our cost per shipment.

We will also continue to improve the functionality and performance of our website. This will include a faster and more convenient checkout, improved page responsiveness and exciting new content through our Pro Tips platform.

In addition, later this year we will re-platform our mobile and tablet sites. This will allow us to control our own mobile destiny and deliver quality features to our athletes faster. Our technology investments extend beyond just improving our website. We will continue to increase our investments in technology, talent and capabilities to make the shopping experience easier and more convenient for all athletes regardless of when, where or how they shop with us.

We'll also aim to leverage technology to improve the productivity of our teammates. For example, we recently delivered an application, which we've named merch search to all DICK'S stores nationwide. This app provides real-time product information, including detailed product descriptions, inventory availability and alternative product recommendations so that our teammates can guide athletes through their shopping experience.

Additionally, we will continue to leverage the power of our expert opinion to guide and inform our athletes throughout their entire sports journey.

As Ed mentioned, our strike point presentations are making it easy for athletes to see and react to the products that we strongly believe in. Our new integrated marketing campaign, Better Starts Here, will inspire our athletes and invite them to DICK'S to explore our newly expanded, enthusiast-level assortments.

And we continue to expand our ability to leverage our vast ScoreCard and Team Sports HQ datasets to drive traffic through timely and targeted messaging.

Finally, we remain focused on increasing our productivity as we lower costs and eliminate unnecessary spending across all areas of our business.

During 2018, we eliminated approximately $30 million of expense and identified a pipeline of additional savings of similar magnitude for 2019.

We plan to reinvest these savings to help offset the strategic growth investments that we outlined this morning. Both the investments and the savings have been incorporated into our 2019 earnings guidance, which Lee will cover in greater detail.

In closing, this is a very exciting time for our company as we execute against our strategic priorities. We see tremendous opportunity as we continue to transform our business to meet our athletes' ever-changing needs.

I will now turn the call over to Lee to review our financial results and 2019 outlook.

Lee J. Belitsky
Executive VP & CFO

Thank you, Lauren. And good morning, everyone. I'd like to start with a brief review of our fourth quarter results. On a 13-to-13-week basis and adjusted for the calendar shift, consolidated same-store sales decreased 2.2%, with a 17% increase in our eCommerce business.

Consolidated sales decreased 2.6% to approximately $2.49 billion. This also reflects the impact of the calendar shift, which negatively impacted sales by $39 million.

Transactions decreased 3.1%, while average ticket increased 0.9%. On a 13-week-to-14-week basis, consolidated sales decreased 6.5% or $172 million, which was negatively impacted by sales of $105 million from the extra week last year and the previously mentioned calendar shift of $39 million.

During the quarter, our best performing categories included apparel, athletic footwear, outdoor equipment, fitness and our private brands.

Apparel and athletic footwear each delivered low-single-digit comp increases. The strength in athletic footwear is driven by key brands and represented an improvement compared to the prior quarter.

Additionally, we were pleased with the performance of outdoor equipment and fitness, each posting strong comp increases. The strength in outdoor equipment was driven by improved in-stocks and strike points across strategic vendors. Our private brands also continued to comp positively with higher penetration.

We continue to see double-digit declines in hunt and electronics, which together impacted the comp sales by 3% for the quarter. Excluding these impacts, our consolidated same-store sales increased 0.8%.

Team sports also declined, driven by youth baseball bats as we begin to anniversary last year's bat regulation change.

Gross profit in the fourth quarter was $694.6 million or 27.87% of net sales, a 168 basis point decline versus last year on a non-GAAP basis. The decline in gross margin was driven by higher shipping, fulfillment and freight costs as a result of our strong eCommerce growth and by occupancy deleverage.

Merchandise margin decreased by 37 basis points. The decline is attributable to expense recognition for changes in our ScoreCard program and revenue recognition and reporting changes for gift card breakage. Our merchandise margin rate otherwise was flat for the quarter.

SG&A expenses were $552.2 million, a $38 million decrease from last year on a non-GAAP basis, which included $26.5 million in expense savings from the extra week. Excluding the extra week last year, SG&A expenses decreased $11.5 million. During the quarter, the expense reductions that Lauren referenced, more than offset strategic investments and higher incentive compensation. As a percent of net sales, SG&A was flat compared to last year, at 22.16%.

In total, we delivered fourth quarter earnings per diluted share of $1.07, which was negatively impacted by approximately $0.08 due to the shifted calendar. This compared to the GAAP earnings per diluted share of $1.11 and non-GAAP earnings per diluted share of $1.22 last year, which were positively affected by $0.09 for the 14th week last year.

For the full year, we delivered earnings per diluted share of $3.24. This compares to $3.01 last year, which was positively impacted by $0.09 for the 53rd week. On a 52-to-52-week basis, and adjusted for the calendar shift, consolidated same-store sales decreased 3.1% with the headwinds from hunt and electronics categories negatively impacting comps by 2.3%.

We delivered a 17% increase in our eCommerce business. And during 2018, we opened 19 DICK'S stores and closed 6.

Now looking to our balance sheet. We ended the fourth quarter with approximately $114 million of cash and cash equivalents and no borrowings on our revolving credit facility. Additionally, our inventory levels increased by 6.6% in the quarter as we made strategic investments in support of key growth categories. Our inventory going into the first quarter is clean, and we are confident in our inventory position as we enter the spring season.

Turning to our fourth quarter capital allocation. Net capital expenses were $58.6 million. We repurchased 957,000 shares of stock for $33.7 million at an average price of $35.23. In total, for 2018, we repurchased 9.6 million shares for $323 million and have approximately $433 million remaining under our authorization. We also paid approximately $21 million in dividends during the quarter. And a few weeks ago, we announced an increase in our quarterly dividend of 22% to $0.275 per share.

Now turning to our outlook, for 2019 we anticipate earnings per diluted share to be in the range of $3.15 to $3.35 and consolidated same-store sales to be approximately flat to up 2% for the year. We expect to deliver positive comps beginning in the second quarter via the execution of our strategies as well as the hunt and electronics headwinds we faced last year, meaningfully abating. Specific to hunt, we anniversaried our firearms announcement at the end of February. With the exception of the month of February, most stores where we will reallocate space to growing categories, we now expect our hunt business to generally follow industry trends. With respect to electronics, we anniversaried our exit from this business at the end of the fourth quarter.

As Ed and Lauren discussed, within our guidance, we have included strategic investments that we believe will benefit our business in 2019 and over the long term. These investments will have an approximate $60 million on EBT in 2019, it includes $35 million to enhance the athlete experience in our stores, $15 million to improve our eCommerce fulfillment capabilities and $10 million in technology.

The enhancements to our store experience include our space reallocation efforts, rollout of our HitTrax technology and batting cages, expansion of our strike point presentations and investment in our product development teams.

Improvements in our eCommerce fulfillment capabilities include the operating expenses associated with our 2 new dedicated fulfillment centers in New York and California. And lastly, our technology investment is concentrated around elevating our talent and capabilities, which will better position us to deliver solutions that improve the athlete experience and our teammates' productivity. While making these investments we also remain focused on improving our productivity and eliminating unnecessary spending.

For 2019, we have identified additional productivity opportunities, through which we expect to eliminate about $30 million of expenses, which has also been contemplated within our guidance and will fund about half of our strategic investments.

All of this considered, operating margin is expected to decline by 20 to 40 basis points year-over-year as we make strategic investments in our business.

Gross margin rate is expected to be approximately flat to down slightly, driven by anticipated double-digit sales growth in the eCommerce, which has a lower gross margin rate, and from the investments we are making to improve our fulfillment capabilities.

SG&A is expected to deleverage as a result of our strategic investments.

Additionally, our guidance contemplates an opportunity for modest merchandise rate expansion, the previously discussed productivity savings of approximately $30 million and meaningful inflationary headwinds from increasing hourly wages and higher freight costs.

Our earnings guidance assumes an effective tax rate of 26% and is based on an estimated 95 million diluted shares outstanding. This includes the expectation of share repurchases to fully offset dilution in 2019.

In 2019, net capital expenditures are expected to be approximately $200 million, which will be concentrated in improvements within our existing stores, technology and eCommerce fulfillment and also includes 7 new DICK'S stores and 2 new Golf Galaxy stores. In 2018, net capital expenditures were $170 million.

Before concluding, I will take just a moment to provide an update on the new lease accounting standard. During the first quarter, we will adopt a new lease accounting standard using the optional transition method, which allows for a prospective application of the standard. We estimate the adoption will result in recognition of additional net lease assets and lease liabilities of approximately $2.3 billion respectively. We do not believe the new standard will materially affect our P&L.
This concludes our prepared comments. Thank you for your interest in DICK'S Sporting Goods. Operator, you may now open the line for questions.

Question and Answer

Operator

[Operator Instructions] And your first question will be from Michael Lasser of UBS.

Michael Lasser
UBS Investment Bank, Research Division

Can you give us more details on the gross margin outlook for the upcoming year, especially in light of how it performed in the fourth quarter? It seems like you're expecting a considerable step-function change in the impact from eCommerce fulfillment cost. To what degree will this come from the new facilities coming online? And to what degree is it from other factors?

Lee J. Belitsky
Executive VP & CFO

So with regard to gross margin, the fourth quarter, I don't think is a good indicator in looking at the year-over-year because we have 13 weeks against 14 weeks, we have a shifted calendar, and we have our highest period of penetration for eCommerce sales in the fourth quarter compared to the rest of the year. So the fourth quarter would have a disproportionate drag on the gross margin rate. So we would expect gross margin impact to be significantly lower as we look out over the full year for next year than it would've been in the fourth quarter of this year.

Michael Lasser
UBS Investment Bank, Research Division

So are you -- is -- how does the push and pull relate -- unfold compared to fulfilling from your stores versus the new eCommerce fulfillment centers? Is that a big part of the story?

Lee J. Belitsky
Executive VP & CFO

For the fourth quarter of this year, there are startup costs involved with it. We think that over the intermediate to long term, the cost of fulfilling orders out of our distribution center, if you look at the cost of fulfillment plus the cost of shipping, is slightly favorable for us versus fulfilling from our stores. And we think we've got a better quality and better predictability in that, but we do have 2 facilities we're starting up at once in the back half of the year. So there are some startup costs that we have embedded within the forecast for 2019 -- yes, for 2019.

Michael Lasser
UBS Investment Bank, Research Division

And then my follow-up question is, where is the $30 million of savings coming from? How do you ensure that this doesn't impact the customer experience and potentially jeopardize sales?

Lee J. Belitsky
Executive VP & CFO

A couple of big pieces. We have -- a big part of the savings are in supply chain. We've kind of reworked some of our benefits programs a bit. And we have some significant savings coming out of rent as well. So those are 3 chunks, none of which will really impact the customer experience.

Operator

The next question will be from Simeon Gutman of Morgan Stanley.

Simeon Ari Gutman
Morgan Stanley, Research Division

My first question is on operating margin. I want to clarify that, even excluding the investments, if we take them out, is operating margin at the midpoint is still expected to be down? If that's correct, can you -- can we talk about the drivers ex the investments of it, if that's the case?

Lee J. Belitsky
Executive VP & CFO

Operating margin, including the $30 million of investments, the operating margin would -- I think would be up slightly, on that pretax margin at the midpoint. So that's really what's driving the decline. It's relatively level to up a little bit excluding the -- including the $30 million. And the second half of your question?

Simeon Ari Gutman
Morgan Stanley, Research Division

I'll ask a follow-up then. I -- we've talked about the underlying run rate of the business, ex some of the hunt, electronics. And then in the past, we've talked about one of the brands, so can we talk about the -- I guess, the underlying health of the business excluding those impacts? Because 0 to 2 seems to capture, I think, a consistent picture of what we report trying last year of where the business should end out. But does the 0 to 2 reflect some of the productivity improvements that you should see from a sales perspective, given some more efficient inventory, product cycles, et cetera?

Edward W. Stack
Chairman & CEO

Yes, so we're really confident about the business. We expect to get to flat to 2% at the end of the year -- beginning in the second quarter and for the year. And the categories that we think that'll come from are what you would expect that we've been talking about. So the apparel category and what we're doing with our strike point merchandising, what we've done from a footwear standpoint in access to different product. The Team Sports areas once we get past the bat change last year, which was very significant, for every little leaguer had to buy a new -- or virtually every little leaguer had to buy a new bat last year, they don't have to do that this year. So we are really very, very confident and excited about our business.

Simeon Ari Gutman
Morgan Stanley, Research Division

Okay. And if I can just follow-up, would you say that the -- like, how would you describe the underlying momentum in the fourth quarter relative to the third? Is it about the same? Is it getting better? Some of the internal metrics that you looked at?

Edward W. Stack
Chairman & CEO

A bit better.

Operator

The next question will be from Christopher Horvers of JP Morgan.

Christopher Michael Horvers
JP Morgan Chase & Co, Research Division

Can you talk about traffic and ticket a little bit? Ticket has been up very nicely in the past couple of quarters. Would have been up more if it weren't for the hunt and electronic headwind? I would think that the hunt side in particular is a bigger ticket and -- so what's -- is that right? And what's driving the ticket up? Is it, sort of, AUR recapture from what was a very promotional period in the back half of '17? And how are you thinking about the ability to continue to drive ticket and traffic in your outlook for 2019?

Edward W. Stack
Chairman & CEO

Well, I think there were a couple of things that drove the ticket. So AURs were up. It was less promotional than it was last year. We had a very good winter from a cold-weather standpoint. So our -- the apparel piece was very good. The hunt piece is still a -- it kind of helps you sell a lot of ammunition. You sell guns, but a lot of ammunition that is lower price. But the underlying health of the business and what we see happening, we are pretty excited about. And we think that, that -- we think that the ticket will continue to be positive.

Christopher Michael Horvers
JP Morgan Chase & Co, Research Division

Understood. And Lee, you talked about the detail around the margin's outlook for the year. And I understand that we have to get past the bats and the Eagles here in the first quarter. But any other cadence commentary around comp or gross margin and SG&A, particularly, as we have these DC openings? Does that, sort of, frontload some expense into the first 3 quarters, for the -- versus the fourth quarter and so forth?

Lee J. Belitsky
Executive VP & CFO

It is a little bit of extra -- there's a little bit -- not a huge amount but a little bit of extra expense in the second quarter related to a lot of floor reconfigurations as we're looking to expand some of the departments that are really growing for us, reallocate some of the floor space there and remove hunt from those department stores as well. So we have some extra cost in the second quarter related to that. Other than that, the -- some of the margin headwinds will be -- gross margin headwinds will be in the third and fourth quarter as we bring up our 2 new facilities there.

Christopher Michael Horvers
JP Morgan Chase & Co, Research Division

And that the floor reset, that's an SG&A item?

Lee J. Belitsky
Executive VP & CFO

That is principally an SG&A item, yes.

Operator

The next question would be from David Schick of Consumer Edge Research.

David Adam Schick
Consumer Edge Research, LLC

My first question, Ed, can I quote you to my kids that they don't need new bats this year?

Edward W. Stack
Chairman & CEO

No, please don't do that. They probably do need a new bat this year.

David Adam Schick
Consumer Edge Research, LLC

Yes. No, it would just be at dinner tonight letting them know the bad news. Okay, so my first -- hopefully, that doesn't count. My first question would be, as we think about the longer-term model, is this a new level of investment, those impacts you're talking about? Or is it -- is there a discrete line of sight that they fall back as we get past calendar '19?

Lee J. Belitsky
Executive VP & CFO

The majority of these cost are going to carry forward into the following year.

David Adam Schick
Consumer Edge Research, LLC

Okay. And then, within eCommerce, so understanding eCommerce mixing in drives your gross margin lower. But if I just compared eCommerce gross margin to eCommerce gross margin on a rate basis, is the margin within eCommerce getting better or worse? And moving substantially one way or the other?

Lee J. Belitsky
Executive VP & CFO

I mean, are you talking about operating margin?

David Adam Schick
Consumer Edge Research, LLC

Right, however you want to think about it. I mean, I'm talking about gross margin, is the -- yes.

Lee J. Belitsky
Executive VP & CFO

I don't think we want to get into that level of granularity on the P&L individually for it. We've had significant improvements in the profitability of our eCommerce business, and it's nicely profitable for us, and we're pleased with that trajectory but we haven't, like, broken down the individual components.

Operator

And next question will be from Michael Baker of Deutsche Bank.

Michael Allen Baker
Deutsche Bank AG, Research Division

I'll just follow up on Dave's question. So the costs are ongoing but do they increase, I guess, in 2020? Or is that same sort of run rate, such that if you were able to comp positively beyond this year, you would leverage those costs?

Lee J. Belitsky
Executive VP & CFO

Well, we haven't worked out our detailed plans yet for 2020, but the investments that we're making this year, we wouldn't expect those to be increasing in the following year. Now we may do some other new things that we haven't got to yet but we haven't got into guiding for 2020.

Edward W. Stack
Chairman & CEO

But we wouldn't expect those to increase going into next year, meaningfully.

Lee J. Belitsky
Executive VP & CFO

No.

Michael Allen Baker
Deutsche Bank AG, Research Division

Understood. Okay. And then, you -- someone -- also to follow-up, someone had mentioned, in the past, you've talked about 3 impacts to your business this year being that the hunt, being the electronics and also one of your brands hurting you. You haven't mentioned that this quarter. But how much of that -- how much did that drag your -- the 3.1% comp for the year? In other words, you quantified 230 basis points. Of the remaining 80 or so, how much was from Under Armour?

Lee J. Belitsky
Executive VP & CFO

So we're 80 basis points positive, excluding hunt and electronics. So, again, Under Armour continues to be difficult, but we have mentioned now for the second quarter in a row that our apparel businesses are positive. So we've been able to replace the lost Under Armour apparel business with other brands in the stores at this point. And to the extent we can get that Under Armour business into a better position going forward, it would bode better for the business as well.

Edward W. Stack
Chairman & CEO

Yes. As I indicated in the last call, we're much more enthusiastic about the Under Armour business going forward. We've made some changes to the assortment. Under Armour's been very helpful with that, and we see a very different trajectory from Under Armour going forward.

Michael Allen Baker
Deutsche Bank AG, Research Division

Understood. Last one, if I could. The comping down of the first quarter, how much of that is due to not yet fully cycling? The Parkland issue? How much is due to the bat issue? And then, presumably, the spring season had to start off great because the weather hasn't been cooperative for a lot of seasonal businesses. How much is that impacting?

Edward W. Stack
Chairman & CEO

Yes, let me -- that's the impact of -- we're -- I'm not going to qualify each one of those as to what percent of that is, but those are the 3 main things that are impacting the business in the quarter. We've got -- we haven't fully anniversaried the gun issue, we have -- as a number of other retailers have said, it's been a bit of a slower start, but we're pretty positive going forward.

Operator

The next question will be from Seth Sigman of Crédit Suisse.

Seth Ian Sigman
Crédit Suisse AG, Research Division

My question is really around inventory growth. If you can talk a little bit more about the growth that we're seeing? Seems to be the fastest growth rate we've seen in some time. And maybe just any view on the situation across the competitive landscape? Just trying to better understand the risk of more promotional activity here. Obviously, coming into 2018, sector seemed to be pretty lean with inventory, seems to now be picking up. So just curious how you guys are thinking about that.

Edward W. Stack
Chairman & CEO

Yes, you will see our inventory grow this quarter, next quarter and through the year. And as we've taken a look at this, we think one of the issues we've had is, we've probably lean -- had the inventory running a bit too lean. So we're investing back in inventory. What we're doing, though, is we're investing in inventory in what we characterize as non-toxic inventory. Inventory that -- our basic products, whether it be the Nike Legend tee, certain Nike running shorts, Adidas' key running shoes, training shoes, so product that is really a go-forward product that is not toxic and doesn't have a short shelf life. And that's what we've done with these strike points and they've been extremely successful. I can't stress enough also the change we made in the 10 stores in the fourth quarter in that they comped positive. So we reset these 10 stores. We're going to do this with 120-some stores this year, it'll be completed at the kind of the beginning of the third quarter. And these changes that we're making is growing that inventory. Again, it's non-toxic inventory. It's go-forward inventory. And we don't expect that to -- it's not product that we expect that we're going to need to be promotional around.

Seth Ian Sigman
Crédit Suisse AG, Research Division

Okay. And then, specifically, on the removal of those hunting categories in the 120 stores you're talking about here. So the net impact from that should actually be positive, I assume, as you replace hunting with more productive categories? Is that right? And is that included in the guidance?

Edward W. Stack
Chairman & CEO

That's what we expect to be, but understand we won't have this project completed until the beginning of the third quarter.

Seth Ian Sigman
Crédit Suisse AG, Research Division

Got it, okay. And then, just my final follow-up is on the investments you talked about and potentially continuing into next year. How do we think about the long-term EBIT margin or EBIT dollar growth outlook? At what point do you feel like you can get to a point where you could actually start to grow EBIT dollars again?

Lee J. Belitsky
Executive VP & CFO

We really -- at this point, we haven't guided beyond this year. We continue to work through what level of investment we need to make in the business going forward, but we're getting increasingly confident about our ability to drive comp sales. So we're not going to be got guiding beyond this year, at this point.

Operator

The next question will be from Steve Forbes of Guggenheim Securities.

Steven Paul Forbes
Guggenheim Securities, LLC, Research Division

I wanted to focus on those 10 stores, right? You mention positive comps, but can you expand on the learnings around customer engagement, right, and sort of the pace of the change that transpired within the stores. Really just any color would be helpful to -- for us to understand how impactful this could be.

Edward W. Stack
Chairman & CEO

Well, don't get ahead of yourself. We're really excited about this and the comps were positive. And the thing that we were even -- so the comps were positive, the margin rates were better because of the mix. So if you get positive comps and an increase in margin, as we all know that's a very good thing, and the thing we were very excited about is traffic in those stores was actually up.

Steven Paul Forbes
Guggenheim Securities, LLC, Research Division

And then, just a quick follow-up on that as well. As you think about the 125 stores poised to, sort of, receive that refresh, as you would call it, does this capture, sort of, all the underperforming stores in the base as it relates to hunt? Or do you, kind of, view this as a multi-year initiative?

Edward W. Stack
Chairman & CEO

We look at this as a multi-year initiative. We -- the 10 stores we're very pleased with. We're expanding it to 120-some stores and we'll see how that goes. And if it goes as well as expected, we would probably take another batch of stores next year. This is around having productive space. And there is some places that the hunt business is very good, other places that it's not very good. And we're just allocating floor space to make our boxes more productive. And the 10 stores, we're pretty enthusiastic about the response we had there.

Steven Paul Forbes

Guggenheim Securities, LLC, Research Division

And just the last one, and I apologize for the -- quick one here. Just the -- was there any difference within the 10 stores, you think about the 6 stores that had a batting cage versus the 4 that didn't have a batting cage or HitTrax? What's the sort of the outlook for the 125, did they receive both of those experiences?

Edward W. Stack
Chairman & CEO

Well, not all of them do. So some do, some don't, and it's really too early to, kind of, say what the differences between those that had the hunt -- that had that in the batting cages, and we did the batting cages in 6 stores. So some of the 125 have the batting cages, some of them don't.

Operator

That asked question will be from Camilo Lyon of Canaccord Genuity.

Camilo R. Lyon
Canaccord Genuity Limited, Research Division

I was hopeful -- hopefully, you can give us a little bit more detail on the incremental comp opportunities. You talked about the initiatives that you're doing, you talked about the experiential components and how you're reformatting the stores. But I'm curious to know, what's the key driver that gets you from a 0 comp to a 2% comp? So what are the rank order opportunities that can get you from flat to up 2%?

Edward W. Stack
Chairman & CEO

Well, I think there is a number of things. It's, kind of, how the -- we're pretty enthusiastic about the baseball business, but we've got a big headwind there with the bats that will subside a bit going into the second quarter. As we take a look at the full year, if we have another weather year like we had this past time -- this past year, that would be helpful. And one of the things that we think will be very important is being in-stock. So these key non-toxic, go-forward products that are in-stocks were not nearly as robust as we would like them to be, as we scaled our inventory back a bit too far. And having these in-stocks is going to be a big part of it.

Camilo R. Lyon
Canaccord Genuity Limited, Research Division

Great, that's very helpful. My next question is, going back to the athletic apparel category. You talked about the relaunch of your private label, athletic apparel brand. Can you shed some color on the components of that? What will that look like? And maybe shed some light relative to what Second Skin was? I think you probably had some learnings around pricing. So I'm curious to know how are you going to price this product? How it's going to be set up in the stores? And then, how does this all fit within the context of a comment you just made on Under Armour? And seeing the improvement there, do we -- should be expect to see a reallocation of square footage go back to the Under Armour brand that had been taken away last year? Or will the square footage be more allocated to the new brand that you're going to be launching before back to school?

Edward W. Stack
Chairman & CEO

Well, the new brand is very different than Second Skin. So Second Skin we still have, we're working through what we're going to do with Second Skin but the brand that we're going to have is more of a -- of an opening price point product -- opening price point for us. Very good quality, terrific value, the research we've done on this has been very well received and we're pretty excited about it. It will have meaningful floor space. So when you walk in, you will know that we're in this business, and it will primarily -- we had a licensing agreement with the Reebok brand and it will take the place of Reebok. And we think that it will do more business there with -- than we did with Reebok. It'll be across men's, women's, boys' and girls' product. So we're very excited about that. And like I say, the initial research has been really, very positive.

As far as UA goes, we're enthusiastic about our Under Armour business going forward, but it will remain in the floorspace that it has today. So there won't be any additional floor space allocated there. And we're -- a couple of our brands we're really excited about the product that they're bringing to market. And Nike, in particular, we' really enthusiastic about -- between the apparel product and the footwear product that they're bringing to market, and we've made a big bet there.

Lauren R. Hobart
President & Director

And if I would -- I could just add that the brand that we are creating is actually meant to be white-space in the store. I mean, it will be -- it's an occasion that we are not currently getting in the opening price point area and feel that we can drive new traffic and occasions into the store.

Camilo R. Lyon
Canaccord Genuity Limited, Research Division

That's great color. And my last question, if I could. This is more of a philosophical question. You've talked a lot about changes you're making to the store, trying to make it more experiential and more productive, and I very much appreciate that. My question is, last week, there was a department-store competitor that reported its intent to expand its active-wear section even more than it already has, while also announcing a pretty interesting partnership with Planet Fitness. So I'm curious about your thoughts about those moves, and if you would entertain the idea of giving up some of your square footage for partnerships for external partnerships to drive incremental traffic?

Edward W. Stack
Chairman & CEO

Well, it depends on what the -- we look at opportunities all the time and what somebody else is going to do seems like that might be good for their business, and we'll continue to do what we think is right for our business. And I can't express strongly enough how enthusiastic we are about our business and enthusiastic about the partnerships we have with a number of our key brands going forward. So we very much like the position we're in right now.

Operator

The next question will be from Sam Poser of Susquehanna.

Samuel Marc Poser
Susquehanna Financial Group, LLLP, Research Division

I've got 3. One, in the quarter, the merchandise margin was -- that was flat ex those other charges. But given the mix change, why wasn't the -- why didn't we see a better improvement in the merch margin there?

Lee J. Belitsky
Executive VP & CFO

Well, there -- we did have to get a little bit more promotional in the month of December as the weather warmed up there to try to capture some of that business leading up to Christmas. So we had a pretty strong Black Friday and the weather got favorable in January, but we were a bit more promotional in December. We also noted that the -- our merch margin, absent some of the ScoreCard changes and everything, was about even year-over-year. So we did get some -- there was some tailwind from the reduction of hunt, but I'd say a little bit more promotional lead into Christmas, is the offset.

Samuel Marc Poser
Susquehanna Financial Group, LLLP, Research Division

And then, secondly, the inventory levels or the inventory decision to bring stuff in early, was any of that based on the potential change of tariffs when those decisions were made to move stuff up? Or was this all strategic, as you talked about building up the depth in key items?

Edward W. Stack
Chairman & CEO

It was -- not much of it was related to tariffs. It was really related to trying to get our southern stores set earlier and be ready for this spring season across the country. So it was all part of getting these strike points set, reallocating -- we did our footwear deck also with better products for the enthusiast that we think we've missed in the past. So it was really very strategic about what our merchandising philosophy was going to be going forward.

Samuel Marc Poser
Susquehanna Financial Group, LLLP, Research Division

All right. So to follow up on that and then one last thing. It -- you mentioned making sure you're in-stock and having more of these better-selling, full price items. I mean, given the -- your inventory levels, doesn't that imply that there is a good amount of slower selling promotional items that you still need to reduce that amount? I guess, it might take a little bit of time but...

Edward W. Stack
Chairman & CEO

No, we've basically cleaned that up in the fourth quarter, Sam.

Samuel Marc Poser
Susquehanna Financial Group, LLLP, Research Division

Okay. And then, lastly, you talked about the store, the staff at the store, how you're training to improve the experience. What are you doing with your store staffing levels in that regard to -- also to ensure? Because people can -- to make sure that they're always people there to ask when they're -- when you're in there, when you're visiting?

Edward W. Stack
Chairman & CEO

Yes, we're protecting those staffing levels, yes. We're not reducing staffing levels. Thanks.

Operator

The next question will be from Peter Benedict of Robert W. Baird.

Peter Sloan Benedict
Robert W. Baird & Co. Incorporated, Research Division

First question just on the slide deck that you guys sent out. One of the strike points that you highlighted was YETI. Just trying to understand, maybe, where you stand with those sets today versus maybe where you'll be 6, 9, 12 months from now? Is that all where you want it? Or are you going to continue to, kind of, build that out? That's my first question.

Edward W. Stack
Chairman & CEO

We're pretty pleased with where we are with YETI. It's been a great brand for us. And if you take a look at that slide that we put out there, I'm not sure what else we could do, that's a pretty impressive presentation of YETI. I don't think anybody else has got that kind of presentation.

Peter Sloan Benedict
Robert W. Baird & Co. Incorporated, Research Division

Is that -- how many stores is that in? Is that already fully -- that's basically my question, is that already in every store that it's going into?

Edward W. Stack
Chairman & CEO

Well, it was -- that's what it looked like in the vast majority of the stores for holiday. Ex we didn't have the T-shirts in all of the stores for holiday. The T-shirts will be in all the stores. Some will have a double table, which we show there, some will have a single, but that's pretty much what you'll find in 90% of our stores going forward, ex some have a single table versus a double table.

Peter Sloan Benedict
Robert W. Baird & Co. Incorporated, Research Division

Got it, okay. No, that make sense. Secondly, on the marketing message, the Better Starts Here, help us understand, what's most incremental, I think, when we think about 2019 versus 2018 in terms of marketing as you guys try to invite more folks into the store to, kind of, see some of the changes. What should we be thinking about?

Lauren R. Hobart
President & Director

In terms of the media types, we are pushing significantly toward digital and to our direct channel. So things like direct mail, e-mail, things that we can leverage our datasets. But the digital channels have become the vast majority of our marketing spend. And the Better Starts Here campaign is launched in digital, trying to reach the enthusiast athlete as well as the parent, but also in TV and radio, where we're also finding effective marketing mix.

Peter Sloan Benedict
Robert W. Baird & Co. Incorporated, Research Division

Okay. And my last question is, just as you think about the comp plans for the year coming up, if we think about the higher end around 2%. Would that assume, kind of, a flattish in-store comp? I mean, I know you guys are thinking about it more holistically, but it seems that the guidance, certainly, assumes that the trajectory or at least the declines in the store comps are going to moderate as we move forward. So just trying to get a sense for maybe how much moderation you guys think you can achieve if everything goes as planned?

Lee J. Belitsky
Executive VP & CFO

Yes, it would still be kind of down slightly in the stores.

Edward W. Stack
Chairman & CEO

But moderating significantly.

Lee J. Belitsky
Executive VP & CFO

Much better than this year.

Operator

The next question will be from Joe Feldman of Telsey Advisors.

Joseph Isaac Feldman
Telsey Advisory Group LLC

I wanted to ask, with regards to the hunting industry, how are you guys thinking about that industry growth? I know you're talking but growing in line with industry but is that flattish? Is it still down for 2019?

Edward W. Stack
Chairman & CEO

We would expect that continue to be down.

Lauren R. Hobart
President & Director

Yes, down.

Lee J. Belitsky
Executive VP & CFO

Yes, it -- we expect it to continue to be down.

Joseph Isaac Feldman
Telsey Advisory Group LLC

Got it. And then, sort of, related to that, with regard to the Field & Stream stores themselves, can you just talk a little maybe how well those have been performing I -- presumably, about at industry? And what your thoughts are more of a -- at a higher level as to what to do with those stores?

Edward W. Stack
Chairman & CEO

Well, we talked about this. We're not sure exactly what we're going to do with it. We're going to let it play out in -- for a little while longer as we anniversary the -- our announcement, and then make a decision as to what we're going to do with Field & Stream. We're not opening any new Field & Stream stores, though. And right now, it -- on a 4-wall basis, it's -- they're cash flow positive, and they're not a drain on the company.

Joseph Isaac Feldman
Telsey Advisory Group LLC

Got it. That's good. And then, on -- real quick on the space allocation. Just one more question there. With -- how disruptive is that to the store when you do it? Like, does it take a week? Does it take a few days? And like should -- I know you guys said it would be mostly a second quarter, does that have more of an impact then on the comp in the second quarter relative to the others? Or -- I know you said you expect positive, so just trying to blend it all together.

Edward W. Stack
Chairman & CEO

I mean, is it -- it's somewhat disruptive but we're pretty good at this. We've been -- our construction team and store team work really well together, and they have a plan. And it will take a few weeks to get each one of them done and then we've got inventory back in there. So it takes a -- it'll take a little bit of time, but the overall comps that we expect to have in the year, we're -- we don't think it's going to have a meaningful difference as we go through this transition.

Operator

The next question will be from Omar Saad of Evercore ISI.

Omar Regis Saad
Evercore ISI Institutional Equities, Research Division

Most of them -- most of my questions have been answered. But I wanted to kind of ask from the bigger-picture level. Hearing you guys talk about the investments you're making in the store experience, technology investments, coupled with the fact that I think you're only planning to open less than 10 stores this year. Is it fair to say that the kind of direction of the company is really focused on maximizing the productivity of its existing store network, amplifying it with digital and eCommerce, less so than the square footage path in the past? Or is that really just more of a temporary hold on new store openings as you wait for rents to come down, other kind of real-estate opportunities to crop up? I'm just trying to frame the bigger-picture here, is there a change in tone?

Edward W. Stack

Chairman & CEO

We think that our biggest opportunity, going forward, is to maximize the boxes that we have, both from a sales standpoint, margin productivity. So we think that's where the biggest piece comes from. We still think that there is opportunity to continue to open stores, but we also think that rents are going to continue to come down. We've got -- depending on what happens with Sears now, with Penneys, with a number of other retailers that are probably going to continue to close stores, we're in a pretty good position to take a fair amount of space that landlords need. Somebody would take a fair amount of space and so we're just being very patient and very selective in our real-estate process.

Omar Regis Saad
Evercore ISI Institutional Equities, Research Division

Understood. And is it fair to say, Ed, that the kind of -- the discussion around investing in store experience, technology investment that there is even a greater emphasis on this call today than there has been in the past? Is there something that has changed there? And really crystallizing in the management team's mind?

Lauren R. Hobart
President & Director

Yes. I would say, that our stores, we think of them as one of the greatest assets, if not the greatest asset that we have been and trying to optimize the omnichannel experience in the stores is top, top of mind. So we are extremely focused on the experience that athletes will have when they come to the store, the service that our teammates provide to athletes when they come to the store and making it just the hub of a big omnichannel wheel. So you are noticing we are very, very focused on the store experience.

Operator

The next question will be from Scot Ciccarelli of RBC Capital Markets.

Scot Ciccarelli
RBC Capital Markets, LLC, Research Division

So for your comp guidance for '19, is the assumption that -- and I know Peter asked the question similar to this, is the assumption that traffic can get back to flat or turn positive, as you make all the merchandise changes? Or do you expect ticket will still be the primary driver of the year-over-year improvement?

Edward W. Stack
Chairman & CEO

I don't think we're to make a -- we're not going to provide guidance to traffic and ticket right now. We're confident that the -- we hope that traffic will be better. We think that the comps in the stores will moderate, which will imply better traffic. We do think that we can increase our UPTs, and we can continue to increase ticket. All of that combined, we feel we'll -- over the year comps will be flat to plus 2%.

Scot Ciccarelli
RBC Capital Markets, LLC, Research Division

Okay, got it. And then, just a clarification, if you would. When you guys talk about that 3-points of a comp drag from hunt and electronics, is that guns and ammo only on the hunt side? Or you're including other outdoor products that may have had, let's call it, a peripheral effect from the removal of those products?

Edward W. Stack
Chairman & CEO

Well, it would be hunt, which would include anything that has to do with hunting. It doesn't include fishing and other outdoor categories, it's specifically hunt. So included in that would be obviously guns, ammunition, accessories associated with firearms, hunting apparel, anything associated with hunting. It would not include kayaks and other outdoor activities like that.

Operator

The next question will be from Jim Duffy of Stifel.

Peter Clement McGoldrick
Stifel, Nicolaus & Company, Incorporated, Research Division

This is Peter McGoldrick on for Jim. First, I'd just like to ask about technology talent investments. What are the key needs of the business? And can you talk about your expectations for organizational improvement from these changes?

Lauren R. Hobart
President & Director

We have actually transformed our technology group into a very agile organization that is focused on product teams that are enhancing the experience across almost every aspect of how we do business. So that's everything from the website and the athlete experience to even productivity of everybody in our support center as well as in our stores. So it's a change in approach to how we actually implement technology, it's become an enormous strategic weapon for us and they are focused on absolutely every aspect of our internal and external experience.

Peter Clement McGoldrick
Stifel, Nicolaus & Company, Incorporated, Research Division

And then I wanted to focus on the improvement on in-stocks and efforts to -- as it remain in stock. Was there any amount of lost sales that you were able to measure in 2018? Or was there a partial recapture in eCommerce business attributable to in-store out of stocks?

Edward W. Stack
Chairman & CEO

Well, I'm going to try to take that question in 2 different chunks. So, yes, did we measure lost sales from an in-stock standpoint? Yes, we've got up at a pretty good idea of what that is. We're investing in key items to be able to do that. One of the things we're taking a look at, we -- our -- some of it was shipping challenges from -- some of it was shipping challenges, some of it was we just didn't buy enough. I mean, fleece product going into the holiday season, we were very under-invested in, which is a very key item going into those last few days of holiday. We're going to make sure that, that doesn't happen, we're going to be in-stock in key items in holiday that we feel comfortable going forward with. Some of those items will be Nike fleece, Nike tights, CALIA product, golf apparel in our Southern stores, we'll set earlier where we felt we missed quite a bit of sales. So we've really made a very big change from our merchandising and buying our stores from an in-stock standpoint and an assortment standpoint going forward. And we're confident in what we've been able to do. The YETI piece that we put in the presentation of that strike point, I mean, we had a very good YETI fourth quarter. And that's because we were in-stock in those products, very similar to the presentation we put on the -- out with this release.

Lauren R. Hobart
President & Director

On the second part of your question, we do not look at the out-of-stocks as something that was the key to our driving of our eCommerce business, if that's what you're getting at. We actually think that the out-of-stock issue affected both channels, and will be an improvement across the board.

Operator

The next question will be from Tom Nikic of Wells Fargo.

Tom Nikic
Wells Fargo Securities, LLC, Research Division

Most of my questions have been answered already, but just a quick clarification on the investments. So it's $60 million of investments, partially offset by $30 million of cost savings, which yields a net $30 million headwind for the year? Am I -- I'm thinking about that correctly, right?

Lee J. Belitsky
Executive VP & CFO

That's correct.

Operator

The next question will be from John Kernan of Cowen.

John David Kernan
Cowen and Company, LLC, Research Division

Can you talk about fulfillment cost and the change there, the direction it's heading in? I know you made a lot -- you're making a lot of investments in new fulfillment centers. I think the one in New York is going to be fully automated. Can you just talk about the direction of fulfillment cost? And how that's going to affect your eComm profitability as we move throughout this year and into next?

Lee J. Belitsky
Executive VP & CFO

Yes. The overall profitability, once we get past the startup stage of those facilities will be favorable with a combination of the fulfillment and the delivery cost will be a little bit lower, coming out of these centralized fulfillment centers than they will be if we do it in stores. We'll also be able to do a better job of keeping our items together on an order, which saves us as well. And we believe the quality of the shipments going out to the customers will be improved as well. So there are multiple reasons to do it.

John David Kernan
Cowen and Company, LLC, Research Division

Got it. And then, just one follow-up on athletic apparel. It felt like the category was much more full-priced this holiday season versus prior seasons. Can you just talk about where you are from an AUR perspective overall in that business? Is there additional AUR recovery as you get back to a higher level of full- selling within that core athletic apparel category?

Edward W. Stack
Chairman & CEO

We expect our AUR to be higher.

John David Kernan
Cowen and Company, LLC, Research Division

And just any detail on how much more recovery there is, given that you are lapping several seasons of pretty high promotions?

Edward W. Stack
Chairman & CEO

Yes, I don't want to get to -- to guide to that, but we do expect our AURs to be higher driven by, hopefully, less promotion, we'll see if that continues but also differentiated product that we're bringing in for more of the enthusiast athlete, which we think we missed last year.

Operator

And the final question this morning will be from Chris Svezia of Wedbush.

Christopher Svezia
Wedbush Securities Inc., Research Division

I guess, first just on the SG&A investments. I guess, we all love to talk about this but, just on the SG&A, so I'm clear about this. Where -- as you move forward, what is the leverage point on SG&A? I think it's been low single-digit comp. Is that still the viewpoint? And is that possible to get leverage this year? Or just given the magnitude of investments that's unlikely?

Lee J. Belitsky
Executive VP & CFO

The guidance that we've got right now, suggests that we will not leverage SG&A and I think it's just -- it's due to the volume of the investments that we've got for this year.

Christopher Svezia
Wedbush Securities Inc., Research Division

And what is a -- okay, if you were to take those out, I guess, to a degree, what is -- what do you think that go-forward comp would allow you to leverage the business on SG&A?

Lee J. Belitsky
Executive VP & CFO

Yes, I don't think I'd want to guide to that at this point.

Christopher Svezia
Wedbush Securities Inc., Research Division

Okay. So switching gears for a sec, just on the details on DC and the automation and the 2 facilities that are opening up, are you embedding any benefit to comp or anything along those lines, once these facilities.

[Audio Gap]

getting product to people faster, just any incremental benefit you're assuming in the comp or no?

Lee J. Belitsky
Executive VP & CFO

There is no implicit comp benefit resulting from adding these buildings.

Christopher Svezia
Wedbush Securities Inc., Research Division

Okay. And then, lastly, just on -- I know you've spoken a lot -- about a lot of brands, talk about private label. I'm just curious, [Audi] you've grown significantly in 2018, in terms of in the stores, product availability, apparel, footwear. I know Reebok comes out of it but that's a different situation. I'm just curious, how you think about that brand for 2019 and kind of going forward?

Edward W. Stack
Chairman & CEO

We continue to be enthusiastic about that brand. We are very enthusiastic about the Nike brand, and we think that the Under Armour is -- Under Armour will turn around in our stores. So the whole athletic category, we are pretty enthusiastic about.

Operator

And ladies and gentlemen, this will conclude our question-and-answer session. I would like to hand the conference back over to Ed Stack for his closing remarks.

Edward W. Stack
Chairman & CEO

I'd like to thank everyone for joining us on our fourth quarter call and look forward to talking to you as we report our first quarter results. Thank you.

Operator

Thank you, sir. Ladies and gentlemen, the conference has concluded. Thank you for attending today's presentation. You may now disconnect your lines.