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Market Intelligence

DICK'S Sporting Goods, Inc. NYSE:DKS

Company Conference Presentation

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EXECUTIVES

Edward W. Stack
Chairman & CEO

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President & Director

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Executive VP & CFO

ANALYSTS

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Goldman Sachs Group Inc., Research Division

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Presentation

Katharine Amanda McShane
Goldman Sachs Group Inc., Research Division

Okay, good morning. We're very happy to have DICK'S Sporting Goods here with us today. DICK'S is one of the largest omnichannel sporting goods retailers. The company also owns and operates Golf Galaxy and Field & Stream stores and DICK'S Team Sports HQ and all-in-one youth sports digital platform offering, scheduling communications and live score keeping through its GameChanger mobile apps. DICK'S just reported a strong comp store sales results and has extremely strong relationship with the world's biggest athletic brands, as one of the leading brick-and-mortar retailers and eCommerce retailers for sporting goods. The company is seeing success by introducing traffic drivers like HitTrax and making the brand more accessible by offering more opening price points through their private brands. Joining us from the company today are Ed Stack, Chairman and CEO; Lauren Hobart, President; and Lee Belitsky, Chief Financial Officer. We're going to launch right into the fireside chat, and then we will open up to the audience for questions about 10 minutes before we end our time together. Thank you for joining us. Hello team. Thank you for joining us today.

Edward W. Stack
Chairman & CEO
Thanks for having us.

Question and Answer

Katharine Amanda McShane
Goldman Sachs Group Inc., Research Division

Nice to have you. If I could just launch in. You just reported your second quarter results and with very strong comps. And this is after, I think, a couple of years of flat-to-negative comps. So I wondered if you could maybe talk to us about bigger drivers of what drove the success this quarter and why you think it's sustainable?

Edward W. Stack
Chairman & CEO

Well, there were couple of things that happened. We put some of the issues, the headwinds we had behind us, so we had anniversaried the gun policy that we put in place the year before. So with that behind us, that was helpful. We've made some very strategic investments in our inventory. That has paid off. And inventory is up quite a bit year-over-year. But if you take a look at a 2-year -- from a 2-year standpoint, we're up about 8% on a per square foot basis from 2 years ago. And we've made some meaningful changes in the assortment that we have. So we've got access to better product, more statement product from some of the key brands. We made a big investment in the baseball business to focus on that enthusiast athlete. And all of our categories around hard lines, soft lines and footwear were all positive in the quarter. And we took our guidance up for the balance of the year. So we're pretty confident that this will continue.

Katharine Amanda McShane
Goldman Sachs Group Inc., Research Division

Okay. Great. One thing that we're focused on as just a thesis in covering the hard lines and broad line spaces is the opportunity for share gains. And I wondered if you could comment at all where you see the industry growing over the next year? And what opportunity you see to gain share and where?

Edward W. Stack
Chairman & CEO

Well, we think the industry is still going to continue to grow. We've seen the product cycle of the golf suppliers, brands like, in the footwear and apparel space, Nike, Adidas, Brooks, few of those. We like the product cycle that we're in that we see going forward. And with the access that we have to this product, the changes that we've made in our store from an inventory assortment standpoint to go after that enthusiast athlete, which is what several years ago we really focused on. We think, that we still have the ability to gain meaningful market share. And based on what happened in the past couple of quarters, we were confident that we're gaining market share and we'll continue to do so.

Katharine Amanda McShane
Goldman Sachs Group Inc., Research Division

Okay. So now that we've seen an inflection in the business, I wondered if you could talk about how traffic to the actual store has changed? What some of the, maybe, incremental traffic drivers have been? And with some of your new initiatives like HitTrax how that will play out over time in terms of traffic?

Lauren R. Hobart
President & Director

We have seen an increase in overall transactions, and the stores we did announce just this past quarter that -- they have turned positive comp as well. So there's definitely more traffic coming into the stores. The HitTrax environment and the experiential things that we are providing are helpful. But we've also revamped our entire marketing program so that we use to be, like many retailers, very focused on the newspaper circular, which has weaned in effectiveness over the years. And so we've transitioned to more of a digital approach, more of a personalized data approach and then having the inventory that athletes want is actually feeding on itself, so that people are hearing about it and coming in even in some markets where our 10-store test where we took Hunt out and put in other categories. Without any changes in marketing, people are finding out about the increased inventory in the other categories and coming in.

Katharine Amanda McShane
Goldman Sachs Group Inc., Research Division

And I know you've made a lot of investment and changes in terms of how you train your employees. So I wondered if you could talk to us about what exactly has changed? What investments you've made? And how that maybe has resulted in better conversion at the store?

Lauren R. Hobart
President & Director

Yes, we have 2 big focuses going on in the store. The big one -- the most major is the focus on serving the athlete. And we've had extensive training, the athlete is who we consider the customer. Extensive training on how our team should engage with the athlete, educate them, help them find the perfect product for them and do that as a first priority above anything else that they're doing. The second thing that's been reinforcing that is this very strong effort towards recognition that we've been doing in our stores and through out our company. So that when people have great service moments, the teams are rewarding each other by giving out high-5 awards and it's just been this very virtual circle people striving for what we call that extra 1% more.

Katharine Amanda McShane
Goldman Sachs Group Inc., Research Division

Okay. And then I have the same question, but for eCommerce. Just in terms of what investments maybe over the last year you've made in order to better convert on your websites? And just with some of the improvements you've made in the supply chain, especially with your new DC and the 2-day shipping, how much of a driver do you expect that to be?

Lauren R. Hobart
President & Director

So we have invested significantly in the eCommerce platform, things that make it just a much better experience overall, faster page load times, better page when you land on the home page, just a better experience overall. And that has improved conversion and at the same time also we have been working to get the estimated delivery date shorter, so that we can get it in-home, get the package to the customer quicker. And the 2 new fulfillment centers, which just went live in the past few days and in fact have robotics that have gone live that are very state of the art are going to help us even shorten that by another additional day. So we're getting faster; we're having a better site experience; and we're offering, just like we're in the stores, significantly more inventory so that there's actually more available to promise to customers when they go on the site for more inventory.

Katharine Amanda McShane
Goldman Sachs Group Inc., Research Division

Okay. That's helpful. Thank you. If I could maybe jump to the promotional environment and competition. A few years ago, maybe it was -- is it 3 summers ago?

Edward W. Stack
Chairman & CEO

Something like that.

Katharine Amanda McShane
Goldman Sachs Group Inc., Research Division

Three summers ago, where there seemed to be a heavy level of promotional activity across the space. I think, Sports Authority has gone out of business. There's just, I think, a lot of unanticipated inventory floating around, and that seemed to be a big concern at the time. But things seem to have improved since then as the inventory has righted itself. But it's not totally usual where you see a big discounting environment and then things kind of go back. So I wondered if you could maybe walk us through how we got to that place? And maybe how you've come back in a more rational pricing environment?

Edward W. Stack
Chairman & CEO

Sure. It did get pretty promotional and there were a couple of things. After Sports Authority went out, there was a lot of excess inventory that had to get soaked up in the marketplace and the quickest way to get rid of inventory is to discount it. So a lot of retailers were buying the product, brands were flooding the market with inventory and they got to be pretty promotional out there. The other thing that happened at least in our industry was Under Armour made a big change in their distribution policy when they opened up Kohl's and then that brand started to get discounted a lot, which kind of then contagion into some other areas and they got to be pretty promotional. It's not very promotional out there right now. It's pretty rationale. I think, a lot of the consolidation. I think there's still more consolidation to come. But the meaningful players that have consolidated. I think the brands have done a very good job of keeping the inventory tight. We've done a very good job along with the brands to have access to products that is not as broadly distributed in the marketplace and with some more statement level product. So we don't really feel this is -- we don't feel a big promotional challenge going forward, which will stabilize and maintain our merchandising margins.

Katharine Amanda McShane
Goldman Sachs Group Inc., Research Division

Okay. And just a follow-up on that. Do you feel the same way about online? Like as you do more of your business online, do you feel like the promotional environment is different when competing online versus in-store?

Edward W. Stack
Chairman & CEO

Not significantly. I think it's pretty much the same. It's pretty rationale out there from the products that we carry and the brands that we carry. So we don't see a big promotional issue from an online standpoint. We're actually looking to and have already started in the last quarter and have real impact on our sales. Actually, sales comped positively. But we're actually looking to pull back some of the promotions that you'll see from an online standpoint, which again will help stabilize and improve margin rates.

Katharine Amanda McShane
Goldman Sachs Group Inc., Research Division

Okay. One question that we get a lot. We do not subscribe to, but we get a lot, is about vendors going direct. And just their focus on opening doors and focus on dot com. And you've always maintained that vendors continue to view you as a very strong partner and you can see that with the investments that they've made in their shop-in-shops and in your stores. But I wondered if you could talk about how your relationship has evolved with the vendors as they have started going more direct to the customer? And maybe even more recently in the last year, how that continues to be partnership that evolves?

Edward W. Stack
Chairman & CEO

So I do think this was one of the things that the street, kind of, has misconceived or misinterpreted of what's going on with the brands. The brands are going direct to the consumer absolutely. They've opened up some of their -- number of their own stores, whether they're full-price stores or whether they're off-price stores. But there's a few retailers in our industry that the brands are going to continue to invest in and we're one of those brands. And you can see that from how they invest in our stores from an infrastructure standpoint, products that they provide to us, the exclusive products that they provide to us, the marketing effort that they put behind us and work with us on. So there has not been any change. It's only gotten better, the relationship we have and the partnership we have with the brands. And if you talk to most of the brands, they will talk about the fact that if they want to be rooted in sport, they can't do that in the U.S. if they don't through -- go -- do it through us. And -- so that's with all the brands. We hear that every day and we can see them continuing to make those investments and trying to push our business forward. Whether it's a connected inventory we've got with the Nike, the vendor direct eCommerce businesses we have with a number of our vendors. Our relationship couldn't be better with the vendors. They're going to continue to invest in us, and I think you're starting to see that. If you walk in our store today and if you could take a snapshot of the assortment we have today versus the assortment we had 18 months ago, very different. Our best-selling Nike Lifestyle shoe a year ago was a Roshe at $90 -- $89. Our best-selling Lifestyle shoe today is $150 shoe from Nike. You can see there's a very big difference in the assortment that we have from Nike, from Adidas and from some of the other brands out there. North Face, you wouldn't have seen in the store 18 months ago and you're seeing. That's one of the main reasons why we're starting to bend this curve.

Katharine Amanda McShane
Goldman Sachs Group Inc., Research Division

Can you maybe talk about how you view the opportunity to do business with newer brands that YETI, for instance, is not a newer brand...

Edward W. Stack
Chairman & CEO

It's pretty good one.

Katharine Amanda McShane
Goldman Sachs Group Inc., Research Division

But newer relative to some of the other brands. Just how do you embark on maybe integrating that to the store? And how you think about those opportunities?

Edward W. Stack
Chairman & CEO

We focus on -- we've got a group in the apparel area. We focus on this from a hard line standpoint. What are the new and emerging brands that we can partner with and drive our business and hopefully drive their business. And we've done that with a few brands. What seems like a million years ago now, we did that with Under Armour. When Under Armour first started, we were great partners, and we helped them and they helped us a lot. YETI was another brand. I don't remember what it is, but maybe 5, 6 years ago, with YETI, we did a very small amount of business. YETI is one of our -- probably one of our top 10 vendors today. We're continuing to look at what those vendors are. We scour the marketplace and we try to continue to do that, and we will continue to do that. And I can't tell you what that next brand is, but we're out there looking for it.

Katharine Amanda McShane
Goldman Sachs Group Inc., Research Division

Okay. I wonder if I could maybe shift to some of your categories, because there are some changes happening in your categories. I think the first I would want to ask about is Hunt. I wonder if you could just kind of rebase us and start us over in terms of what is happening with Hunt? What percentage of the store Hunt actually is and what's going to happen over the next year in that category?

Edward W. Stack
Chairman & CEO

So we haven't talked -- we haven't disclosed what Hunt is as a percent of our business over the years. But I can tell you that it is meaningfully different today than it was 18 months ago. And meaningful is probably significantly less. What -- how's that for an answer. Where we are from a Hunt standpoint today? We've taken Hunt out of 10 stores, which we talked about last year in the third quarter, and remerchandised those stores with products that were targeted for those particular markets. We've been pretty clear over the last several quarters that those stores have outperformed the balance of the chain by a pretty wide margin. We've then have taken another test and we've taken it out of a 125 additional stores, which we just finished and looking to see what happens there. We've indicated that our Hunt business, including Field & Stream is under strategic review. And when we make a final decision of what we're going to do there, we'll let you know. But the whole business is under strategic review and we expect it to continue to be less and less part of our business. The good part of that is that the Hunt business is a lower-margin business than the balance of the chain, and this will definitely help us from a margin rate standpoint as we go forward. And the stores that we've taken it out of, we have more than made up those gross margin dollars. And we're pretty enthusiastic about the direction that we're heading with the Hunt business.

Katharine Amanda McShane
Goldman Sachs Group Inc., Research Division

Okay, and just one more question on Hunt. I would imagine there are some markets that are much more heavily Hunt -- considered Hunt areas than others. How do you remove or possibly remove or deemphasize Hunt in those areas and still have that legitimacy with that outdoor customer?

Edward W. Stack
Chairman & CEO

Look, the outdoor customer -- we need to understand the outdoor customer. And the outdoor customer is really in 2 different segments. There's the outdoor customer who is what characterizes the hook-and-bullet customer, who's that real hunter and fishermen. The fishermen kind of crossover a bit. So there's that hunter outdoor category. And then there's the outdoor category that is really an up-the-mountain hiking, camping customer. And for the most part, they are 2 very different customers. Most of the -- that up-the-mountain hiking customer is not going to be a hunter. I'm not saying there are -- some they do, but for the most part they are 2 very different customers. And as we reduce our dependency significantly on the Hunt customer, we're reinvesting in that up-the-mountain outdoor customer and we're really enthusiastic about that business. We think that that's a growth area, where the Hunt business is not a growth area that outdoor up-the-mountain camping customer is a growth area and it's also a higher-margin category.

Katharine Amanda McShane
Goldman Sachs Group Inc., Research Division

Thank you. The other category I wanted to ask about was baseball, just because it was a big call out on this last call and it's clearly working. We're just wondering are there any other sports where you can lean into, like what you did with baseball and what that opportunity might look like?

Edward W. Stack
Chairman & CEO

So we're looking at that right now. We're still -- we've such success with baseball with what we've done. We've increased the square footage. We put in the HitTrax technology, which allows a young man or young woman to come in and test the bat. We can set it up for any baseball stadium in the country. We can make it Yankee stadium into a little league stadium if we got a 10-year-old who kind of wants to hit a home run over the green monster in Boston. They can come in. They can measure their bat speed, ball speed, angle of attack. We can give them a lot of information on the -- on what bat they should have. And these bats have gotten pretty expensive. I mean, you -- you're talking these bats are $200, $300, $400 bats. So we've made this investment in baseball. It's been wildly successful. We're taking a look at what the next category is that we're going to attack the same way as we did baseball. And although we haven't made a final decision yet, we expect it's going to be soccer.

Katharine Amanda McShane
Goldman Sachs Group Inc., Research Division

Lee, maybe if I could toss some questions over your way on the P&L. I wondered if you could us through how you envision gross margin for this business, both in the short term and the long term?

Lee J. Belitsky
Executive VP & CFO

So for the second quarter, the gross margin was down about 35 basis points. We expect that to improve sequentially as we get through the back half of the year. We got a shot at getting it back to even through Q4 of this year. A couple of the drags on gross margin are primarily around eCommerce, that as we -- eCommerce has a delivery component, the home delivery, and since we don't charge for most of our deliveries right now, that's just an extra cost on the gross margin side. But the SG&A cost structure is much more favorable on the eCommerce side. So it hits us there. But we believe gross profits will continue to improve. The third quarter will be a little bit off because we have some investment in new eCommerce facilities that will be disproportionate in the third quarter as we've opened 2 eCommerce facilities in the last couple of weeks. But we should begin to leverage that somewhat in the fourth quarter as the deliveries really pick up there. From merchandise margin perspective, we were off about 65 basis points in the second quarter. Couple of that is due to onetime clearance items as we took Hunt out of 125 stores, we cleared some of that inventory. And we're replacing the Reebok brand with our own DSG brand. So we've been clearing the Reebok brand from our stores, and those were the single largest impacts on our merch margin in the second quarter, and we expect that to improve as well as we go through the back half of the year.

Katharine Amanda McShane
Goldman Sachs Group Inc., Research Division

Ex those 2, the Hunt and Reebok, would your merch margins have been closer to flat?

Lee J. Belitsky
Executive VP & CFO

Definitely because -- it still would have been down a little bit, but the single largest piece of that was those liquidations.

Katharine Amanda McShane
Goldman Sachs Group Inc., Research Division

Okay. And then with regards to SG&A. There's been a lot of investments that you've made that, I think, are yielding these better comps, but it's also been driven by higher wages as well. How should we think about the stabilization of operating income dollar growth, as you kind of put all the pieces together, maybe more consistent stronger top line, maybe a more flattish type gross margin and then still investments in higher wage growth?

Lee J. Belitsky
Executive VP & CFO

So we are expecting to continue to invest in the business on the SG&A line. We don't have as large investments in Ecom fulfillment going into next year as we've had this year. But wage growth pressure is still there as we look forward. The hourly wages are increasing both due to legislation and due to competitive pressures out there, and we expect that to continue, and we expect to continue to invest on the SG&A side in both their eCommerce business and building up some of our technology capabilities going forward. So I would expect the SG&A expense to continue to increase year-over-year. And the key is going to be for us to drive the top line next year in order to be able to leverage that.

Katharine Amanda McShane
Goldman Sachs Group Inc., Research Division

That's helpful. And then if I could just ask one last question about inventory. Ed mentioned already a little bit about this that you've decided to invest in some inventory. Can you maybe talk about where those areas of investments are? Why it's the right strategy now? And what inventory looks like by the end of the year?

Lee J. Belitsky
Executive VP & CFO

Sure. So we've invested significantly in inventory, primarily in apparel, footwear and obviously baseball is the next piece. And those areas where we made the investments, we're seeing very significant increases in comp sales. It's been leading -- they've been leading the charge for us in our comp sales. So we're excited about that. We've got into some better products. As Ed talked about, we're getting better allocations of higher price products out there. As Ed mentioned, they're best selling Nike shoes of $150 as opposed to $80 last year. So that's increasing the overall value of our inventory out there. But the key is staying in stock for our athletes as they shop our stores. And we brought the inventory levels down too much over the last couple of years, and we actually allocated some more inventory to our eCommerce fulfillment, and the customer really was not satisfied with their shopping experience in our store. Too often, they were leaving empty handed, and that we've made decision to invest in depth of inventory in addition to investing in some enthusiast product that carries higher retail, and we're seeing a great benefit from that on the top line for us. And we think we have really minimal risk going forward from a markdown perspective, because we were able to clear the inventory very effectively through eCommerce. We don't have to wait for customer to come and look for at that particular size in a particular store in order to clear inventory and we can do it at a much lower markdown rate than we would have 5 or 10 years ago, if we were just doing it through the stores.

Katharine Amanda McShane
Goldman Sachs Group Inc., Research Division

Okay. We have 4 questions that we're asking every management team that's here today and tomorrow. So I wanted to use my last couple of minutes to ask them if that's okay. The first question I would ask is just your expectations for the environment, just the macro environment going into the second half of the year. How are you thinking about that when you manage your business?

Edward W. Stack
Chairman & CEO

We're very positive and from the trend that we've had over the last couple of quarters and raising our comp guidance going into the -- for the balance of the year. So we feel pretty good about the consumer, and we feel pretty good about our business.

Katharine Amanda McShane
Goldman Sachs Group Inc., Research Division

Okay. And we just -- I just asked a question about inventories. That's actually another question. But is it going to grow faster or slower in the back half of the year versus what you've already...

Lee J. Belitsky
Executive VP & CFO

We expect to see continued significant inventory growth, probably plus or minus a few points versus what we've seen so far this year.

Katharine Amanda McShane
Goldman Sachs Group Inc., Research Division

Okay. And then a bigger question that I think is a little bit less straightforward is just tariffs. I know the footwear and apparel piece hasn't been completely impacted by tariffs yet. Can you talk a little bit about how you're anticipating it, managing it so far in terms of moving production, negotiating with vendors and price increases?

Lee J. Belitsky
Executive VP & CFO

So within the guidance we gave, we increased our guidance from -- we had guided $3.10 to $3.30 a share. Coming into this quarter, we went to $3.20 to $3.35 -- excuse me, we were $3.20 to $3.40, we went to $3.30 to $3.45. So we took up our guidance $0.05 to $0.10 from our last quarter, and we included in that the potential impact of tariffs for the balance of the year this year. So there are a couple of things happening on tariffs. One, we've absorbed the 25% increase in tariff on some of our hard goods categories that went into effect at the beginning of May. And then the 10% tariffs are going into effect, which are now 15%, beginning of September, effects a lot of our apparel and footwear. We've included this in our numbers. Offsetting that, there's been favorability in exchange rates by about 5%, so that takes down some of that exposure. And we've been engaged in negotiations with our vendor base. So far what we're seeing is relatively small percentage of our products are facing price increases from the vendors as they've been able to negotiate better deals where they're absorbing some of it. And most of the impact that we're seeing will be into next year, but we don't expect it to be as large as some might fear at this point.

Katharine Amanda McShane
Goldman Sachs Group Inc., Research Division

Okay. And then my last question of the 4 that we're asking everyone is just, do you expect your store base to be larger or smaller in 2 years?

Edward W. Stack
Chairman & CEO

I'd say it'll be about the same.

Katharine Amanda McShane
Goldman Sachs Group Inc., Research Division

We can open it up to the audience for questions. We have mics, so if you could just raise your hand and they can be passed around.

Unknown Analyst

You mentioned the word enthusiast a lot, whether enthusiast athlete or enthusiast products. I was wondering if you could perhaps like expand upon that. Like from an apparel perspective, are you trying to be more like North Face or Patagonia trying to go upscale. And kind of like -- what would you see eventually kind of like your percentage of products kind of being that higher end or more geared for that enthusiast athlete?

Edward W. Stack
Chairman & CEO

We have moved, and we were there before we kind of lost a little bit of that. We're moving back in that direction to have more enthusiast products, so more better product. And you can see that from the products that we have from North Face, from Patagonia, what you would see that we have from Nike, what you have from some of the golf vendors. So we've definitely moved and that's helped to drive not only the transactions in the last quarter, but then also the average ticket. So this is something that we think that is going to continue.

Unknown Analyst

Yes. Thanks. So just listening to earnings over this past cycle, is it fair maybe and what you just said about tariffs for 2020 that characterize it as it's been a pretty tremendous headache dealing with the fluctuations and why and when and where and things like that. But at the end of the day, the actual price flowing through to the consumer is maybe not as great as feared A and then B. Do you think you guys have gotten better at buying because of all that sort of don't waste the good...

Edward W. Stack
Chairman & CEO

So you got a couple of questions here. First of all, I don't think it's going to be as great as people fear that it is. We're not seeing that. We've gotten a lot of our brands. We've seen product into the second quarter for next year. We've seen much less -- much more modest increases than I thought we would. And have we gotten better at buying. Yes, I think we've gotten better at buying. I think we've got more buying power in the marketplace from a pricing standpoint, negotiation with number of brands, and they're giving us and we have access to more of those premium products that carry a higher margin rates. So again we're pretty enthusiastic about our business.

Unknown Analyst

What should SG&A look like, kind of, more in the out years, just as you try to remain an important partner for the brands as they will continue to lean into there own direct-to-consumer initiatives? So is it low-single digit, low- to mid-single digit, mid-single digit type of growth investments that you will have to continue to make?

Lee J. Belitsky
Executive VP & CFO

So we haven't given long-term guidance yet. We'd expect to continue to invest in the business. And I don't think I would expect SG&A expenses to go down. They'll continue to rise. And again, the key to us is going to have to be driving that top line driving sustain comp sales increases in order to drive some operating margin improvement.

Unknown Analyst

In retail, with women making the majority of the decisions from a recent conversation with Stanford coach, Tara VanDerveer, on women's basketball and Olympics. As you see women from the NCAA level to the youth level breaking out in participation of basketball, hockey and soccer and a number of sports you referenced. How do you plan to capitalize on women's youth sports and sell-through strategically as you get into next year for the Olympics and beyond as women's sports proliferations increasing geometrically compared to boys and men's sports increasing -- participation increasing arithmetically.

Edward W. Stack
Chairman & CEO

You want to do that?

Lauren R. Hobart
President & Director

You start of.

Edward W. Stack
Chairman & CEO

I think women's sports, there's some really interesting things going on in women's sports. Some of them great, some of them not so great that we're trying to address. So through our Sports Matter Foundation, we continue to invest in youth sports and help teams that aren't able to fund themselves and play, we've helped to fund those teams. So we feel that we've helped roughly 1 million kids continue to play, both boys and girls, and we've just upped our what we plan to do to help another 1 million kids over the next several years. So girls sports are increasing. We're excited about that. But the one thing about young women in sports is they dropout at around the age 14 at twice the rate of boys, primarily in more rural areas and urban areas. We've got to find a way to try to help to keep those young women in sports. And we're working with ourselves, we're working with the brands and we've been having a awful lot of conversations of what we can do to not just focus on what we can do to service that young female athletes or what we can do to make sure that she stays in sports. Because some of the studies that we've done and we've commissioned here that young people, both boys and girls, who stay in sports, they have a much higher graduation rate than kids who don't play sports. They have higher grades, they have less absenteeism, they have a much higher propensity to go to college, they have a much higher self-esteem. And one of the things that we found is that, not every kid is going to -- kids today, with everything that's going on in the world, they need to find a place to have self-esteem. And many kids today aren't going to find their self-esteem in the classroom. They're going to find it with other extracurricular activities, whether they can be the leader or supporting role in the drama club or they can find their self-esteem because they can shoot a basketball or they can hit a baseball, and the sports programs are leaving the schools at a rapid rate. We've got roughly 24% of the public high schools in the country today that don't have a sports program. Just think about that. 24% of the schools don't have a place for kids to go after school. And we all know that kids get out of high school between 2:30 and 3:00, and they've -- if they've got no place to go, tough to get to a good place about what they're doing. So we continue to really focus on this, and it's something that we're working with the brands on. We're going to continue to -- we're going to invest dollars in this. The brands the going to invest dollars in this. And you'll see a lot more from us over the next year.

Lauren R. Hobart
President & Director

Yes. I would add that, we've been somewhat maniacal with the brands about a lack of product assortment for girls and women. We've been huge advocates. We get a lot of complaints understandably from either girls or parents of girls who don't feel like when they go into the store there's enough product at all levels, and enthusiast product especially and product for them. Footwear that actually fits their shoe -- it's made on a female last. And so I would say, we've been mildly annoying to the brands and that we go every...

Edward W. Stack
Chairman & CEO

I wouldn't say mildly. We're driving them nuts.

Lauren R. Hobart
President & Director

I think we've been driving them crazy, and they all speak to the opportunity and they all market to the opportunity. But the truth is the product is not good enough. And so we are working with them. They acknowledge it. I expect there will be more assortment for girls and young women going forward. And then in the meantime, we got our own private brands that we're trying to address the issue with so that we can get to parity. So it's a participation issue, but it's also a product issue and we're doing everything we can to get the brands to meet it.

Edward W. Stack
Chairman & CEO

And you mentioned basketball a couple of times. Basketball is the biggest issue right here from a women's footwear standpoint. They can't find shoes that fit. We worked with some of the brands. And I will say, Nike has stepped up and done a great job, taking a great first step that you'll be able to find statement level basketball shoes or better basketball shoes for women. Now they're kind of unisex sizing. So if you're a women, wearing a size 8, you need a men's size 6.5, but they didn't take shoes down to that level before. So we'll be having through our work with Nike, and they've been very responsive that an awful lot of basketball shoes will come from a size 4.5 up to a size 14. So young women who come into shop in our store this year will be able to find a significant selection of basketball shoes that they can actually play, that they see on the court in NBA and WNBA games, which is young women don't view themselves as female basketball players or female soccer players. They just view themselves as, I'm a soccer player, I'm a basketball player and the brands are finally getting that and we're going to have -- I think we'll be the primary outlet for those distribution points for those products.

Unknown Analyst

Could you quantify just the improvement in inventory or the increase in inventory. How much that contributed to the same-store increase? Because if you're out-of-stock last year and you're in-stock this year, there has to be a way of kind of putting a number on it?

Edward W. Stack
Chairman & CEO

Yes. So we don't have a specific number, but I'm going to tell you, it was significant. The fact that we had, we were out of stock, we didn't have sizes and investments that we made this year were pretty significant. But again, I think the street gets a little bit worried looking at the year-over-year increase in our inventory. If you take a look at over 2-year period, it's only up 8% on a per square foot basis and AUR accounts for a meaningful portion of that 8% because of the increase in better product that we have in stock.

Katharine Amanda McShane

Goldman Sachs Group Inc., Research Division

Okay. There's probably time for one more question, if I can stick with one more question. And we haven't talked about some of your technology that you've acquired and the game changer assets. I have given Lauren my feedback that I think it's fantastic. But I wonder if you can talk more about the data you are able to collect from it and how you are using it? And how that can contribute to your business over time?

Lauren R. Hobart
President & Director

Yes. I'd be happy to. GameChanger is one of the top-rated apps in the app store. Kate uses it for her son.

Katharine Amanda McShane
Goldman Sachs Group Inc., Research Division

My son [indiscernible] GameChanger.

Lauren R. Hobart
President & Director

And it helps you both track the game. You can see kind of live even if you can't be there, where your child is on the field and what the score is doing, and it captures all the stats. And all of that data is now something that we have access to so that we can use it for future personalization and for marketing. And so we know when a kid signs up for baseball, whether he is a beginner or an enthusiast or she is a beginner or an enthusiast player. It's really, really rich athlete data. We're also launching, what we call the, team manager app part of GameChanger, which is going to be basically scheduling and who's bringing the oranges and where's the field, and all those things. So we actually think that's going to continue to broaden out of baseball and softball into all sports and give us even more data that we can use as an engine of our marketing.

Katharine Amanda McShane
Goldman Sachs Group Inc., Research Division

Okay. And that concludes our session. Thank you for joining us today.

Lauren R. Hobart
President & Director

Thank you.

Edward W. Stack
Chairman & CEO
Thanks for coming everybody. Thank you.