20-May-2014

Dick's Sporting Goods, Inc. (DKS)

Q1 2014 Earnings Call

CORPORATE PARTICIPANTS

Anne-Marie Megela
Vice President-Treasury Services & Investor Relations, DICK's Sporting Goods, Inc.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

Joseph H. Schmidt
President & Chief Operating Officer, DICK's Sporting Goods, Inc.

Andrè J. Hawaux
Chief Financial Officer & EVP-Finance, Administration, Dick's Sporting Goods, Inc.

OTHER PARTICIPANTS

Robert F. Ohmes
Analyst, Bank of America - Merrill Lynch

Christopher M. Horvers
Analyst, JPMorgan Securities LLC

Matthew J. Fassler
Analyst, Goldman Sachs & Co.

Brian W. Nagel
Analyst, Oppenheimer & Co., Inc. (Broker)

Camilo R. Lyon
Analyst, Canaccord Genuity, Inc.

Dan R. Wewer
Analyst, Raymond James & Associates, Inc.

Seth I. Sigman
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Katharine McShane
Analyst, Citigroup Global Markets Inc. (Broker)

Scot Ciccarelli
Analyst, RBC Capital Markets LLC

Sean P. McGowan
Analyst, Needham & Co. LLC

Sam Poser
Analyst, Sterne, Agee & Leach, Inc.

Michael Lasser
Analyst, UBS Securities LLC

Michael A. Baker
Analyst, Deutsche Bank Securities, Inc.

Paul Swinand
Analyst, Morningstar Research

Mark R. Miller
Analyst, William Blair & Co. LLC

N. Richard Nelson
Analyst, Stephens, Inc.

Matthew R. Nemer
Analyst, Wells Fargo Securities LLC

David G. Magee
Analyst, SunTrust Robinson Humphrey

Jim A. Chartier
Analyst, Monness, Crespi, Hardt & Co., Inc.

Peter S. Benedict
Analyst, Robert W. Baird & Co., Inc. (Broker)

Jay Sole
Analyst, Morgan Stanley & Co. LLC

Lee John Giordano
Analyst, CRT Capital Group LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to the DICK'S Sporting Goods First Quarter 2014 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Anne-Marie Megela, Vice President, Treasury Services and Investor Relations. Please go ahead.

Anne-Marie Megela

Vice President-Treasury Services & Investor Relations, DICK's Sporting Goods, Inc.

Thank you. Good morning and thank you for joining us to discuss our first quarter 2014 financial results. Please note that a rebroadcast of today's call will be archived on the Investor Relations portion of our website located at dicks.com for approximately 30 days. In addition, as outlined in our press release, the dial-in replay will also be available for approximately 30 days.

In order for us to take advantage of the Safe Harbor rules, I would like to remind you that today's discussions include some forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which include, but are not limited to, our views and expectations concerning our future results. Such statements relate to future events and expectations, and involve known and unknown risks and uncertainties.

Our actual results or actions may differ materially from those projected in the forward-looking statements. For a summary of the risk factors that could cause results to differ materially from those expressed in the forward-looking statements, please refer to our periodic reports filed with the SEC, including the company's Annual Report on Form 10-K for the year ended February 1, 2014. We disclaim any obligation and do not intend to update these statements, except as required by the securities law.

We have also included some non-GAAP financial measures in our discussion today. A presentation of the most directly comparable financial measures, calculated in accordance with generally accepted accounting principles and related reconciliations can be found on the Investor Relations portion of our website at dicks.com.

Leading our call today will be Ed Stack, our Chairman and Chief Executive Officer. Ed will review our business drivers, strategy and outlook. Joe Schmidt, our President and Chief Operating Officer, will review our omni-channel development program, and specialty concepts. After Joe's comments, Andrè Hawaux, our Chief Financial Officer, will provide greater detail regarding our financial results, capital allocation, and expectations.

I will now turn the call over to Ed Stack.

Edward W. Stack

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

Thank you, Anne-Marie. This morning, we announced our first quarter results, including consolidated non-GAAP earnings per diluted share of $0.50, below our guidance of between $0.51 and $0.53. There were two major issues that significantly affected our business in Q1, offsetting strong performance across many product categories. One issue, we believe to be temporary; the other may be longer-lasting. We are going to provide more granularity on how we built our plan and performed against it than we normally would, as we believe it's important to help our investors understand these drivers.

Our hunting business missed its first quarter plan by approximately $15 million, it comped down high-teens to last year. We had anticipated this category to be below last year, as did others in this space, but we underestimated the decline. We all knew the significant increase in sales during the past couple of years was temporary and driven by concerns about legislative action that would broadly change our gun laws.

The hunting business is anticipated to continue this negative first quarter trend through the second quarter, improve slightly from this trend in the third quarter, and be relatively flat in the fourth quarter. We continue to be enthusiastic about the Outdoor business for both DICK'S and Field & Stream longer-term, as we're confident the results here are just right-sizing the business from the panicked buying that began in 2012. To illustrate this point, some categories of the outdoor business such as paddle sports, hunting and fishing apparel, all grew double digits.

The more concerning and unpredictable issue is the golf business. We anticipated softness, but instead, we saw a significant decline, with Golf Galaxy down 10.4%, and the DICK'S Sporting Goods golf business off by high-single digits. Our overall golf business missed our first quarter 2014 sales plan by approximately $34 million. We don't feel we've found the bottom yet in the golf sales number. We now expect this trend could continue for the balance of the year, and will impact our prior guidance, which assumed a slight improvement in the golf business for the balance of the year. As you know, the second quarter is the most important quarter for our golf business.

The issues in golf are three-fold; first, there is a glut of the inventory in the market at both wholesale and retail as a result of the lackluster sales over the past 15 months. The vendors have been more aggressive in pricing discontinued and cascaded product. For example, we're selling drivers in our stores this spring for $99 that were $299 approximately 20 months ago. The deep price reductions, combined with the increase in inventory of cascaded products caused our AUR on men's drivers to drop 16% in Q1, while our units were only down 2%.

The second issue is the core golfer doesn't seem to understand or has not yet fully embraced the new technology our vendors have brought to market. The technology and game improvement possibilities, especially in drivers, are fantastic, but since it's not yet completely understood or embraced, the core golfer has not replaced his equipment, and the more casual player has elected to buy close-out products at a lower price.

Third, we are continued – we continued to be concerned about the structural issues of the decline in rounds played. As an industry, all parties are looking at ways to reverse this trend. The effect from both the golf and hunting issues with our earnings were and will continue to be significantly impacted as these two businesses represent close to 30% of our annual sales. Their miss to our sales plan impacted our earnings in Q1 by approximately $0.06. If these trends continue, it could have an approximate $0.30 impact on our annual EPS.

Normally, we don't discuss how the business is performing during the quarter, but given the magnitude of our revised expectation, I believe it's important to share current trends in these categories. Recognizing that we're only approximately 2.5 weeks into the quarter, golf comps are trending in the negative low-teens, while hunting is still in the negative high-teens. For Q2, these categories were approximately 30% of our sales. It is because the hunting and golf businesses, along with some buildup of inventory, partly due to our sales mix, that we're revising our full-year EPS guidance from $3.03 to $3.08, to $2.70 to $2.85 per share.

With all of the above said, the balance of our business is quite good. Our Women's athletic apparel initiative, which has provided great results with comps in the low-teens range, our youth athletic apparel business has done even better than the women's business, although off of a smaller base. Team sports along with footwear have been strong as well. If we take out golf and hunt, which we know we can't, our first quarter comps would've been 6.6%.

Our eCommerce business is also doing well, growing to 7% of our overall business, up from 5.8% last year. And we've moved up to number 72 on the Internet Retailer Top 500 List, up from 94 last year.

We're excited about the progress on the key strategic elements of our business, such as eCommerce, with the performance of such categories as women's, youth, footwear, and the license business. However, the balance of this year is expected to be difficult, because of the trajectory of golf and the hunting businesses. Be assured our associates, management team, and others will be working tirelessly to make this a successful year, while continuing to make the right investments and decisions for the long-term growth of our business.

I'd like to now turn the call over to Joe.

Joseph H. Schmidt

President & Chief Operating Officer, DICK's Sporting Goods, Inc.

Thank you, Ed. In the first quarter of 2014, we grew our omni-channel platform by expanding both our store network and our eCommerce business. We opened eight new DICK'S Sporting Goods stores, bringing our store count to 566 stores. We also relocated one DICK'S store to a new location. New store productivity for our DICK'S stores was 98.1% as our new stores performed in line with our existing stores.

On the eCommerce side, we took steps to drive further awareness of our online business by improving our search engine optimization capabilities. We continued to enhance our mobile and tablet sites, and are pleased with the increases in conversion we are seeing. We also continued the pilot of our Buy Online, Pick Up in Store capability.

We are in the process of reallocating space within our DICK'S stores. This involves dedicating more square footage to higher-growth and higher-margin categories such as youth apparel and women's apparel, while shifting floor space away from golf equipment and fitness equipment. We have completed the transformation of the youth apparel in most of our stores to-date, and expect to complete the remaining stores, as well as expand our women's apparel area in time for back-to-school.

All of our DICK'S stores include ship-from-store fulfillment capabilities, as we believe that stores are a critical piece of our omni-channel strategy. As I stated earlier, we continue building our Buy Online, Pick Up in Store capabilities. We rolled out additional pilot stores during the quarter, and are currently testing this capability on select products in stores in three states. As we learn from the pilot, we will roll out additional product categories and locations.

We are also integrating our stores and technology in other ways. In addition to our existing in-store kiosks, we're testing a program that equips our associates with tablets to offer customers an endless aisle experience. This enables associates to check inventory across our network and order items for customers without leaving the sales floors. Looking at our specialty concepts, we are very excited about our growth opportunity with Field & Stream.

We continue to learn more about Field & Stream in our two stores and identify additional opportunities to drive sales and margins. There are approximately eight new stores expected to open in 2014, including one store scheduled to open in the second quarter. At Golf Galaxy, we completed the relocation of our store in Paramus, New Jersey in the first quarter. This relocated store is in our new format with a greater focus on golf services and experiential shopping.

Now, I will turn the call over to Andrè to discuss our financial performance, capital allocation and outlook in more detail.

Andrè J. Hawaux

Chief Financial Officer & EVP-Finance, Administration, Dick's Sporting Goods, Inc.

Thank you, Joe, and good morning to everyone. Today, I want to focus my comments on our first quarter financial performance, our balance sheet and capital allocation, and our outlook for the second quarter and the full year.

In this first quarter, our total sales increased 7.9% to approximately $1.4 billion. Consolidated same-store sales increased 1.5%, compared to our guidance for 3% to 4% same-store sales growth and compared to shifted comps of negative 3.8% in the first quarter last year. DICK'S Sporting Goods consolidated same-store sales increased 2.3%, while Golf Galaxy decreased 10.4% in the first quarter.

The same-store sales increase in the DICK'S Sporting Goods business was driven by a 0.2% decrease in traffic and by a 2.5% increase in sales per transaction. E-commerce penetration was 7% of the total sales in the quarter compared to 5.8% of sales in the first quarter of last year. Moving on to gross profit, first quarter consolidated gross profit was $440.9 million or 30.64% of sales and was down 23 basis points from the first quarter of 2013.

Merchandise margin expanded 30 basis points. This was offset by occupancy deleverage and increased shipping expenses as our eCommerce penetration continued to increase. Excluding a $14.4 million gain on an asset sale, SG&A expenses in the first quarter of 2014 was $337 million or 23.42% of sales, compared to 23.45% of sales in the first quarter of 2013. This leverage of three basis points was primarily due to lower administrative expenses as a percentage of sales.

Our pre-opening expenses were $6.2 million, a $4.9 million increase from the first quarter of 2013. As we discussed in our last earnings call, this was due to an increase in the number of new store openings relative to last year's first quarter. For the first quarter, we generated non-GAAP earnings of $0.50 per diluted share, which excludes a $0.07 gain from the sale of a corporate aircraft. This compares to non-GAAP earnings of $0.48 per share in the first quarter of last year.

Now turning to the balance sheet, we ended the first quarter with $139 million of cash and cash equivalents. Last year, we ended the first quarter with $114 million of cash and cash equivalents. We did not have any out standing borrowings under our $500 million revolving credit facility. Over the past 12 months, we have invested in omni-channel growth, repurchased shares, and paid quarterly dividends.

Total inventory increased 12.8% at the end of the first quarter this year, compared to the end of last year's first quarter. The increase in our inventory reflects investments in strategic growth categories including team sports, youth and women's apparel, new concepts, and excess inventory in golf and hunting. Net capital expenditures were approximately $40 million, or $64 million on a gross basis. This compared to sort of net capital expenditures of about $27 million or $34 million on a gross basis in the first quarter of last year.

During the first quarter of 2014, we repurchased $25 million of our common stock. As we've said in the past, we will continue to repurchase shares to both offset dilution and opportunistically repurchase shares. To date, we have repurchased approximately $280 million under our $1 billion share authorization.

I'm now going to speak about guidance. Many of the comments around guidance are going to be related to how we built our plan and the difference between our initial expectations of $3.03 to $3.08, to now $2.70 to $2.85. We now anticipate consolidated earnings per diluted share of approximately $2.70 to $2.85 for the full year, compared to our previous guidance of $3.03 to $3.08 per share. We expect same-store sales to increase 1% to 3% for the year, compared to our previous expectations of 3% to 4% increase.

The $0.23 change in the high end of EPS guidance is primarily driven by 1% lower comp, and lower operating margins relative to original expectations. We anticipate approximately 40 basis points lower gross profit margin from increased promotional activity and a 20-basis point increase in SG&A relative to sales due to a lower total sales and increased spending. The above factors lead to low operating margins by approximately 60 basis points relative to our original expectations.

Turning now to the second quarter, Q2 is the largest quarter for golf, and the anticipated hunting weakness is not expected to moderate until later in the year, as Ed mentioned. Additionally, we plan to aggressively manage our higher-than-planned inventory levels so that as we enter the back half of the year, we are all well-positioned for the holiday season. Taking these factors into consideration, we anticipate second quarter consolidated earnings per diluted share of approximately $0.62 to $0.67. We expect same-store sales to increase approximately 1% to 3%.

Although we had not provided second quarter guidance, our internal plans call for EPS on the high end of approximately $0.78 on a 3% to 4% comp. The $0.11 change in the high-end of the second quarter EPS expectation is primarily driven by a 1% lower comp, and lower operating margins relative to original expectations. Gross margin is anticipated to be approximately 60 basis points lower due to the increased promotional activity stemming from the higher inventory levels that I just mentioned, as well as to address the challenges in the golf business.

We now anticipate SG&A relative to sales to be approximately 50 basis points higher due to the lower total sales number and increased spend. The anticipated increase in expenses is expected to support traffic-driving initiatives within the quarter. Combined, this results in approximately a 110-basis point decline in operating margins, relative to our original expectations.

In conclusion, we saw strength in key strategic areas and categories in Q1. Our eCommerce business continued to show exceptional growth, and we're excited about the results we saw in categories including athletic apparel and team sports. Our results were impacted by the challenges in golf and hunting that we've talked about in detail. And because of these issues we've revised our full-year outlook as discussed. Despite these near-term challenges, we are working to drive the long term growth of our business, and I like to thank all of our associates for their dedication and efforts.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Your first question will come from Robby Ohmes of Bank of America Merrill Lynch. Please go ahead.

Robert F. Ohmes
Analyst, Bank of America - Merrill Lynch

Q

Hello. Thanks. Good morning, guys.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Morning, Robby.

Joseph H. Schmidt
President & Chief Operating Officer, DICK's Sporting Goods, Inc.

A

Good morning, Robby.

Andrè J. Hawaux
Chief Financial Officer & EVP-Finance, Administration, Dick's Sporting Goods, Inc.

A

Hey, Robby.

Robert F. Ohmes
Analyst, Bank of America - Merrill Lynch

Q

Hey. Thanks. A couple of quick questions; first question, just you called out women's and youth Apparel. Can you sort of speak to what's going on in men's apparel? And if it's -and maybe even in the golf apparel business, maybe work that in there?

The second question is, Andrè in the guidance you gave, I think it also will cause a lot of analysts to take the back half down. Is the – can you help us think about how golf and other clearance – how you're thinking about the back half in general? I know it's early, but any sort of color in terms of the annual guidance you gave there?

And then, just on the – last question, just on the promotional activity, or managing – I should call, managing the higher inventory levels, how much of it is just golf and hunting? Or is there – are there areas that you're going to be more promotional in outside of golf and hunting to manage inventory levels down? Thanks.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Sure. Robby, the men's business is still going strong when we talked about in previous calls, the change that we're making in our women's business and our youth apparel business, and reallocating floor space to those areas, actually taking space away from golf. When we saw what would happen to golf, we underestimated how significant a decline this would be, but we've talked about this, so we just called out what's happening in our women's business. It's doing extremely well.

The youth business is actually doing better than the women's business, but as I said, from a smaller base. Our men's business, we're still quite pleased with. On the promotional activity, we've got some buildup of inventory based on the miss of the sales. Some of that is the golf business; some of it is just other businesses that – our clearance inventory is actually below what it's historically been, a little bit higher than it was last year, but lower than what kind of the approximately the five-year trend has been. We were going to take this opportunity to clean up that inventory also.

Andrè J. Hawaux
Chief Financial Officer & EVP-Finance, Administration, Dick's Sporting Goods, Inc.

A

Robby, your question relative to what our expectations were for Q3 and Q4, we've taken them down certainly a lot more modestly than what's happening in Q2. As we said, the golf business' biggest impact for us is in Q1 and Q2, and obviously Q2 is the biggest one. We do see ourselves though taking as a result of the golf and the hunt business, we are taking our comps down, so most of the flow-through in Q3 and Q4 is largely comped within – with a little bit of extra margin pressure as we clear through. But the lion's share of it sits in Q2, and a little bit of it in Q3 and Q4. But after Q1 and Q2, we've gotten through a pretty significant piece of our miss with a little bit more in Q3 and Q4.

Robert F. Ohmes
Analyst, Bank of America - Merrill Lynch

Q

Got it. Thanks very much.

Operator: The next question will come from Christopher Horvers of JPMorgan.

Christopher M. Horvers
Analyst, JPMorgan Securities LLC

Q

Thanks. Good morning. I wanted to follow-up on that back-half question. So if you think about the change in the back half, this is basically saying that the lag in hunting and golf, or the pressure in hunting and golf is going to last longer than it previously did? And as we think about the mix of hunting and golf, how do they proceed throughout the year? Does 4Q pick back up from a mix perspective in those two categories relative to 3Q?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Well, when you take a combination of the two, which, it's not a lot different, it just becomes more based to hunting, less to golf. In the second quarter, it's more golf and less hunt.

Christopher M. Horvers
Analyst, JPMorgan Securities LLC

Q

Okay. Okay. So net-net, it ticks that they both tick. So net-net, is that 30% lower in the back half for both categories?

Andrè J. Hawaux
Chief Financial Officer & EVP-Finance, Administration, Dick's Sporting Goods, Inc.

A

Combined? Yes.

Christopher M. Horvers
Analyst, JPMorgan Securities LLC

Q

And is 4Q lower than 3Q or higher?

André J. Hawaux
Chief Financial Officer & EVP-Finance, Administration, Dick's Sporting Goods, Inc.

A

Well, I'm trying to get that for you right now...

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

What do you – you mean, is the – is Q4 or Q3 higher as a percent than the totals?

Christopher M. Horvers
Analyst, JPMorgan Securities LLC

Q

Yes.

André J. Hawaux
Chief Financial Officer & EVP-Finance, Administration, Dick's Sporting Goods, Inc.

A

They're going to be – they'll be relatively the same. So it'll be – they won't be meaningfully different.

Christopher M. Horvers
Analyst, JPMorgan Securities LLC

Q

Okay.

André J. Hawaux
Chief Financial Officer & EVP-Finance, Administration, Dick's Sporting Goods, Inc.

A

And Q3 is a – it's a smaller quarter, but Q3 might actually be a little higher than Q4, but it's a small quarter.

Joseph H. Schmidt
President & Chief Operating Officer, DICK's Sporting Goods, Inc.

A

Yeah Q4, just on the golf business, Q4 is obviously, it's our small quarter. At that point in time, it represents about 10% of our business, just to put it in perspective just because we do want to provide you all a little bit more granularity. In Q2 though, it's about almost 25% of our business. And overall, that's the kind of dimensions you have with golf.

Christopher M. Horvers
Analyst, JPMorgan Securities LLC

Q

I got you. So then – that's very helpful. So then, just to clarify, the overall 30% is smaller in the back half for both categories or similar, the 30%?

Joseph H. Schmidt
President & Chief Operating Officer, DICK's Sporting Goods, Inc.

A

In total, Chris, it's a mix out difference. It's slightly smaller, but you have more – to Ed's point, you have more hunt and less golf, you get almost to 30%, but it's a little bit less than that in the fourth quarter.

Christopher M. Horvers
Analyst, JPMorgan Securities LLC

Q

I got you. I got you. So then, as you think about planning the business, you expect it sounds like the golf pressures you expect to meet to be more persistent versus while hunting's less a little longer here, you do think that flattens out by 4Q?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

We feel that it does. The golf business, we think this is going to be longer-lasting. And as I said, we really don't know where the bottom is in golf. It terms of it, a couple of the golf manufacturers have come out and talked about what's going on in their golf business, it hasn't been good. adidas announced that their TaylorMade business was off 34% in the first quarter. That's a big difference. And TaylorMade is for the golf business what a couple of the real big athletic guys are to the athletic business. And if TaylorMade's off 34%, the industry has a real issue.

Joseph H. Schmidt
President & Chief Operating Officer, DICK's Sporting Goods, Inc.

A

So to – just to reiterate what Ed said in his prepared comments, we have taken the golf business and we've modeled it like the performance we've had in Q1. We've not made the alterations. What we have altered is the hunt business, which, as Ed mentioned, was Q2 will be about the same as Q1. It gets slightly better in Q3 and flattens into Q4. That's the way we've built our models for the balance of the year.

Christopher M. Horvers
Analyst, JPMorgan Securities LLC

Q

And then, on the golf, Ed, does it change your – you're already moving some space out of golf. As I think about that section of the store, it's probably 10%, 15% of the square footage in the store, my quick math. But does it change your view? Do you start to accelerate the space reallocation? And what are your latest thoughts on that?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Well, I think we continue to see how this plays out. There could be some additional reduction of golf space as we go forward, because – part of it is because of the golf business being the way that it is, we don't know where the bottom is. But we've also seen other areas of our business that had big upside such as the women's business and youth business, and we're trying to invest more heavily in that. So yes, we're looking at that allocation of space inside the DICK'S stores and what we're going to do with it.

Christopher M. Horvers
Analyst, JPMorgan Securities LLC

Q

And then the last one; do you think on the golf, the clubs themselves, do you think that just we've reached a resistance point on AUR in the drivers, and the irons space?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

No. I don't think so, because the prices really haven't gone up very much from the last couple of years. So TaylorMade's top-end diver is $399. It's been $399 for the last couple of years, there is such a glut of inventory out there that the AURs have come down, selling last year's product, or two-years-ago product, some of that's still in the – we're trying to clean out from a couple of different vendors, and the AURs have gone down.

Some of the new technology that the brands have brought out is really, I believe, terrific technology, but it's very different than the way people have viewed golf clubs in the past, especially on the drivers' side. And they – people just haven't quite understand or they have accepted what they should do with these drivers from a technology standpoint, and it's slowed their replacement process. And the, as I said, the casual golfer has just decided to go to a lower-priced product for right now.

Christopher M. Horvers
Analyst, JPMorgan Securities LLC

Q

Thank you very much.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Sure.

Joseph H. Schmidt
President & Chief Operating Officer, DICK's Sporting Goods, Inc.

A

Thanks, Chris.

Operator: The next question will come from Matt Fassler of Goldman Sachs.

Matthew J. Fassler
Analyst, Goldman Sachs & Co.

Q

Thanks a lot, and good morning. My first question – thanks. My first question relates to golf and hunting. As we think about sales, long-run sales, I know you're going to have some space reallocation; should we think about 2014 in your view as being essentially a new base for both of those businesses where the business will be kind of flat to up in your ordinary course, off of 2014 levels? Clearly, you gave us a lot of granularity for this year, but if we think about 2015 and beyond?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Well, Matt, I think that it's kind of read between the lines, and we're not trying to make it so that you have to read between the lines. We're trying to be pretty granular here for you. The hunt business we think is temporary. We think it gets relatively flat at the end of the year, so I would say that 2014 is a good base year for that hunt business going forward. But as I said in my remarks, we don't know where the bottom is in golf. We may be at the bottom, we're not sure. You've got to bottom out before you can start sales increasing again, and we're not sure where the bottom is in the golf business right now.

Matthew J. Fassler
Analyst, Goldman Sachs & Co.

Q

Understood. My second question; you talked, Andrè, a couple of times about some increased spending I think in the second quarter in particular to drive traffic, but some of the SG&A ratio movement seems to be incremental dollars into the business. And oftentimes, when sales are under pressure, companies might cut back. You've done that oftentimes as well. If you could just give us some clarity as to where those incremental SG&A dollars are going?

Andrè J. Hawaux
Chief Financial Officer & EVP-Finance, Administration, Dick's Sporting Goods, Inc.

A

Yes. So the incremental SG&A dollars; so we've got a couple of issues that are impacting the negative leverage in SG&A. One is obviously, as Ed mentioned, just in Q1 alone, we took our sales – the sales plan in those two categories were down $50 million, so we are getting some reduced sales pressure on SG&A. The investments we're making are very surgical. They're around, in Q2 specifically, around marketing activities to promote and move the inventory. We've talked about the excess that's been built up, so we're going to try to create some events in our stores to be able to move and flush that inventory out in Q2, so that's where a bit of that spending is going to happen, so a combination of marketing activity to do that.

Matthew J. Fassler
Analyst, Goldman Sachs & Co.
Q

Got it. And then finally, you talked about first quarter deleverage from occupancy and shipping. Can you quantify how much – how big the drag was from the mix shift to online? I just want to figure out how persistent of a drag to gross margin that will be when you think about free shipping or other distribution costs?

Andrè J. Hawaux
Chief Financial Officer & EVP-Finance, Administration, Dick's Sporting Goods, Inc.
A

Yeah. Again, I mentioned where we were. We had favorable KPI margins in Q1, as our business performed well on the KPI margin side. Our shipping expense decline was – I'm going to give you some approximate numbers that's going to get you close; from a deleverage standpoint versus a year ago, about 20 basis points, and that would be where the shipping number was. Occupancy number was a little bit higher, again, as we missed – we built out a lot of new stores in the first quarter year-over-year, so you had a little bit of that in terms of – from a timing standpoint. So that's – those are the rough numbers.

Matthew J. Fassler
Analyst, Goldman Sachs & Co.
Q

Thank you, guys.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

Thanks, Matt.

Operator: The next question will come from Brian Nagel of Oppenheimer. Please go ahead.

Brian W. Nagel
Analyst, Oppenheimer & Co., Inc. (Broker)
Q

Hi. Good morning.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

Morning.

Joseph H. Schmidt
President & Chief Operating Officer, DICK's Sporting Goods, Inc.
A

Morning, Brian.

Brian W. Nagel
Analyst, Oppenheimer & Co., Inc. (Broker)

Q

I wanted too – I just wanted to delve a little further into the golf business, and maybe with a bigger picture question to start. But you've been around the golf business for a long time. DICK'S has obviously been a big seller of golf equipment for a long time. As you look what's happening right now, and I appreciate all the color you've given so far, but is this – do you think this is a cyclical bump in the golf business? Or is there something structurally shifting that may be unprecedented, given the history of the category?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

I think it's a combination. I think there's been a structural modification's been happening with less rounds played over the last couple of years. So I think there is something that's structural in this, although I think that's the smaller piece of this issue right now. I think the issue right now is the AURs dropping the way that they are with this glut of inventory makes a big difference.

And even drivers, which is a very key category in this business and what people, other than golf balls, probably replace the most; that core golfer, that AUR was down 16%. Units were only down 2%, but the AURs were down 16%. So I think this is more cyclical than it is structural, although there is a structural component to this. But I don't know how – I don't know where the bottom is yet on the cyclical issue, which is not like us. We usually have a pretty good sense of this, but right now, we think that this – we're not sure where the cyclical bottom is to the golf business.

Brian W. Nagel
Analyst, Oppenheimer & Co., Inc. (Broker)

Q

Got it. And then, with respect to the stores; and I think other people have asked you, and you've discussed reallocation of space within your stores, maybe away from the golf category to other categories. But could this lead you to go one step further and actually rethink the size of the store? DICK'S is still opening a large number of stores annually that if golf, and then this, I guess, would apply to hunting as well, if the golf and hunting trends are going to be weaker for a while or permanently weaker; would you – will you start to consider maybe smaller stores?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Well, the – so we said the golf business could be weaker. We think that the hunting business was just temporary. It's going to right-size. So I – to answer your question, because the hunting business, I think, will stabilize. And even if we take a little bit of square feet out of the golf business, so our average store has, from a sales standpoint, maybe 4,500 square feet of golf. If you take – even if you took 1,000 square feet out of that, we've got categories that we would expand such as the women's business, the youth business, the footwear business, the team sports business. So I don't think this results in any meaningful reduction in our store size.

Brian W. Nagel
Analyst, Oppenheimer & Co., Inc. (Broker)

Q

Got it. And then just one follow-up; just in terms of golf, and how it relates to the rest of the businesses, is golf typically a business in and of itself in DICK'S stores? Or does it serve as more of a traffic driver leading to sales of other products?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

As you would imagine; if you get – the more traffic you bring into the store, the more business you do. But I would say that the golf business is primarily at DICK'S, a business unto its own. But the traffic in there does have some impact on the other business we do. But first and foremost, it's a business unto its own.

Brian W. Nagel
Analyst, Oppenheimer & Co., Inc. (Broker)
Q

Got it. Okay. Well, thank you.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

Sure.

Operator: The next question will come from Camilo Lyon of Canaccord Genuity. Please go ahead.

Camilo R. Lyon
Analyst, Canaccord Genuity, Inc.
Q

Thanks. Good morning, everyone. I wanted to get your thoughts on what this short-fall in golf and hunt does to how you view your 2017 targets, and the achievability of the $10 billion in sales and then 10.5% EBIT margin targets that you laid out?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

Right. I think we still feel that we can do that. We can meet those targets. The – as I said, the hunt business is going to be – we think will stabilize. The Golf business is going to be a bit more of a challenge, but we've got opportunities in other areas I said, such as the women's business, the youth business, that can make up a – we think, a meaningful part of these sales, and at a higher gross margin. So what we might be missing in sales for the women's business and some of these other categories that are at a higher margin rate than the golf business. And if you remember, when we talked about our sales, the 2017 plan, we had very little growth from a Golf Galaxy standpoint.

Camilo R. Lyon
Analyst, Canaccord Genuity, Inc.
Q

Okay. That was my follow-up question. Was it – what was embedded in the expectations for golf in those longer term targets? Is it more of a flat business, or is a business that was in – at kind of a low single-digit decline through that, even a four-year or five-year period?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

Well, it was viewed as to be relatively flat. So we feel that we've got some things that we need to make up if golf continues to decline. We will have some things that we will have to make up for, but we think we've got the categories, as I said, the women's business, the youth business, the footwear business, and that team sports business where we can make that up, and at higher margin rates than what we did out of golf.

Camilo R. Lyon
Analyst, Canaccord Genuity, Inc.

Q

Got it. And then, just as it pertains to the hunt category; it sounds like the biggest detract for the comp there was the guns and ammo business comparing off from just strong growth years. Were there any other categories within hunt that also contributed to that decline? And if not, then it sounds like by the way that you're talking about the guidance for the rest of the year that we're – once you get to the back half, the tougher comparisons on the guns and ammo business really start to anniversary. Is that the right way of thinking about the specific part of the hunt category?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Yeah, so the answer to the second part of your question, yes. We think that that moderates, and the comps that we're up against in the back half of the year is significantly different than the first half of the year. And the gun and ammunition business was really the main driver to this sales decline in the hunt – in ammo business. There were some other categories that did – were down a little bit, but we really think that that's an attractive piece – an attractive category.

Camilo R. Lyon
Analyst, Canaccord Genuity, Inc.

Q

Okay. And then just finally, just a larger-picture question on golf and that the volatile performance that it's had over the last year, year-and-a-half; does this make you reconsider your commit to the category? Do you feel that you need to be exposed to this category?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Well, we think we need to be exposed to the category just because it's part of the sports industry. Do we need to be as exposed as we are today? That's what we're rethinking, but after – we're not quite ready to make that decision yet. We need some more information. We need to see where the sales fall out, and we need to see where the bottom is. But we will – we're managing the business the best we can, and then we'll make a decision as to how exposed we want to be in the golf business. I would expect that we would be less exposed to the golf business a couple of years from now than we are today.

Camilo R. Lyon
Analyst, Canaccord Genuity, Inc.

Q

Okay. Thanks very much. Best of luck.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Sure. Thank you.

Operator: The next question will come from Dan Wewer of Raymond James. Please go ahead.

Dan R. Wewer
Analyst, Raymond James & Associates, Inc.

Q

Thanks. Ed, I wanted to follow-up on the 2017 financial goals. As I recall, last September, we were talking about improving EBIT rate 150 basis points over five years. In light of today's guidance, it looks like we'll have to make up about 220 basis points of operating margin over four years. And given you're a bit more skeptical on the secular outlook for golf, would it not make sense to be thinking more about a 9.5% or a 10% operating margin goal for 2017?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc. **A**

Well, I think, Dan – I don't think we have enough information for that yet. We still feel that we've got some upside, as I said, in some of these other categories, such as the women's business, footwear business, the youth business, which carries significantly higher margin rates than the golf business, by hundreds of basis points difference. But I think it's too early for us yet to look at that. But as we get through the next couple of quarters, we'll update you if we think that that's appropriate.

Dan R. Wewer
Analyst, Raymond James & Associates, Inc. **Q**

Right. Then, regarding golf, as I recall, a couple years after you've purchased Golf Galaxy, I think there was about $190 million or $200 million impairment charge, but given what's happening with that division, Andrè, do you expect another impairment charge related to Golf Galaxy this year?

Andrè J. Hawaux
Chief Financial Officer & EVP-Finance, Administration, Dick's Sporting Goods, Inc. **A**

No, we do not. And we run those numbers, Dan, every quarter to ensure, along with our independent auditors, that there is no impairment forthcoming. And there is none. So we've looked at the cash flows and things like that. So we don't see that happening at all.

Dan R. Wewer
Analyst, Raymond James & Associates, Inc. **Q**

And just a last part, and just kind of a housekeeping, Andrè, you called out the gain on the aircraft during the quarter. In last year's 10-K, you talked about an impairment charge of $7.9 million on a Gulfstream 450. Just kind of confused as to why would there be a write-down and then booking a gain, or are those different aircraft, or just not sure?

Andrè J. Hawaux
Chief Financial Officer & EVP-Finance, Administration, Dick's Sporting Goods, Inc. **A**

They are – you are correct, Dan, they are different aircrafts. So there were two different transactions.

Dan R. Wewer
Analyst, Raymond James & Associates, Inc. **Q**

Okay, great. Thank you.

Operator: The next question will come from Seth Sigman of Credit Suisse. Please go ahead.

Seth I. Sigman
Analyst, Credit Suisse Securities (USA) LLC (Broker) **Q**

Okay, thanks. A couple questions here; I guess, first just following up on the outdoor business, obviously, the comparisons have been pretty difficult, but any other changes there relative to your initial expectations? And specifically, some other retailers have called out being a little bit more promotional this quarter. Just wondering if that's something that you guys saw also, and maybe responded a bit to?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Yeah, nothing of any significance.

Seth I. Sigman
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Okay. And I guess just in general, as you look out over the next few quarters, I mean what kind of gives you comfort that that business can start to normalize? Is it just comparisons, anything else you're seeing at this point?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

No, I think it's comparisons, and we're taking a look at what happened before this run up of this panicked buying because of concerns on legislation. So we're getting back to more historical levels, and we think that we'll be fine.

Seth I. Sigman
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Okay. And then just one other question, I guess you're really one of the only retailers that didn't actually call out weather this quarter exclusively, and the 6.6% comp excluding hunting and golf seems like a pretty good trend, but maybe weather held that back a bit; so any more color there would be helpful. And then, given that you did give some color on Q2, how does that trend look so far this quarter? Thanks.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Well the – we're not going to comment on Q2 any more than we already have, but we didn't call out weather, we – based on the fact that we've got some real issues, and the – this industry has some very big issues in the golf business per se. And what was going on in the hunt business, we didn't want it to look like we were hiding behind the weather. In fact, we did do a very good job in the other categories of business and kind of mitigated what that weather was.

If the weather had been better, would those other categories have done a little bit better? Probably would've been, but we're not – in this case here, we're not sitting hiding behind the weather. We're – step up and kind of letting you know that our golf businesses are difficult right now. And the reason for what's going on in hunting, this is really a golf point story.

Seth I. Sigman
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

So just on that golf point, I mean, you've been very clear on some of the product issues you're facing. Is there a way to parse out maybe how online versus DICK'S stores versus Golf Galaxy is performing? I'm just wondering that beyond the product issues, is there also an eCommerce underlying theme here to be thinking about?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

No. I don't think the golf business is impacted because of online any more than any other categories are. So no, I mean, this is not an online issue.

Seth I. Sigman
Analyst, Credit Suisse Securities (USA) LLC (Broker)
Q

Okay. Thanks.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

Sure.

Operator: The next question will come from Kate McShane of Citi Research. Please go ahead.

Katharine McShane
Analyst, Citigroup Global Markets Inc. (Broker)
Q

Thanks. Good morning. Ed, you did seem more cautious on golf when you gave your guidance back in March, but this is obviously a lot worse than when we last heard from you. So what do you think was the tipping point? Did you see a significant deterioration done in April that you hadn't been seeing in March? And what really was the biggest driver of the inventory build that deteriorated from the last time we heard from you?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

I think that one of the – the biggest issue is that the glut of inventory and kind of what happened from a promotional standpoint in golf. Like I said, we – the AURs in golf, because of some cascaded product and product from a couple of years ago took those AURs down significantly. When we first looked at this, we really thought that the technology that the customer – I mean that our brands have brought forth, such as the SLDR Driver from TaylorMade, the Big Bertha Alpha, some of these things would really drive a lot more replacement purchases than they did.

And I think the customer just doesn't yet quite understand, doesn't quite feel comfortable with this technology, which really is great technology, but it's very different than how you would fit a driver or how you would look at it for the golf club from a couple of years ago. So we just thought that – we thought the replacement business would be better.

Katharine McShane
Analyst, Citigroup Global Markets Inc. (Broker)
Q

And with regard to that, I mean, has there been another example in recent history where technology or new technology and innovation has not been understood by the customer? And when that does happen, how much control do you have in taking the messaging of what the technology can do for the customer? And how much are the vendors trying to take control of that messaging?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

Well, I think the vendors are trying to take control of that messaging, especially with TaylorMade, with their whole Loft Up campaign. But there's a difference between new technology and technology that's almost the opposite of what people originally thought. So TaylorMade and a few people have moved the center of gravity on these drivers, so higher and forward, which means you have to hit a higher-lofted driver, which is very different.

People always thought, if I have a nine degree lofted driver, I'd hit that further than a 10.5 degree lofted driver. Now with this new technology, they're saying if you have a 12-degree driver, lofted driver, you'd hit that further than you may have hit further than your 10.5 degree driver, so you have to have more loft; just a very different view of golf clubs. And that core golfer hasn't quite accepted that yet. I think when they do, it could get better, but we're not planning anything like that right now. As I said, we just got to feel we've seen the bottom in golf.

Katharine McShane Q
Analyst, Citigroup Global Markets Inc. (Broker)

Okay. Thanks. And my final question is just with regards to the Golf Galaxy stores; do you have a notable amount of leases coming up for renewal over the next year or two with Golf Galaxy specifically, which could allow you to maybe shut some doors, or reduce the square footage?

Joseph H. Schmidt A
President & Chief Operating Officer, DICK's Sporting Goods, Inc.

Yeah, Kate, this is Joe. We do have a fair amount of leases coming due in the next couple of years. And as we do with our DICK'S stores, we look at each one of those leases carefully to determine whether or not we have a relo potential, relocation potential, a potential closure, or a potential remodel. So we'll take a close look at these leases as they come due over the next couple of years.

Katharine McShane Q
Analyst, Citigroup Global Markets Inc. (Broker)

Okay. Thank you.

Edward W. Stack A
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

Sure.

Operator: The next question will come from Scot Ciccarelli of RBC Capital Markets.

Scot Ciccarelli Q
Analyst, RBC Capital Markets LLC

Hi, guys. Golf and hunting, I believe, are both bigger ticket categories; golf in particular is very discretionary. Are there any other high ticket kind of very discretionary products you can kind of point to that are selling well to kind of tell us this is really just a golf technology issue? Or is it a high ticket discretionary item type issue?

Edward W. Stack A
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

No, there's a number of things that are relatively high ticket items. Our boat category has been very good. Our baseball business around bats and all that has been very good. High ticket basketball hoops have been good. The GPS monitoring products of Fitbit, the Nike FuelBand, all of those categories; that technology has been very good.

So I really don't think is an – this is not a big ticket issue, this is a technology issue with golf. This is a technology issue with golf; it's a glut of inventory issue with golf. And in guns, it's not an AUR issue either because the biggest part of the – a big part of the fall is in ammunition, which is not expensive at all. It's just nobody feels they have to stockpile ammunition, because there's really no concern about any meaningful change in gun legislation.

Scot Ciccarelli
Analyst, RBC Capital Markets LLC
Q

Got it. That's helpful. And then, any kind of color you guys could provide, kind of year-over-year profitable returns in the eCommerce business will be great. Thanks.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

Our eCommerce business has continued to grow, as we've indicated. And it continues to become more profitable.

Scot Ciccarelli
Analyst, RBC Capital Markets LLC
Q

And how does that profitability kind of compare to the store level that's something you'd compared it to in the past?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

Yeah, I think...

Andrè J. Hawaux
Chief Financial Officer & EVP-Finance, Administration, Dick's Sporting Goods, Inc.
A

Scot, Hi. This is Andrè. Currently as we talked about, because of the GSI fees and things like that, we're slightly below where our stores are, but currently as we talked about in our roadmap, we will see ourselves getting to shrinking that difference, and then actually exceeding it, ultimately eCommerce will be more profitable as we bring that in house. And that continues to be what we do. Our teams continue to look at how we assort that product and how we move it through – using our stores, and our ship-from-store continues to grow very nicely. So our profitability in that channel – our growth is very good, and our profitability continues to improve quarter-in, quarter-out.

Scot Ciccarelli
Analyst, RBC Capital Markets LLC
Q

Got it. All right. Thanks, guys.

Operator: The next question will come from Sean McGowan of Needham & Company. Please go ahead.

Sean P. McGowan
Analyst, Needham & Co. LLC
Q

Thank you. These are basically a couple of clarifying questions. When you were talking earlier about hunting and golf being 30%, I assume you mean all of hunting, right? Not just the gun portion?

Andrè J. Hawaux
Chief Financial Officer & EVP-Finance, Administration, Dick's Sporting Goods, Inc.
A

Right. Correct.

Sean P. McGowan
Analyst, Needham & Co. LLC
Q

Okay. And on the question of whether – I appreciate you're not wanting to hide behind that, that's commendable – but would you say that weather did have an impact on golf? I mean is that one of the things going on with rounds played?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

I think that's a portion of it, but I don't think that's the biggest issue. And the biggest issue is around some of the new products not doing as well as we had thought. And an AUR decline of 16% in drivers is not a weather issue.

Sean P. McGowan
Analyst, Needham & Co. LLC
Q

Clearly. Okay. And then finally, Andrè, your comments on and going through the model in detail is very appreciated, but when you compare what your expectations are, you would say a 50 basis point reduction or whatever; was that – or all of those comments were against your previous expectations? Or were some of those also against last year?

Andrè J. Hawaux
Chief Financial Officer & EVP-Finance, Administration, Dick's Sporting Goods, Inc.
A

They were all, as I prefaced it, they were all against our expectations, because I think you people – I would want – you would want to know what we had modeled and what the difference is in that model so what's the model that got us to the $3.03 to $3.08, and now, it's getting us to the $2.70 to $2.85 and so it's versus our internal expectation.

Sean P. McGowan
Analyst, Needham & Co. LLC
Q

Just wanted to be clear that that covered all of those comments. Thank you.

Andrè J. Hawaux
Chief Financial Officer & EVP-Finance, Administration, Dick's Sporting Goods, Inc.
A

Yes.

Operator: The next question will come from Sam Poser of Sterne, Agee. Please go ahead.

Sam Poser
Analyst, Sterne, Agee & Leach, Inc.
Q

Good morning. Thank you for taking my question. I just was wondering, what percent of the excess inventory is golf? I mean, when you look, inventory is up 13%, sales are up 8%, your sales per square foot are up quite a bit as well. What percent is that as we look at that?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

We're not going to get to that granular a level there, Sam.

Sam Poser
Analyst, Sterne, Agee & Leach, Inc.

Q

Okay. And then, you say you feel comfortable with the hunt. What is giving you the confidence that the hunting business will stabilize towards the end of the year, above the fact of the comparison in these, because y ou're up against easier comparisons, fairly easy comparisons with golf as well, and that's not getting any better?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Well, Sam, I'm not sure what the comparison with golf has to do with the comparison of hunt. I'm not sure how you draw that...

Sam Poser
Analyst, Sterne, Agee & Leach, Inc.

Q

I'm just wondering what makes you comfortable that is going to get better.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

I understand, but you kind of tied golf to hunt from a comfort level. I think they're two entirely different concerns. We feel that the – and we all know, and I know you're a student of this industry so we all know that the comps previously have been driven by the panic buying around what would happen with gun legislation after the election. And then more recently and tragically what happened at Sandy Hook. So there was a lot of panic buying, which you know.

The golf business, we've indicated we don't know where the bottom is. We think that there's a real issue there. As we take a look at the hunt business, other categories in the hunt business are doing reasonably well or quite well, and this is really a big issue around guns and ammunition, which people will panic and buy. People were buying guns and ammo in a panic session, they weren't buying hunting apparel and boots in a panicked way.

So as we kind of come through this whole time period, as we get into the fourth quarter o f last year, which is where the panic buying basically stopped, we don't think that there's going to be any – there is not going to be any meaningful deterioration, and we think it will get to relatively flat, maybe up a little, maybe down a little, but relatively flat.

Sam Poser
Analyst, Sterne, Agee & Leach, Inc.

Q

Thank you. And then lastly, could you – you commented that in the first quarter – can you give us – you commented that first quarter that 30% of the business was hunt and golf. Is that corre ct?

Andrè J. Hawaux
Chief Financial Officer & EVP-Finance, Administration, Dick's Sporting Goods, Inc.

A

Correct.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Correct.

Sam Poser
Analyst, Sterne, Agee & Leach, Inc.

Q

And that stays fairly steady, but it just sort of moves around more.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Correct. It's...

Andrè J. Hawaux
Chief Financial Officer & EVP-Finance, Administration, Dick's Sporting Goods, Inc.

A

Correct. The composition of it changes between hunt and golf.

Sam Poser
Analyst, Sterne, Agee & Leach, Inc.

Q

And in the first quarter, the golf business in the DICK'S stores proper, could you break – I mean, if you take away Golf Galaxy, because I was just trying to figure out the comp of that – the makeup of that – the 2.3% comp. Is that where you said that it was down high singles in the DICK'S stores and...?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

That's correct. It was – that's right, it was high single-digits down in the DICK'S stores.

Sam Poser
Analyst, Sterne, Agee & Leach, Inc.

Q

Okay. Thank you for the clarification.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Sure.

Operator: The next question will come from Michael Lasser of UBS Investment Bank.

Michael Lasser
Analyst, UBS Securities LLC

Q

Good morning. Thanks a lot for taking my question. Ed, I think if we look back over the last couple of years, the comp trends have been volatile. We've seen different categories exhibit strength, different categories exhibit weakness. Would you say that this is just endemic to running a big box sporting goods retail business that you're always going to have categories doing well, and some that are not doing as well? And therefore it's incumbent upon the company to maybe be nimble and manage the portfolio of what's coming in and out? And do you feel like your competency in doing – and the company's competency in doing that is where it needs to be?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

So I think, yes, it's our job to manage that portfolio of business. And for years, there's been some categories that have done well, and some others that have struggled from a cyclical standpoint. And this year, this first quarter, we kind of hit the perfect storm. [indiscernible] never had anything with 30% of the business being affected like this. And the gun and ammunition business, we anticipated that it would be a headwind.

It wasn't – it was more than we had anticipated, which I think you've seen that from some other retailers. And we thought that the golf business would have some headwinds. We didn't anticipate they would be this significant. And we can see that from kind of the comments the Callaway made going forward, and the fact that adidas indicated that the TaylorMade business was down 34%.

So yes, it's incumbent upon us to manage that portfolio. This is one of those perfect storms where the portfolio, the gun and ammunition business, both hit us at the same time, and you couldn't make that up with these other categories, even though the other categories are doing extremely well with comps over 6% in those other categories.

Joseph H. Schmidt A
President & Chief Operating Officer, DICK's Sporting Goods, Inc.

And we typically see this movement around, but it's the depth of this movement that probably has this showing the numbers through Q1, because typically, you have a category up 1% or 2%, and others 2% or – and that all balances itself out. That is the nature of the business. But the depth in which we saw the golf business and the hunt business all coming together in one quarter was pretty big.

Edward W. Stack A
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

And we are in the process of managing this portfolio, which is why you've heard us talk in recent quarters that we're scaling back the space in golf and adding space to the women's apparel business and the youth apparel business, which, all of that's working out very well, but the golf business caught us by surprise. And a number of other people did.

Michael Lasser Q
Analyst, UBS Securities LLC

Yeah, no doubt, and that all makes sense. I think some of the confusion probably rests with what you're now expecting for the rest of the year, because it does seem that your updated guidance does seem to imply that you're not expecting golf to get much better, and maybe some of the counteractive measures to not necessarily have that much of an impact.

Edward W. Stack A
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

Well, I think it's going to – golf is going to be a very difficult business to overcome through the balance of this year. We indicated what we missed the sales plan by in the first quarter, we gave you that kind of granularity, and you can run your models and see what that number is for the balance of the year. That's difficult to overcome in a short period of time.

Michael Lasser Q
Analyst, UBS Securities LLC

Okay. My last question is; does this experience color your view on mergers and acquisitions at all? I think if you look back, would you have taken the same approach with Golf Galaxy? And would – moving forward, does this experience change the way you look at M&A?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Well, I think that the – going back to Golf Galaxy, that was a very long time ago. And would it color our thought process? No. We've kind of laid out why we did what we did, the benefits that we got from it. I think we still feel the same way. We're going through a difficult time in the golf business right now, and we'll assess over the – a reasonable time period, what that means. Where is the bottom? What does this business mean going forward? But right now, we're happy that we're in the golf business, we're just not – we're happy long-term we're in the golf business, we're just not happy today that it's having the impact on us that it is.

Michael Lasser
Analyst, UBS Securities LLC

Q

Okay. Thank you very much.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Sure.

Operator: The next question will come from Michael Baker of Deutsche Bank. Please go ahead.

Michael A. Baker
Analyst, Deutsche Bank Securities, Inc.

Q

Hi. Thanks, guys. So I guess just a bigger bigger-picture question; why do you think the golf business has weakened so much? I understand there's a glut of product in the market, and then you're – and it sounds like you're attributing that glut of product to people not understanding the technology. So is it really just that simple; golf has weakened because people don't understand the new technology, and there's a glut of product out there? Or is it economic? You don't want to blame weather, I understand that, but it seems to me that there's got to be something bigger going on here than just people not understanding new technology.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Well, if you listened to my comments, I didn't say that it was just the people not understanding new technology. I said they didn't embrace the new technology, which didn't – people didn't replace new clubs as they normally would. But I also indicated that there's a glut of inventory which is real and significant, and took AURs down 16%, while units only down 2%. If you take your AURs down 16% in any significant business, and the units go down 2%; that's a difficult business.

Michael A. Baker
Analyst, Deutsche Bank Securities, Inc.

Q

Sure. And I understand. So I guess when...

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

It's really that simple; there's a glut of inventory...

Michael A. Baker
Analyst, Deutsche Bank Securities, Inc.
Q

But is that glut of inventory is being caused by something beyond just the not embracing the technology and so I guess that's my question, if that's what you're saying? My question is why that glut of inventory? Is that an economic thing, do you think?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

The golf business has been difficult for the last 15 months, which is what we've indicated, and there has been a glut of inventory, both at retail and on the wholesale side that's caused this inventory. To clear the inventory, there's been significant markdowns taken, price reductions from the vendors for us to buy new product, and the AURs are down 16%.

Michael A. Baker
Analyst, Deutsche Bank Securities, Inc.
Q

Okay. You don't have to beat it, but why you think the industry has been weak for 15 months? Is it something beyond the technology, I guess that's really the crux of my question?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

I talked about the technology for this quarter that they had launched this. The last 15 months, the business has been difficult, and there's been too much inventory manufactured. There's a glut of inventory in the system. We had two years of pretty good business, when they – when TaylorMade launched the White Driver and came out with RocketBallz, all of that did very well. Last year, everybody was – a number of people were surprised that RocketBallz 2 with some of the new technology that came out wasn't as embraced as they thought it would be.

So they had too much inventory. We all thought that this new technology would be more readily accepted, and it wasn't. So inventory is backed up. It's simple. It's not that – it's really – I don't try – I – we always try to break things down to its lowest common denominator. It's that simple. There's too much inventory in the market and the replacement cycle hasn't happened this year, because people are somewhat confused about this technology.

Michael A. Baker
Analyst, Deutsche Bank Securities, Inc.
Q

Okay, that actually does help. So it's just overbuilding after some success with that White Driver a couple of years ago. So it seems like a big impact. Okay. Thank you.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

Sure.

Operator: The next question will come from Paul Swinand of Morningstar. Please go ahead.

Paul Swinand
Analyst, Morningstar Research
Q

Good morning. And let me just shift gears away from the golf a little bit. Just thinking longer-term about your eCommerce business, I'm trying to think, do you have some kind of advantage being national versus the regionals?

In other words, when you mentioned promotional pressures, if a regional player is advertising something, and you're advertising, does it come down to a price game? Or do you have some kind of advantage in the products you get or the reach that you guys have where you buy the online advertising? Is there something that's structurally different there?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

Well, I think it's – I think being national in scope and the number of stores we have certainly helps us. As we've indicated, when we open a store, we see a meaningful increase in our eCommerce sales in that trade zone or in that market. But I think we do have an advantage that way. We also have an advantage over the regional guy with what we do from our marketing on a national basis. A lot of people know who we are even if we don't have a store in their particular market at the present time. So I think we have a very significant advantage over the regional player.

Paul Swinand
Analyst, Morningstar Research
Q

So would you say, when we're looking at your store base and you're saying people are discovering the brand even outside the stores, but what percentage of the white space is underpenetrated in eCom? Is it about half – halfway there? Or how would you characterize that?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

I'm not sure I understand the question.

Paul Swinand
Analyst, Morningstar Research
Q

Well, in other words, your store base has not penetrated the full country yet, correct? You're getting discovered from your national advertising. How much further along is your eCom penetration in the national?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

Well, I think it's probably a bit less than what the store growth could be. So if we think we could grow our store base by 20% in those markets, I think our eCommerce growth could be 15%, because we're doing some business in those markets already if you understand that. And I'm not saying those are great numbers, I'm just saying take that directionally.

Paul Swinand
Analyst, Morningstar Research
Q

Got it. Okay, great. Thank you very much, and best of luck.

Operator: The next question will come from Mark Miller of William Blair. Please go ahead.

Mark R. Miller
Analyst, William Blair & Co. LLC
Q

Hi. Good morning. A little bit of a longer-term question here, and I'll try to avoid including golf in this. Is there a point, Ed, where you would consider slowing the pace of store expansion? I mean customers are shopping online with DICK'S. The return on capital has been tracking lower now. And it just seems like this would help you bring more focus to your existing operations.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

Well, I think we've been opening the appropriate amount of stores. We still have a lot of space where we don't have stores. So where our growth will probably slow a little bit is – where our stores will probably slow a little bit will be in competitive markets. But if you take a look at our new store productivity, that new store productivity is still continuing to be very good. So we don't think we've hit that saturation point yet. And again, we've got a number of markets where we have no stores or are very underpenetrated. I don't think we're there yet.

Mark R. Miller
Analyst, William Blair & Co. LLC
Q

And a separate question on the cadence of hunting in 2014. If we look at the industry, firearms sales began to slow during the second quarter of 2013 based on the mix or FBI background checks. So it does seem like the comparisons ought to be easier in the July quarter. I guess I'm asking why would the hunting comps be down as much in 2Q as 1Q?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

Well, it's just taking a look at what happened in that industry. And the gun business may have slowed a little bit. You'll have to go back and take a look and see how much it really changed with us. But the ammunition was still a very, very hot commodity back in Q2, which has been a big part of this driver.

Mark R. Miller
Analyst, William Blair & Co. LLC
Q

Okay. Thanks.

Operator: The next question will come from Rick Nelson of Stephens. Please go ahead.

N. Richard Nelson
Analyst, Stephens, Inc.
Q

Thanks. Good morning. You mentioned that 4500 square feet is allocated to the golf. So I'm curious how that compares to the prior year, and if the environment remains challenging, what sort of square footage do you think that department deserves?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

Well, we're not ready to make that decision yet, but we took roughly 1,000 square feet out of the golf business last year.

N. Richard Nelson
Analyst, Stephens, Inc.
Q

And if I could also ask you about the footwear, and sort of how that performed in 1Q, and your expectations as we look forward?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Well, we won't get that granular with the footwear business, but we're pleased with the footwear business, and we expect to be pleased with that going forward.

N. Richard Nelson
Analyst, Stephens, Inc.

Q

Okay. Thanks. Good luck.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Sure.

Operator: The next question will come from Matt Nemer of Wells Fargo Securities. Please go ahead.

Matthew R. Nemer
Analyst, Wells Fargo Securities LLC

Q

Thanks so much. I've got two questions; first, in the hunting category, the background checks do flatten out this summer. Some of your public peers have stated that they expect firearms to turn positive in late summer, and you can see that in the Street expectation. So I'm just wondering is there something different about you that would have you down in Q3, or do you think that market's changed in the last few months, and were kind of tracking below where you would've originally expected?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Well, I think there's a – we need to be careful, not to – this is a whole blended business, and we need to remember that there's a gun and an ammunition piece to this. So we're just taking a look at what we think the trend is right now and what we think it's going to be. And we're going to be careful not to get over our SKUs.

Matthew R. Nemer
Analyst, Wells Fargo Securities LLC

Q

Okay. Fair enough. And then secondly, if we look at stores that have reallocated space away from golf and fitness, can you just remind us how many stores have gone through that change, and then how the performance might differ in those stores versus the rest of the chain?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Virtually, all of the stores have gone through that change. And we're seeing similar results in all of the stores that the youth business, the women's business has had some nice gains. We're really pleased with what's going on, as we said, women's and the teens.

Matthew R. Nemer
Analyst, Wells Fargo Securities LLC

Q

Thank you.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Sure.

Operator: Your next question will come from David Magee of SunTrust.

David G. Magee
Analyst, SunTrust Robinson Humphrey

Q

Yeah. Hi. Good morning, everybody.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Morning.

David G. Magee
Analyst, SunTrust Robinson Humphrey

Q

First question on the hunt category; beyond this year, how concerned are you about all the new square footage that's being put out there by specialists in the space, including your own chain? How concerned are you about the impact on the core stores?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

We know that that will impact the core stores, but we've been dealing with that for years, and so we don't think that that's any real – anything really different than what's going on right now. We think that that's going to continue to be – impact that, and as we take a look at that, we've got some stores we haven't talked a lot about it; we've got some stores that we've taken space out of the hunt and fish categories and replaced it with team sports and some other categories.

David G. Magee
Analyst, SunTrust Robinson Humphrey

Q

And secondly, what would be the downside to taking the store size going forward to 40,000 square feet, give or take?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Well, we think that – part of that issue is we still think there's a number of categories inside our store now that are squeezed from a square footage standpoint. The women's business could still take more square footage, the youth business could take more square footage; the team sport business could take more square footage. So we'll – we may continue to modify the allocation of space, but we don't think to go down significantly in store size right now is the appropriate thing to do. If we do that, some of these other areas that are having such great sales gains at much higher margins than the company as a whole, will impact that growth rate.

David G. Magee
Analyst, SunTrust Robinson Humphrey

Q

Thank you. And just lastly, would you comment on the baseball business this spring, particularly the markets, maybe in the South, that have turned warm?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

Yeah. I've – we've been pretty pleased with our hard baseball business. The whole team sports business was very good as a whole, and baseball was a big driver of that.

David G. Magee
Analyst, SunTrust Robinson Humphrey
Q

Okay, great. Thank you.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

Sure.

Operator: The next question will come from Jim Chartier of Monness, Crespi & Hardt.

Jim A. Chartier
Analyst, Monness, Crespi, Hardt & Co., Inc.
Q

Thanks for taking my call. Can you just tell us what percentage hunting accounts for in terms of your overall lodge business? And then, how did the lodge business overall perform relative to your expectations?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

Well, we – the overall lodge business didn't perform to our expectations, as we said, because we had such a big miss in the hunt – I mean, the gun and ammunition business. But we're not going to get that granular to provide that level of detail. We've kind of laid out that we missed the sales by $15 million in that category. And for us, that's pretty granular.

Jim A. Chartier
Analyst, Monness, Crespi, Hardt & Co., Inc.
Q

So hunt, camp and fish were also below expectations?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

I'm not going to get to that level of granularity, but there was – yeah, I will tell you that the fish customer is more of a hunt customer than the camp customer is a hunt customer. And that lack of traffic impacted that business a bit.

Jim A. Chartier
Analyst, Monness, Crespi, Hardt & Co., Inc.
Q

Okay. And then, is hunting about 50% of your overall outdoor business? Is that about right?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

As we indicated, we're not going to give you that level of granularity.

Jim A. Chartier
Analyst, Monness, Crespi, Hardt & Co., Inc.
Q

Okay, thanks. And best of luck.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

Sure. Thank you.

Operator: The next question will come from Peter Benedict of Robert W. Baird.

Peter S. Benedict
Analyst, Robert W. Baird & Co., Inc. (Broker)
Q

Yeah. Hi, guys, thanks. Just one for Andrè; can you update us your thoughts on capital allocation strategy when I'm thinking specifically to the excess free cash flow for dividend and buybacks? Just how do you think about that going forward?

Andrè J. Hawaux
Chief Financial Officer & EVP-Finance, Administration, Dick's Sporting Goods, Inc.
A

So as we've talked about in the past, Peter, I mean we are committed to use of our cash in the following kind of order is really to drive the growth of our business, our – the build of our stores and our new concepts, et cetera; and then – and obviously, opportunistically taking a look at a minimum handling the dilution issue and opportunistically going into the market for shares.

We do have our June Board meeting that's coming up, where we will be discussing with our Board, our entire capital allocation strategy, including our capital investment model, as well as share buybacks, and also our dividend program. So that'll be forthcoming with them in the month of June when we have our next Board meeting.

Peter S. Benedict
Analyst, Robert W. Baird & Co., Inc. (Broker)
Q

Okay, good. Fair enough. Thank you.

Operator: The next question will come from Jay Sole of Morgan Stanley. Please go ahead.

Jay Sole
Analyst, Morgan Stanley & Co. LLC
Q

Hi. Good morning. Thanks for taking my call.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.
A

Sure.

Jay Sole
Analyst, Morgan Stanley & Co. LLC

Q

I just want to ask about market share trends. Do you believe that you gain share versus your brick-and-mortar competition in the quarter? And the same question for your online pure play competition?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Well, in our pure play competition, I think we did extremely well as we said we moved up the Internet 500 list by a pretty wide margin last year. So we're really pleased with what's going on with that. Do we think that we gain market share versus our competitors? Actually, we do. Kind of our channel checks and what we see other retailers doing, we think that we did. We had a comp gain. We're not happy with what happened in the golf business and the hunt business, but we actually had a comp gain so we think overall we do think that we gained market share.

Jay Sole
Analyst, Morgan Stanley & Co. LLC

Q

Okay, interesting. And then, let me just ask you about the youth sports competition. Obviously, golf participation is down. What do you see happening in the youth sports business – sorry, in the youth sports participation? How might that impact your team sports business going forward?

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

We still think that that business has continued to be strong. Kids are still playing sports. Sports is really part of our culture, and we don't see a meaningful impact there.

Jay Sole
Analyst, Morgan Stanley & Co. LLC

Q

Okay, terrific. Thanks so much.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Thanks.

Operator: The next question will be from Lee Giordano of CRT capital. Please go ahead.

Lee John Giordano
Analyst, CRT Capital Group LLC

Q

Thanks. Good morning, everybody. Can you give us a quick update on what's happening in the fitness category? Are you seeing any improvements there? And then secondly, on the marketing strategy currently, how you're thinking about the back half of the year as far as TV versus online versus print, et cetera; and maybe what your overall marketing spend expectations might be versus local levels? Thanks.

Andrè J. Hawaux
Chief Financial Officer & EVP-Finance, Administration, Dick's Sporting Goods, Inc.

A

Hey, Lee. I'll take the first one on fitness. I think the team has done a really, really nice job with the space allocation. The last two quarters in both in Q4 and Q1, we actually comped positive in fitness. So we feel that we've got that spacing correct. We think we have the assortment correct, and so we feel very good about the work that we've done there and as part of our space allocation strategy. I'll let Ed talk about the marketing.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Well, marketing standpoint, TV, online, and print; we continued to look at – look to ways to reduce our print advertising and increase what we're doing from an online standpoint and TV. So the overall dollars as a percent of sales will be relatively even this year versus last year.

Lee John Giordano
Analyst, CRT Capital Group LLC

Q

Thank you.

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

A

Sure.

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

Edward W. Stack
Chairman & Chief Executive Officer, DICK's Sporting Goods, Inc.

I'd like to thank everyone for joining us today on our quarterly earnings call, and we look forward to talking to you about the second quarter. Thank you.

Operator: Ladies and gentlemen, the conference has now concluded. We thank you for attending today's presentation. You may now disconnect your lines.