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Dick's Sporting Goods, Inc. (DKS)

Analyst Meeting

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MANAGEMENT DISCUSSION SECTION

Anne-Marie Megela

VP-Treasury Services & Investor Relations

Good morning, everyone. We're going to go ahead and get started. I'm Anne-Marie Megela, Vice President of Treasury Services and Investor Relations for DICK's Sporting Goods. And I just want to welcome all of you for being here and thank you for coming and for supporting DICK's Sporting Goods.

Today, we will be sharing with you updated 2017 targets and we'll detail the strategies and drivers behind our plan. As you will see, we are operating in an attractive space in which we continue to gain market share with significant runway ahead. You'll also note that we plan to continue to make the right long-term investments to capture this market opportunity while improving profitability and generating shareholder value.

This morning Ed Stack, our Chairman and Chief Executive Officer, will provide an overview of identified market potential and speak to our first pillar of growth, store productivity. Andrè Hawaux, our Chief Operating Officer and Chief Financial Officer, will then cover the second pillar that is new stores, which will include a discussion of our real estate strategy.

We will then discuss our third pillar of growth, our e-commerce business and its strategic importance followed by a discussion of our specialty concept, our fourth pillar. We will then review our 2017 financial targets. And finally, we have reserved time for Q&A.

Before turning it over to Ed, I would like to remind you that today's discussion is being webcast and will include some forward-looking statements. Our actual results may differ materially from those forward-looking statements. For a summary of risk factors that could cause our results to differ materially, you can refer to our periodic reports filed with the SEC. We've also included some non-GAAP financial measures in our discussion today. Our 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.

I will now turn it over to Ed Stack.

Edward W. Stack

Chairman & Chief Executive Officer

Thank you, Anne-Marie, and thank you for coming today. As Anne-Marie noted, I'll begin with a high level overview of the identified market share opportunities we have. And then Andrè will cover some of the growth drivers that we'll utilize to capture that market share and drive margin rate expansion.

From market potential standpoint, today, we have an estimated 10% market share. We're already the largest sporting goods retailer in the U.S. and based on our experiences, market research and expected population demographics, we believe that by reaching our 2017 targets we'll increase our market share in the country by 200 basis points. Our growth will come from four main drivers, existing stores through increased productivity, new stores, e-commerce and our specialty concepts.

Let's take a look at the first driver store productivity. Over the next three years, we'll enhance our store productivity by focusing on key items and providing a differentiated product offering within a diversified portfolio

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of categories. We will also optimize our marketing strategies to connect with our consumers and actively manage and promote our loyalty program. Our stores will also continue to be a key enabler of our e-commerce business, as we'll discuss later in the presentation.

Our merchandise strategy is focused on key items that drive our business. Our assortment had become a bit too broad, which caused us to carry some unproductive inventory and caused unnecessary markdowns. We've employed the SKU rationalization program in athletic apparel, team sports and footwear to-date with great success.

From a differentiated product offering, we're the leading retailer for the vast majority of the key brands we carry. Today, we have 384 Nike shops, 294 UA shops, and 90 Northway shops. These shops clearly instilled in the minds of the consumer that we're the destination for these brands.

We also have a broad vendor base and are not reliant on any one vendor. We have the opportunity to showcase these key brands more effectively than any other retailer. For example, the space that we provide for Nike for our apparel business is bigger than the entire store of some of our competitors. We've also built the stable of licensed and private brands including Field & Stream, Umbro, Top-Flite, Maxfli, Walter Hagen, Slazenger, Reebok Athletic Apparel, Adidas Baseball, Fitness Gear just to name a few. This business is expected to grow to over $1 billion in the next few years with margin rate significantly higher than the national brands.

An example of the marketing power that we have at DICK's Sporting Goods can be seen in the launch of the CALIA product by Carrie Underwood. We believe based on the early success of this brand, CALIA could be our number three athletic brand in the next few years.

We've a diversified portfolio of categories. We've a broad portfolio of not only brands, but have also categories of product, including men's, women's and kids athletic apparel, athletic footwear, baseball, soccer, lacrosse, football, wrestling, volleyball and others. We carry fitness products, hunt, fish and camp products along with winter outerwear, work clothing, golf and performance tracking products.

With this broad range of categories, we have the ability to flex space in our stores, adjust inventory investments, marketing spend and service levels, based on where the customer is going. An example of the space reallocation is last year, when we completed a space reallocation program taking space away from golf and fitness to the women's and kids athletically inspired business with great success. This move was one of the biggest reasons we posted a 3.4% comp gain in the fourth quarter of 2014 and increased earnings by 17% over the fourth quarter of 2013.

Now, turning to our marketing strategies. We implement a wide range of marketing media to speak to our core customers. We employ a 360-degree strategy which includes TV, radio, direct mail, digital, social, and newspaper tabs. Each of these vehicles have a specific strategy and employ specific tactics to motivate and connect with our consumers. Traditional marketing vehicles such as newspaper continue to be reduced as a percent of our total spend as we increase TV along with direct to consumers social and our digital vehicles.

Our Untouchable campaign that launched in 2012 has resonated really well with the core athlete. We've become the favorite sporting goods retailer of teens according to the 2014 Piper Jaffray Taking Stock With Teens Survey and researcher has shown that DICK's Sporting Goods is the brand athletes believe understands them and is characterized by these athletes as a brand I love. This year, we're evolving this campaign to ask a simple question, who will you be?

We will showcase athletes for many sports in the most authentic way that true athletes understand. This year, we are launching our first exclusive campaign speaking directly to women. Lauren Hobart and her team have put a

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significant amount of research into our women strategy, which encompasses our product content, merchandise presentation, service levels and marketing. As you know and I've just discussed, we've increased the space in women's and broadened the content and we wanted to be sure that we had that content and space and service levels correct before launching this marketing blitz.

The space we're going to show you has resonated very well with women we've tested it with, because it says that we understand all the pressures women are under today, the sacrifices that they make for their families and work and how difficult it is to find those few precious moments for themselves. I'm going to give you a quick sneak peak of this women's campaign that kicks off in May.

[Video Presentation] (08:31-09:32)

As we've tested that campaign and on focus groups, there has been women who have sat there and literally cried and said, you've really captured my life. And it's been a great campaign – it's going to be a great campaign, and we're really excited about it.

The other thing we're excited about from our marketing strategies, relevant sponsorships and strategic partnerships are also a key component of this marketing strategy. Two of the biggest marketing partners we have are ESPN and the U.S. Olympic Committee. And if you're going to have two really important partners, those are two pretty good ones to have.

With the ESPN, we have a meaningful partnership and sponsorships which include Champ Week, the kickoff of the NCAA Tournament, the NCAA College Kickoff Week for Football and the High School National Basketball Tournament.

We're also ESPN's partner for the ESPN Fan Shop. This relationship with ESPN also provides us unique opportunities to reach athletes through airing of content such as Hell Week, a documentary we did, and another documentary we did called We Could Be King about two intercity schools in Philadelphia that were combined due to budget cuts. This documentary of We Could Be King was recently nominated for Sports Emmy and this really brought the struggle about how important these sports programs are to schools. If you haven't seen it, I'd strongly suggest you take a look at it. The team did a great job and it got great reviews and we're really proud to be nominated for Sports Emmy in this program.

The U.S. Olympic Committee and Team USA is a new partnership. We're their official sporting goods retailer of the United States Olympic Committee. We'll provide equipment for Olympic Hopefuls who are not currently sponsored by the larger brand. So those Olympic Hopefuls are kind of the young-sung heroes, we've taken them under our wing to provide them equipment and we'll also provide them jobs with flexible work hours so they can still train and earn an income which is very difficult for some of these Olympic Hopefuls.

Another important part of our marketing program is our loyalty program is our loyalty program called the ScoreCard program at DICK's Sporting Goods. Our ScoreCard members are an integral part of our analytics and our marketing. A significant portion of our sales are done with the ScoreCard. ScoreCard members spend 25% more than non-members.

We know who is buying what; we know what they're buying; we know what their preferences are. We use this data in a number of aspects of our business including our real estate strategy, marketing plans, merchandised assortments, timing of shipments, this program is a terrific program that we use a lot, throughout the entire company. It's a wealth of information and a big differentiator from our competitors,

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In addition to the ScoreCard at DICK's Sporting Goods, the Golf Galaxy Advantage Club card and the Field & Stream Sportsman Advantage Club are also strategic assets for us and a significant amount of the sales for those two chains come through the loyalty program also.

In summary, we're focused on driving store productivity through emphasis on key items, a differentiated product offering, across a diversified portfolio of categories and leveraging our impactful marketing strategies and our loyalty program.

We're very excited about the potential insight that DICK's Sporting Goods store base and the drivers that we have in place. I'd now like to turn the call over to Andrè, who will discuss the market share opportunities from new stores. Andrè?

Andrè J. Hawaux

Executive Vice President, Chief Operating Officer/Chief Financial Officer

Thank you, Ed, and good morning everyone. Thank you for being here and providing us with the opportunity to share with you our three-year targets. I'll begin by covering new stores and the important role they play in an omni-channel world. After reviewing new store economics and productivity, I'll get into the strategic benefits our stores provide.

We'll also dive deeper into the market opportunity and how our strategy will enable us to capture white space. I'm also going to run through a few case studies that will demonstrate to you the success we've had in penetrating new markets, filling out existing markets and executing in smaller markets. And finally, I'll provide our 2017 store targets.

Beginning with our new store model, our store delivers attractive unit economics. On average, they generated approximately 50% return in year three, on a net cash investment of approximately $2.2 million, so very compelling economics. Keep in mind that our new store model is based on historical data of actual results from store openings and does not incorporate e-commerce sales, so this is just brick-and-mortar sales.

As you can see, our new stores also hit the ground running consistently delivering new store productivity of over 90%. This is a key metric for us, which we monitor closely, as we execute our real estate performance.

In addition to delivering attractive unit economics, our stores serve as the face of our brand, building brand equity and creating a loyal customer following. Stores position us with communities enabling us to interact with local teams, leagues, coaches and players.

In 2014, we hosted over 7,500 events in our stores, including shop days for our league partners, as well as athlete appearances, clinics and Q&A sessions. Additionally, we provide equipment kits to over 75,000 teams annually as part of our marketing efforts reaching nearly 1 million athletes each year.

Our stores also showcased the latest products and bring vendor brands to life, encouraging many of them to invest in our stores with us. Our vendors help to fund the cost of fixtures, signage and equipment, as well as providing us exclusive products. Our in-store services differentiate us from other retailers as well, vendors and also online-only competition. For example, customers can buy a baseball glove online at dicks.com, pick it up in store or bring it into the store and have it steamed to be broken in. These services drive traffic to the store and help our athletes get ready for every season.

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Today, our stores augment fulfillment channels such as ship-from-store and buy-online, pick-up in-store. Our stores are also equipped with associate ordering, providing access to out of stock inventory and having it shipped directly to the consumer. These capabilities help us to deliver a seamless customer experience, drive inventory productivity and reduce future markdowns.

Stores also facilitate returns for our e-commerce customers, and in fact, over three-quarters of our e-commerce returns are made in our stores, brining customers to our selling force and approximately one-third of those customers make an exchange or purchase another item underscoring the value of the integration between these two channels.

Looking further ahead, we will rollout ship-to-store which will allow us to ship large heavy items like gun safes and treadmills to stores for customer pickup or less expensive local delivery.

Now, let's take a look at the opportunity ahead of us for our new store development. This is the topic that's very much on your minds. As Ed discussed in his opening remarks, we currently have an estimated 10% market share of the total U.S. industry. Keep in mind this is at the national level. Looking at individual markets within the country, we estimate that our market share on average is in the mid-teens in those markets that where we have a store presence.

Now, we have significant white space in those local markets where we have zero to less than 10% market share today. In fact, we believe we can generate an incremental $4 billion in omni-channel sales over time by opening stores in these under-penetrated local markets and increasing our market share closer to our current local market average.

We've developed a sophisticated sales forecasting model to help us determine the appropriate size and number of stores within each market. We also take into consideration factors such as population size and demographics, cannibalization and number, location and type of competition we'd be dealing with in that market. These factors influence our decisions for both store size and also location.

Also, as I mentioned in our Analyst Day in 2013, we raised our internal hurdle rate a few years ago. We did this to account for the growth of e-commerce as we wanted to make our stores work harder to get the capital they needed. Based on these factors, there is significant white space across the U.S. to grow our current store base.

On the map, the darkest green states such as including California, Texas, Florida and New York are the biggest growth opportunities for us and can support at least an additional 25 DICK's stores in each of those states. We see between 10 stores and 25 stores in the medium green color that you see there and up to nine stores in the lightest green color, I apologize.

Now, to demonstrate how we're able to successfully penetrate this white space, I'd like to walk you through three case studies. These show that we can successfully grow market share in the existing markets, new markets and also small markets. Key takeaways I want you to have when I go through these case studies are the following. There's significant white space for growing our DICK's store base. New stores accelerate our e-commerce business and the synergies of our stores and our e-commerce drive meaningful market share.

So let's take a look at the first case study. To help illustrate the first one, it's a market in the Southeast. Our existing store in e-commerce business was capturing less than 3% of the market in 2011. So we have one store in the market then. We opened four stores over a three-year period resulting in e-commerce growing at twice the chain average and tripling our market share to 8% in 2014. We believe there is an additional opportunity to open up five more stores in this market over time.

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The second case study is a new market on the West Coast. This market was served only by our e-commerce channel in 2012 and, as you can see, we had less than 1% market share through e-commerce alone. We built four stores in the market over two years, which resulted in e-commerce sales growth growing four times the chain average and market share growing five times over the two years. We believe there is an additional opportunity to open up seven more stores in this market over time.

Now you've heard us talk about small markets in the past and going forward, approximately 25% to 35% of our new stores will be in small markets. This case study highlights a small market located in the Midwest. In 2013, the market was served only by our e-commerce channel and with approximately 5% market share. In 2014, we added a store and within that market, e-commerce grew at five times the chain's average and our market penetration increased six times. Because these small markets are typically single store markets, we would not plan to add any stores in this market going into the future. However, we've identified approximately 175 other small markets very similar to this one.

As you can see from these case studies, we can successfully grow market share through white space expansion. Our new stores not only drive store sales, but also accelerate e-commerce sales, and importantly, the synergies of stores in e-commerce drive meaningful market share.

As we demonstrated with these case studies, white space exists in many markets, in markets without any DICK's stores and existing markets that have an opportunity for additional growth and small single store markets. Across these case studies, the new stores generated approximately 90% of the sales in that market. Once we opened the new store, e-commerce in these markets accelerated and grew at a faster pace than the average DICK's e-commerce growth.

On average, 80% of our e-commerce sales are generated in the stores' trade area, confirming the dependence or the co-dependence of our e-commerce sales on stores. As you recall, across our entire DICK's store base, our new stores consistently delivered strong productivity, well over 90% and on average, generated approximately a 50% return on cash investment in the third year, confirming that our new stores are a good use of capital.

By taking a measured approach to opening new stores, we believe we can take advantage of the white space and open 45 stores to 55 stores per year that will deliver compelling economics, strong new store productivity and accelerate our e-commerce sales.

Now, we also continue to refine and strengthen our existing store network. When a store lease comes up for renewal, we carefully review the market opportunity, applying the same in-depth analysis we devote to a new store. We then decide the best course of action to take for each location, whether it be to renew the lease, remodel the store, relocate or close.

Over one-third of our current 603 DICK's store leases are coming up for renewal over the next four years, which provides flexibility to adjust our store base if needed. This flexibility of our leases creates opportunities to pursue attractive remodels and relocations. We found that on average full remodels generated approximately 5% sales increase in the first full year. Landlords will typically help us with these remodel clauses. They want us to remain anchors in their developments or in their centers.

Our lease maturities also provide the opportunity to analyze and pursue relocation opportunities. This allows us to respond to local real estate market shifts as retail hubs can move over time. Our relocations on average generate a 15% sales increase in their first full year.

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Lastly, our stores with approximately 50% cash return on investment and 90%-plus productivity in their first full year are a very profitable growth vehicle. Strategically, they build brand equity, showcase our vendor partnerships, enable us to offer services and augment our omni-channel capabilities.

We've highlighted the significant white space opportunity ahead of us. We also have the flexibility within our existing stores and our leases for remodels and relocations. Ultimately, both stores and e-commerce are required to best serve our customers in today's retail environment and we'll continue to take a measured approach to opening up DICK's stores.

Given the size of our network and the rapid growth of our e-commerce business, some investors have questioned why we continue to add new stores. As we've illustrated today, the answer is simple. Our data shows that growing both our stores and our e-commerce business together will enable us to capture the greatest possible market share. And the power of our omni-channel model is proven as e-commerce sales in a new market typically double when we open up a DICK's store.

To expand on our e-commerce strategy and how we're winning online, I'll turn the meeting now back over to Ed. Ed?

Edward W. Stack
Chairman & Chief Executive Officer

Thanks, Andrè. We're excited about our track record and the future e-commerce opportunities we have. Sporting goods e-commerce is estimated at about an $8.6 billion market and grew at a compounded rate of 20% from 2010 to 2014. We have significantly outpaced the market and have definitely picked up market share in the online space.

We moved up to number 70 on the 2015 Internet Retailer Top 500 list, which just came out yesterday. And in 2014, we grew at nearly twice the pace of the industry. Our e-commerce business increased approximately 30% to over $625 million in 2014. We anticipate continued momentum in our e-commerce business, targeting sales of $1 billion to $1.2 billion by fiscal 2017.

In addition to continuing to leverage our stores, let me give you a few examples of what we're doing in 2015 to grow our e-commerce business. First, we've launched a new platform for on-site search and we'll continue to roll out search enhancements this year. Customers who engage in search on our site convert at a much higher rate and we believe these enhancements will help us continue to drive increased conversion rates.

Second, we've improved our capabilities in regionalization and testing, allowing us to customize homepages to local markets. This also allows us to test different pages and see and measure those results.

Third, we're expanding our assortment available for buy-online, pick-up in-store, and finally, we've positioned ourselves to capitalize on rapid shifts toward mobile and tablet devices. We first launched the tablet-optimized site in 2013, and in 2014, we launched the new mobile app, which was built in-house.

Leveraging e-commerce. With the fixed amount of space in our stores, we leverage our e-commerce site to elevate and expand our product assortment. Online, we offer four times the assortment of size, style, color and brands, which enables us to meet our customers' demand. We also have partnerships in place with vendors who will ship our customers' online products directly to them reducing the amount of inventory that we need to carry. The associates in our store are also able to place orders for customers and will ship the product to their homes.

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Additionally, we can leverage our in-store inventory online with our ship-from-store capabilities, which reduces the risk of online stock-outs and overstocks associated with only using a dedicated e-commerce fulfillment center. Similarly, in-store regional assortments are available to online customers and fulfill through our ship-from-store program. We have also developed our own flash strategy for short-run closeouts, who we bought from vendors, and the ability to clean up slow-moving product.

Our e-commerce expertise was a great help in the fourth quarter as we used it to clean up some slow-moving product and allowed us to reduce our clearance by 230 basis points year-over-year. It was a big help in the fourth quarter to get the inventory where we wanted it to be.

In order to transition this business to our own technology platform and away from our current outsourced technology provider, we're building a platform that enables us to take complete control of the dicks.com business in January of 2017.

The strategic rationale for doing this, in addition to significantly improving profitability, there are additional benefits. We will have the controls to differentiate our online experiences. We will have easier access to our data, and we'll be able to use it to build more engaging cross-channel customer experiences. We will have control over the development cycles, which will allow us to test and iterate at a significantly faster pace than we can do today. We'll also be able to keep our ideas and processes proprietary and further build out our competitive advantage. And finally, we'll be able to quickly stand up new verticals and capitalize on market opportunities.

We currently control and run certain aspects of the dicks.com business, including merchandising, marketing, inventory management and store fulfillment. Our team of over 200 associates running the business and can be leveraged supporting the growth of our business. One of the key areas of investment and additional hiring required this technology, which eBay currently runs for us.

Fulfillment is the second major capability eBay provides us. The vast majority of our e-commerce fulfillment now comes through our ship-from-store channel and the vendor direct channel. Consequently, we'll be planning to use a third-party fulfillment for a couple of years as this space continues to evolve. eBay also runs customer service, payment processing and web store maintenance, all of which will be transitioned to us beginning in 2017.

To successfully launch dicks.com on our own platform in January of 2017, we have a three-phase roadmap in place. We completed the first phase of our plan last year and built our own multi-store e-commerce platform with best-in-class partners integrating it into our core systems.

The key step in phase 2 was the re-launch of GolfGalaxy.com, which we successfully completed last month. We are now continuing to enhance our capabilities and incorporate learnings as we prepare to launch Field & Stream's transactional site later this year. The final phase will include the re-launch of dicks.com on our own platform, as we transition this business from our outsourced technology provider in 2017, you can see that we've gone through a thorough plan and have in place – and believe we have minimized the risk of staging these – by staging these site launches. By launching two sites prior to dicks.com, we will be able to anticipate the challenges as well as understand the resolutions that will be required to fix any problems we have.

Next, turning to our specialty concepts, another key is to develop Field & Stream and Golf Galaxy. We plan to continue to grow our Field & Stream concept and monitor the Golf Galaxy business. As we built the dominant sporting goods business, we feel we can become a meaningful player in the hunt, fish and camp business. Today we have 11 Field & Stream stores and another eight planned for this year. These stores will open at a bit slower rate than originally planned not due to performance, but due to the fact they we're testing four combo stores of DICK'S and Field & Stream combo this year.

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We have one of these stores open today, where DICK'S and Field & Stream are right next to each other. The combined stores are generating in excess of $30 million in annualized volume. As we move forward with this test, the hunt, fish and camp product will all be in Field & Stream, leaving room in the DICK'S stores for us to increase space in higher GMRO I categories, such as team sports, footwear, women's and kid's athletic apparel. Also, the interior walls between these stores will be opened up, so that customers can cross-shop between both chains.

While we can't do as many of these combo stores as traditional DICK'S stores, we feel this will be a very compelling experience, and therefore, before we get too far down the road with Field & Stream, we want to test this concept, as we said, we'll have four of these in place by the end of the year.

Field & Stream, and one of the reasons we're excited about this is it focuses on a $34 billion market for outdoor equipment, including gear for hunting, fishing and camping. This is a highly fragmented market that represents an excellent market share opportunity for us.

Our company got started in the bait-and-tackle business and our heritage is firmly embedded in this category. As a result, our Field & Stream stores bring to bear more than six decades of outdoor experience, combined with an in-depth understanding of customer needs and excellent vendor relationships. To capture the market share potential, we anticipate organically growing the Field & Stream store base going forward.

Based on our sales and survey work, while outdoor enthusiasts were shopping other parts of our DICK'S Sporting Goods stores, we weren't capturing what we saw as our first share of the wallet within lodge business. Our research and customer data suggests that the true outdoor enthusiasts expect a product offering comprised of top brands, with depth and breadth of assortment that lets the customer know that you're truly authentic. We believe the presence of DICK'S and Field & Stream in the same markets provide a powerful shopping experience, where both stores exists in the same market, there is a low single-digit cannibalization of DICK'S sales, suggesting the vast majority of the Field & Stream sales are incremental business. This supports our research indicating that DICK'S does not fully capture the spend of the outdoor enthusiast.

Turning now to the targeted economics of Field & Stream, which I know many of you have asked about. Remember, we only have two of these stores open for more than a year and we're continuing to refine the concept and apply learnings to each season. We're targeting sales between $16 million and $18 million in sales, and store level cash flow of approximately $1.1 million to $1.7 million. Based on our net cash investment of $3.8 million, this should generate a cash return of between 29% and 44%.

As we continue to grow and drive the Field & Stream business, we feel we have room for margin rate expansion. This will be done through similar avenues that we did with the DICK'S business from the earlier days; will be through better buying; and increase penetration of private brand product from Field & Stream; increased penetration of apparel and footwear; and improved inventory practices in the Field & Stream brand that will mitigate end of season markdowns.

Finally, we're planning to launch a transactional Field & Stream website this fall. The website will serve two purposes. One is to drive Field & Stream sales, the other is to test our newly built e-commerce platform for co-tenancy. As I mentioned earlier, Golf Galaxy is already up and running on our platform. When we add this Field & Stream site, we will gain the experience with multi-sites on our common platform.

I'll now talk a little bit about Golf Galaxy. As the largest golf retailer in the United States, DICK'S is committed to the golf business and Golf Galaxy offers us a valuable market presence in the golf world. Golf Galaxy gives us access to premium brands, insight to the golf enthusiast, and scale with vendors, and a cost-effective integration

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benefits with the DICK'S golf business. Although this business isn't growing, it's still a profitable business. We won't be allocating much capital to grow this business, but we are committed to supporting the game of golf, and Golf Galaxy will be a component of that portfolio. I believe golf will rebound at some point and we'll be glad we stayed the course.

Before I hand the presentation back over to Andrè to review the financial targets, I wanted to highlight the key differences between the targets we laid out at our Analyst Day in September of 2013 and what Andrè will walk you through.

We'll be adjusting our 2017 targets down slightly. The reasons for these changes are primarily a reduction in store growth. We had originally planned to have 815 DICK'S store, 55 Field & Stream stores, and 86 Golf Galaxy stores by the end of 2017. We now plan to have between 735 and 750 DICK'S store, 30 to 35 Field & Stream stores, and 78 Golf Galaxy stores at the end of 2017. We feel based on the evolving dynamics of retail sales, we should be more prudent in our approach to brick-and-mortar expansion as we move forward.

Our plan is to primarily open in areas that provide minimal for no cannibalization of existing DICK'S stores. Based on this change in store growth, which is still healthy by industry comparison, our sales targets are now between $8.7 billion and $9 billion. With the investments we're making in e-commerce and the fact that today it is slightly less profitable than our stores, our operating margins are expected to be between 9% and 9.5% in 2017.

I'll now turn it over to Andrè to provide more detail.

Andrè J. Hawaux

Executive Vice President, Chief Operating Officer/Chief Financial Officer

Thank you, Ed. I'm now going to cover three main topics with you, our 2017 targets and their drivers, the investments we're making in our e-commerce business, and the related benefits and our capital allocation strategy. We expect to increase total net sales from approximately $6.8 billion in fiscal 2014 to $8.7 billion or $8.7 billion to $9 billion in fiscal 2017. This sales growth will be driven by consolidated same-store sales growth of between 2% to 3% per year, including e-commerce growing to $1 billion to $1.2 billion in fiscal 2017, as well as new store growth.

Operating margins are expected to increase by approximately 80 basis points to 130 basis points, to 9% to 9.5% in fiscal 2017 from non-GAAP operating margins of 8.2% in fiscal 2014. And diluted EPS is expected to grow double-digits with a compound annual growth rate of between 12% to 16%. We will continue to return capital to our shareholders through both share repurchases and dividends. Our targets include share repurchases of approximately $100 million to $200 million annually to both offset dilution and reduced diluted shares outstanding. In terms of net CapEx, we guided to $245 million in 2015. We anticipate a slight increase in 2016 and then a sequential decline in 2017, resulting in approximately $850 million in total CapEx spending through 2014.

Based on the marketing and merchandising initiatives Ed took you through and the e-commerce growth opportunity we see, we expect to deliver 2% to 3% consolidated same-store sales growth each year. This is in line with our consolidated same-store sales growth over the last four years as you can see here on the chart. Even with recent headwinds in our golf and hunting business, we delivered 2.4% consolidated same-store sales growth in 2014. Our consolidated same-store sales growth of are omni-channel and they include e-commerce.

As you know, stores play key role in the evolving omni-channel world. New stores are the largest drive of our expected growth and also accelerate our e-commerce growth, as we illustrated with several case studies today.

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As we've mentioned, we're taking a measured approach to store openings and we'll achieve our 2017 targets by opening up approximately 45 stores to 55 new DICK'S stores each year, and in 2017, with 735 to 750 DICK'S stores.

Our DICK'S stores lease maturities over the next several years provide additional flexibility and opportunities. Over one-third of the current DICK'S leases are coming up for renewal over the next four years and we review these stores with the same disciplined approach we apply to new store opportunities.

Looking at Golf Galaxy, we don't expect to increase the store count. Ed talked about the important role Golf Galaxy plays in our overall golf strategy. As Golf Galaxy leases come up for renewal, we'll review them with the same approach as we take with our DICK'S renewals as well.

At Field & Stream, we expect to open up approximately nine Field & Stream stores in 2015, approximately five to eight Field & Stream stores in 2016 and an additional five to eight stores in 2017. This will bring our Field & Stream store base to approximately 30 stores to 35 stores at the end of 2017.

Our target of $8.7 billion to $9 billion in sales in 2017 equates to a three-year compound annual growth rate of 9%, using the midpoint of the target range. We believe this pace of growth is achievable and have previously demonstrated an ability to reach this pace between 2008, and 2011 and in 2011 to 2014 period, we grew sales at compound annual growth rate of 8% and 9% respectively.

We anticipate that the majority of the top line growth will come from our DICK'S Sporting Goods business both through new stores and through same-store sales growth including e-commerce. DICK'S is expected to generate an incremental $1.6 billion to $1.9 billion in sales during this timeframe.

Within our specialty banners, we expect Golf Galaxy sales to be relatively flat over the three-year period, and we believe we can grow Field & Stream to be a dominant player in the outdoor category generating approximately $300 million of additional sales.

As we grow the top line, we anticipate expanding operating margins by 80 basis points to 130 basis points to 9% to 9.5%. We anticipate the operating margin expansion will come from gross margin expansion of approximately 50 basis points to 70 basis points, and SG&A leverage of approximately 30 basis points to 60 basis points. We anticipate approximately 20% of the margin expansion to be generated in 2015, approximately 10% in 2016, and the remaining expansion to occur in 2017, primarily driven by bringing our dicks.com website on our own platform and exiting our current contract with eBay.

The gross margin increase will be driven primarily by merchandise margin expansion and fixed cost leverage. As we execute our merchandising strategies, we believe our product mix and focus on key items will increase our merchandise margins. We also see significant opportunities to drive merchandise margins in our private brand business, with brands like CALIA and Field & Stream. Within our fixed cost, we anticipate leveraging occupancy and supply chain costs.

We're also focused on leveraging our overhead and controlling our expenses to drive SG&A leverage, and we will improve our margins by bringing our e-commerce business on to our own platform. Executing this key strategic initiative and deriving the benefit of resulting stronger margin dynamics requires meaningful upfront investments. Key areas in which we'll make these investments include technology, systems, customer service and digital advertising. In addition, we continue to grow our team of talented e-commerce and IT associates who run our e-commerce business. Their hard work and dedication led to the successful re-launch of GolfGalaxy.com last month and they will continue to work to bring additional sites onto the platform.

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Now, let's take a little deeper dive into these investments and the expected benefits. I'll walk you through, one, the total anticipated capital investment; the anticipated P&L impact expected in 2015, 2016 and 2017; and three, the expected benefit beginning in 2017. And keep in mind, these benefits are reoccurring and are expected to accelerate as we leave the timeframe.

To begin, our total estimated capital expenditures for bringing the e-commerce business on our own platform is expected to be $65 million. Through 2014, we've already funded $24 million of this $65 million. The bulk of the remaining capital spent will be spend fairly evenly over 2015 and 2016 with the minimal remaining amount expected in 2017. Required investments include hardware and software necessary to operate our own e-commerce business as well as consulting fees incurred during the transition.

Looking to the expected income statement impact, we expect to incur cost in each of the year from 2015 through 2017 broken out as follows: approximately $8.5 million in 2015; approximately $21 million to $25 million in 2016; and approximately $6 million to $7 million in 2017. Expenses incurred are expected to include such items as hardware, technology, maintenance, customer service center, additional administrative and staffing expenses related to building out our capabilities and professional services required throughout the transition.

Now, once we launch dicks.com in January 2017, we'll begin to see an immediate benefit. We anticipate the payback on our initial investment of approximately $100 million will be approximately three to four years, with annualized savings of between $25 million to $30 million per year. As the e-commerce business continues to grow, we will now be in a position to leverage fixed costs and our ultimate annual savings will continue to accelerate.

Moving now to our overall capital deployment strategy, as a growth company, we expect to provide returns to shareholders through growing our business, repurchasing shares and paying dividends. Specifically, over the next three years, we anticipate total net capital expenditures of approximately $850 million as we continue to invest to support the growth of our business. This includes new stores, store remodels, distribution and the investments I've just reviewed to support our e-commerce roadmap. Also, we are targeting annual share repurchase of between $100 million to $200 million every year to both offset dilution and reduced diluted shares outstanding.

We've demonstrated our commitment to returning capital to shareholders by repurchasing $455 million worth of shares during 2013 and 2014 combined. And as of the end of fiscal 2014, we had $545 million remaining from the current authorization. Our guidance for 2015 and our three-year targets, both include the assumption of annual share repurchases of $100 million to $200 million annually. And finally, we are committed to dividends as we've recently increased our quarterly dividend by 10%.

I'd again like to thank you for spending the morning with us and providing us the chance to share our vision with you. In summary, we continue to have great confidence in our long-term strategy and remain fully committed to generating strong and consistent value for all our constituents, shareholders, customers and associates.

As we move forward, we're focused on capturing market share, improving margins, and leveraging costs, as we execute the tenants of our three-year business plan. In the process, we'll further strengthen our position as the leader in the U.S. sporting goods Industry and deliver increasing shareholder value.

In addition to the profitable growth, we've demonstrated our commitment to shareholder value to our share repurchases and dividends. These measures also underscore our confidence in our long-term business outlook. Anne-Marie?

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Anne-Marie Megela
VP-Treasury Services & Investor Relations

Yes, we're going to now open it for question-and-answer. Joining us from the DICK's Sporting Goods management team are two additional members. We have Joe Oliver, our Senior Vice President and Chief Accounting Officer; as well as Michele Willoughby, our Executive Vice President of E-Commerce and Supply Chain.

We will have two roaming mics. I ask that when you ask a question, that you go ahead and state your name as well as your firm. Thank you.

QUESTION AND ANSWER SECTION

Edward W. Stack
Chairman & Chief Executive Officer
A

Questions.

Christopher Michael Horvers
JPMorgan Securities LLC
Q

Thanks. Good morning. Chris Horvers, JPMorgan. So, in the EBIT margin target reduction, can you talk about how much of that is more investments than you thought that you believed prior versus let's say the lack of an incremental billion or so in sales and then I have a follow-up?

Andrè J. Hawaux
Executive Vice President, Chief Operating Officer/Chief Financial Officer
A

Okay. I think the lion's share of the delta in where we were at Analyst Day in September, Chris, and where we are now, is really our point of departure has significantly changed from where we were, given the struggles we had in 2014 with respect to the golf business and the hunt business. So, that's really where the lion's share of it sits. I think our investment profile is actually pretty consistent. Actually, we've actually taken a more measured approach to how we look at stores. So, I think a lot of it just is really driven largely by the point of departure where we start in 2014 which is at 8.2.

Christopher Michael Horvers
JPMorgan Securities LLC
Q

Understood. And then as you think about transition away from eBay, can you talk about how the relationship is now in and how the financials change going forward? Ed mentioned that the vast majority of your products ship either from store or from direct from the vendor, so – and you're retaining a third-party for a distribution on the remainder. So is it -so basically, the savings are the royalty they take on every transaction minus whatever cost you have to build in terms of customer service?

Andrè J. Hawaux
Executive Vice President, Chief Operating Officer/Chief Financial Officer
A

Yeah. So I think there were two components of that. I'll let Michele take the first one, which is the relationship, how's the relationship, I think that was one question, and I will get into the economics.

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Michele B. Willoughby
Executive Vice President-eCommerce & Supply Chain
A

The relationship is very strong. We've been very transparent with eBay as to what our plans are. So we've worked together and we will continue over the next 18 months to really work through our transition off their platform.

Andrè J. Hawaux
Executive Vice President, Chief Operating Officer/Chief Financial Officer
A

So from an economic standpoint, I think one of the things that we've talked about quite at length and Ed just talked about just is the fact that, currently today with their charges, we really have no way of leveraging the fixed cost. So if they charge you X% to move a shoe that's $50, they'll charge you that same percentage on a shoe that's $100, yet the operating costs are very different. So I think a lot of our economics will be in bringing over a lot of that to our situation, our supply chain today and also the fact that we'll actually control the web and the costs that – which they currently charge us for that today.

Christopher Michael Horvers
JPMorgan Securities LLC
Q

Do you think that your shipping costs will go down, even though you're going to use a third-party, and then you'd lose the per transaction fee essentially?

Andrè J. Hawaux
Executive Vice President, Chief Operating Officer/Chief Financial Officer
A

Yeah. We believe so, Chris.

Christopher Michael Horvers
JPMorgan Securities LLC
Q

Thank you.

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

Hi. It's Brian Nagel from Oppenheimer. So the question I have on store growth, and you've spent a lot of time in your presentation today making the case that e-commerce and stores work well together, which I understand. As we look out – consider your store opening plans, is there any thought to opening or changing the size of the store, given the growth in e-commerce within the business model? Then I'll ask a follow-up as well.

Edward W. Stack
Chairman & Chief Executive Officer
A

Yeah, Brian, actually there isn't, which I know is not a popular response. But as we take a look at the things that we have in our store that were space constrained on, we'd like to continue to be able to devote more space to the women's athletic apparel business, the kid's athletic apparel business, the team sport business. And we just – we're constrained from a space standpoint there.

What we're doing with CALIA, we're really excited about this CALIA launch that we did. We designed it in conjunction with Carrie Underwood and we think that will be the number three women's athletic brand for us in the next few years. So we've just – we can – our store productivity is such that we can't really – we don't think that we can open up smaller stores. And with our new store productivity still running at plus 90%, I think that's a great benchmark for everybody to say these stores are still very productive.

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

Q

Okay. And the second question I have is a different topic, just as we look at – consider the sales forecast you have going forward, I assume a lot of that's going to be driven by the underlying health of the performance apparel, performance footwear categories. Is there any comments you can make today kind of how you see that business which has been core to your comp growth driving?

Edward W. Stack
Chairman & Chief Executive Officer

A

Well, we think that it's – we still look at the – we don't have that planned as robust as it is right now. We want to try to plan it relatively conservatively. So it's not planned as robust as it is today. But one of the things that we tried to show is we've got this really broad portfolio of categories and if one slows usually there is another one that's taking its place. So we've got the ability to shift inventory investment dollars, marketing dollars, space allocation to the area where the customer is responding. So we've got the ability to modify our business, I won't say relative easily, but we have the ability to modify that business.

And we'll say that in the last two years, what happened with the hunt business and the golf business, this is the first time we've ever had two businesses really have as difficult time at the same time as they did, but we're pretty confident that we can move from one area to the next depending on where the customer is going.

Simeon Ari Gutman
Morgan Stanley & Co. LLC

Q

Yeah, Simeon Gutman, Morgan Stanley. Your comp forecast over time, 2% to 3%, which include e-commerce, if you back out e-commerce, it looks like roughly flattish, slightly positive store comps. In that context, the 80 basis points to 130 basis points of margin expansion over time, is that largely coming from the e-commerce side? Is it fair to think about them separate from store side? And can you leverage the four-wall EBITDA on flattish in-store comps? And I have one follow-up.

Andrè J. Hawaux
Executive Vice President, Chief Operating Officer/Chief Financial Officer

A

So I think a good portion of what's coming at us from a gross margin expansion standpoint is in the e-commerce side, as well as we're also increasing our merchandise margin through key items, as Ed mentioned, and also our private brands as well. So we're seeing it come from both, but I would say more than 50% of it would be coming from that e-commerce business.

Simeon Ari Gutman
Morgan Stanley & Co. LLC

Q

And then, regarding store leases, you mentioned how many are coming due over time. In stores that you are renewing today, are you seeing an actual reduction in dollar rent or you're just seeing a slower growth rate?

Edward W. Stack
Chairman & Chief Executive Officer

A

It's really a combination of the two. It depends on a case-by-case basis, so where we've got option. So when we say they're coming due, there's an option period, which is our choice whether to renew it or not. So we tie these buildings up for a long period of time at our discretion. So there are some of them that there is a small increase in the rent if we renew. There's other times we're able to negotiate if we do renew, get a lower rent number.

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Sometimes we'll renegotiate with a slightly higher rent number or relatively the same rent number and the landlord will then provide us dollars to remodel the stores. So there's really – it's a case-by-case basis and there's – all three of those scenarios happen.

Q

Okay. Thanks. So I was just looking over here at the annual savings from e-commerce in-sourcing. The $25 million to $30 million, is that net of any sort of extra SG&A that you'll take in as you in-source the operation?

André J. Hawaux
Executive Vice President, Chief Operating Officer/Chief Financial Officer

A

Yes, it is.

Q

Okay. And then could you just help us bridge between the $65 million of CapEx or $61 million I think was the exact number and then the total initial investments of $100 million from the slide here?

André J. Hawaux
Executive Vice President, Chief Operating Officer/Chief Financial Officer

A

So I think it was $65 million in CapEx.

Q

Yeah.

André J. Hawaux
Executive Vice President, Chief Operating Officer/Chief Financial Officer

A

And I think the rest is the operating cost. The total $100 million, if you take the $65 million and you add those three years of investments, I think that's where you get the $100 million.

Q

Got it. Understood. Thanks.

Michael Louis Lasser
UBS Securities LLC

Q

It's Michael Lasser from UBS. Ed, I was hoping you could provide a little bit more insight into succession planning and how the board and the company is thinking about leadership over the longer term, not that we're expecting you to go anywhere anytime soon. So just looking for the long term...

Edward W. Stack
Chairman & Chief Executive Officer

A

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Glad to hear that. So from a succession planning standpoint, we talk about that a lot. And I am not planning to go anywhere anytime soon. But we have a terrific group of people around us between Andrè, Michele, Joe, people on the merchandising side, operating side, we've got a terrific group of people that if something happened, the business will continue to go on. As we take a look at – over the next several years, we do have to take a look at what that succession plan is going to look like when I'm not the CEO any longer. But that's not anytime soon. But we do spend a lot of time talking about succession planning.

Michael Louis Lasser
UBS Securities LLC

Q

My follow-up question is on the longer-term margin targets and, Andrè, you alluded to the fact that you're starting off a lower base and your current target is at the low end. It's just slightly above where you were in 2013. So are we to assume that what happened in 2014 was not just a one-off event and more a reflection of a shift in the business, despite the fact that you had some excess inventory, you had to clear through it and that left a significant margin drag on the financial performance?

Andrè J. Hawaux
Executive Vice President, Chief Operating Officer/Chief Financial Officer

A

Well, I think when you say was it a one-time event, I do believe, as Ed mentioned, that we had two categories for us that took on a pretty significant – had some really significant issues, so that really did detract in 2014 from our margins. In addition, I think some of the sales declines or where we were, we're not in the right position inventory-wise in 2014 and I think we talked about coming out of the fourth quarter in a really good place with our clearance inventory. So I think we invested in our margin where we had some margin drag as a result of what we had to do to clean up the inventory. I think we're in good shape as we go forward and sort of that build is, that differential is where, because we're starting from a just much lower base.

Wayne Hood
BMO Capital Markets (United States)

Q

Yeah, Wayne Hood with BMO. I just had two questions. You showed a slide that looked at the return on invested capital for Field & Stream and the delta on the return on invested capital was 29% to 44%; pretty wide dispersion there versus the sales growth. Can you talk about what are the characteristics of you achieving the low end and high end of that particular range in the store? And then also to achieve the $1 billion in e-commerce sales that you expect by 2017, what kind of conversion rate do you need to be at to get there? Because I understand I think your conversion rate's low single-digit now, very low single-digits. So where do you need to be so that we could kind of watch your progress? Thank you.

Edward W. Stack
Chairman & Chief Executive Officer

A

I'll answer the one on Field & Stream. So that differential is really all around sales. So if you take a look at the sales number between $16 million and $18 million and what we feel kind of the flow-through is from a leverage standpoint, that basically gets you that difference between 22% and – I mean, 29% and 44%. So it's really all in that sales delta.

And from a conversion standpoint, I'll let Michele talk about.

Michele B. Willoughby
Executive Vice President-eCommerce & Supply Chain

A

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From a conversion standpoint, we're actually well north of 1%. So when we look at what we need to do to get to the $1 billion, it's a combination of both traffic – driving traffic to the site as well as continuing to go conversion. I don't have a specific number on conversion for you, but across every device, we really look at driving conversion and the enhancements we make to the site are all about doing that.

Michael Baker
Deutsche Bank Securities, Inc.

Q

Hi, it's Mike Baker from Deutsche Bank. Back here, hi. I wanted to follow up on the Field & Stream economics. So a couple of questions just on that slide. One, how does that compare to what you would've thought of a year ago or year-and-a-half ago when you first opened the stores? Are they performing better or worse or are those economics in line with that?

Secondly, the margins are quite a bit lower. The CapEx is quite a bit higher, I think, to open those. So can you discuss the differences between the core stores and what you might be able to do to get those Field & Stream stores to have the same cash return as the core stores? Thanks.

Edward W. Stack
Chairman & Chief Executive Officer

A

Sure, Mike. So how does that compare to what we thought a year ago? It's kind of in the range. We thought it would be kind of in that zone. So we're really not surprised there. To get it to what the return is from a DICK'S standpoint and we're working on this – and again we've only got a few of these stores opened. So we need to reduce the store build-out cost, which we're working on, and our construction group's doing a great job of value engineering the store. We feel that we can do a better job from an inventory standpoint, getting the inventory investment down a little bit. And we feel that we can get the – we need to get the margin rate up and to – I'll probably get kicked under – Anne-Marie's up there. So she can't kick me when I give you this information.

Andrè J. Hawaux
Executive Vice President, Chief Operating Officer/Chief Financial Officer

A

No, but I can.

Edward W. Stack
Chairman & Chief Executive Officer

A

We need to raise the margin rates about 175 basis points to 200 basis points. And we think we can do that relatively easily over the next couple of years. As the Field & Stream product becomes a bigger percent of the total business, as the apparel business becomes a bigger percent of the total business, as we do a better job with markdowns and inventory in these stores, we feel that we can get that 175 basis points to 200 basis points relatively easily. And if we do all that, we're going to get pretty close to what the DICK'S store is.

Andrè J. Hawaux
Executive Vice President, Chief Operating Officer/Chief Financial Officer

A

So to be clear, the numbers in that slide don't reflect anything you just say, don't reflect the reengineering and the cost down, don't reflect those initiatives to get 175 basis points to 200 basis points.

Edward W. Stack
Chairman & Chief Executive Officer

A

Correct, correct.

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Joseph R. Oliver
Senior Vice President & Chief Accounting Officer

A

Yeah. On the finance side, we try to build a conservative model and then overachieve on it.

Andrè J. Hawaux
Executive Vice President, Chief Operating Officer/Chief Financial Officer

A

I think, Michael, the other important thing that Ed mentioned during his presentation was the fact that it – Field & Stream is highly incremental to us in terms of the shoppers that we bring. As he talked about, we were not servicing that enthusiast through our DICK'S lodge business. So a lot of these sales are largely incremental to us as an organization.

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

Q

Hi, guys. Seth Sigman from Credit Suisse. Just a follow-up on Field & Stream. You talked about slowing the store growth a bit. Just want to reassure that it's really just a matter of testing here and trying to fill out where you can collocate with the DICK'S stores versus any other change in what you've seen over the last couple of years, because clearly, it's been a pretty volatile category?

Edward W. Stack
Chairman & Chief Executive Officer

A

It has been a volatile category as a whole. But this is clearly just as we test this. We think that this idea that we had of putting the DICK'S store in the Field & Stream store next to each other is a pretty compelling shopping experience, and we want to make sure that we don't get too many Field & Stream. There will be independent Field & Stream stores. So, not every Field & Stream store is necessarily going to be collocated next to a DICK'S store. But we really want to test this before we get too many Field & Stream stores out there, and say, wish we hadn't done that because I'd really like that – we'd love to have a DICK'S and Field & Stream right next to each other.

The – we're starting to do some things where we've been very hesitant to co-mingle the brands in the past. And we're starting to do that. So we're starting to – this past weekend, we actually provided some people some coupons from DICK'S to able to go shop at Field & Stream or to shop at Golf Galaxy and vice versa, pretty good success on that. We're going to do some – we're doing some co-marketing of DICK'S and Golf Galaxy. If you watch the golf channel at all, there was some co-branding with Callaway and there will be some co-branding with TaylorMade that mingles Golf Galaxy and DICK'S together. We'll be doing a little bit of that with Field & Stream with some newspaper ads, some inserts in the newspaper.

So we're looking at the idea of providing people rewards points whether they shop at DICK'S or Golf Galaxy or Field & Stream. And as we start to kind of mingle these together, and we've taken a look at the Gap does this great. So the Gap, you can get the Gap, Old Nacy or the Banana Republic, you can kind of use your rewards marketing between the two of that, between all of those. So we think there is great synergies that we haven't been taking advantage of. And we want to make sure that we don't get too far over our skis with the Field & Stream, and which we had co-mingled these – more of these stores.

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

Q

So just a follow-up on that point, we've seen in the Field & Stream stores, some clear progress on the merchandising front, whether that's access to new brands or changes in colors and sizes and things like that. How have you implemented some of those changes or look to implement some of those changes within the core DICK'S

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stores, because clearly, you have a lot more DICK'S stores today where there is an opportunity in the lodge business?

Edward W. Stack
Chairman & Chief Executive Officer

A

Right. We've got a number of things. We've got some great merchandising, learnings out of Field & Stream that we've applied into the DICK'S stores. One of the big ones is around apparel. So that sportsman style apparel of our flannel shirt, chamois shirts, t-shirts, fishing apparel from Columbia and also Field & Stream and Under Armour, those were home runs in the Field & Stream store, and we've moved some of that product into the DICK'S stores and we've been having very good success in that also. So the learnings we've had from Field & Stream are going to pay dividends inside the DICK'S business also.

Robert F. Ohmes
Bank of America Merrill Lynch

Q

Hi. Robby Ohmes, Bank of America Merrill Lynch. Thanks for doing this, Ed. I was curious, you've done a lot of work on omni-channel and e-commerce, it sounds like how – can you give us some insight how much of if you look at core DICK'S Sporting Goods, Golf Galaxy and Field & Stream, what's your kind of view on how much of those categories in those channels is going to move online over the next five years and what kind of role did that play in your process behind these numbers?

Edward W. Stack
Chairman & Chief Executive Officer

A

Well, I'm not sure exactly – can't answer that specifically, Robby, what we think the DICK'S business will be, Golf Galaxy business, Field & Stream will be on online. I would expect that the Sporting Goods business we've always thought will be somewhere is around 20%, maybe little more than 20% by, call it 2020.

The golf business, I think could be in that range, and Field & Stream, I'm not sure yet as we don't have anything up and running. But the one thing we do believe is that the online component of each of these categories is going to be significant. So they'll all be over – I think they'll all be well over 10%, 15% even at the low side. So, we're really enthusiastic about what we can do from an online standpoint with each of these three brands and feel that they really need to be commingled and integrated into really an omni-channel seamless experience for the customer.

So as we all know, customer just wants to be able to buy what he or she wants to buy, when they want to buy, how they want to buy, and they want to pick it up or have it delivered wherever they want to do that, and that's no longer kind of – hey, that's nice to have as a retailer who provides your customers, those are just table stakes for what you have to provide to be in the game today.

Robert F. Ohmes
Bank of America Merrill Lynch

Q

And then just a quick follow-up question, in your growth outlook, I'm assuming acquisitions are not part of that, but could acquisitions, regional acquisitions in particular still be part of your store growth strategy?

Edward W. Stack
Chairman & Chief Executive Officer

A

You're right. There is no acquisitions embedded into our – into the plan that we just laid out. And from time to time, we're always looking – we look at some things that are presented to us or we look at things that we go out and are interested in, but there is not – that's always a possibility, but we don't have anything baked in the plan.

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Robert F. Ohmes
Bank of America Merrill Lynch

Q

Great. Thanks, Ed.

Edward W. Stack
Chairman & Chief Executive Officer

A

Sure, Robby.

Q

[indiscernible] (01:09:15). Just a follow-up on e-commerce synergies and the synergies that you get from omni-channel, they're more related to the fact that you have a physical store and less with the size of the store or the assortment in the store. At the same time in e-commerce, you can fully leverage the long-tail of assortment. Do you think that over long run, you will start reducing assortment in stores some of the long-tail positions, maybe reducing even the sizes of stores while still continuing leveraging synergies from omni-channel?

Edward W. Stack
Chairman & Chief Executive Officer

A

I think we've indicated we think that the assortment in some categories got a little bit too broad. And we will – we've narrowed the assortment a bit to really stay focused on these key items.

We think the long tail of what we're able to do from an endless aisle so to speak from a merchandising standpoint is important and we've gone pretty aggressive being able to do that, a lot of it with our vendors.

So if you take a look at FootJoy, we have, basically, every FootJoy golf shoe that they make online that you can buy. We've got a broader assortment in other categories and other brands also that they will ship direct from the brand to the consumer that provides us a broader assortment online than we do in the store.

Q

And overall, regarding your IT team and you mentioned that you use some of the consultants in bringing in-house your platform. But at the same time, why do you think you will be able to attract the talent, IT talent which will allow you for differentiated online experience and how much of consulting services do you expect to use after you bring the platform in-house, because you'll still need to keep developing?

Edward W. Stack
Chairman & Chief Executive Officer

A

We feel that we can recruit people, that really hasn't been a real significant issue. People want to work for a company that is a growing company, that's an exciting company. Lot of people want to be in the sports business, even from a technology standpoint. So the consultants we used are the ones who helped us develop the site, helped us stay on the right path, but consultants aren't going to be a big part of our game plan going forward of running the site. We'll be doing that internally and we've had a pretty easy time of recruiting people.

Andrè J. Hawaux
Executive Vice President, Chief Operating Officer/Chief Financial Officer

A

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And just to build on that, the project of this size and magnitude in the IT space is typically has consulting resources embedded in it. So this is not a rarity. We're not doing something different than other people wouldn't do. And to Ed's point, as we get the site up and running and have it all, the amount of consulting resources we will use will be very de minimis in our operation. And we've not had to-date any struggles with sourcing talent to Ed's point.

Sam Reid
Barclays Capital, Inc.

Q

Thank you so much. Sam Reid from Barclays. Two quick questions here, one with respect to distribution capacity. I know you guys outlined some targets at your last Analyst Day. I was wondering how that trajectory in terms of investing in distribution capacity has changed with the new store count targets.

And then a completely different question, with respect to ScoreCard, it looks like the spend for members is up about, I guess, 500 basis points over the last few years. Just give us a sense as to sort of what's changed over that timeframe. Thank you so much.

Michele B. Willoughby
Executive Vice President-eCommerce & Supply Chain

A

I'll take the distribution question. Several times a year we model our network to understand what's happening with capacity in each building, and as the store growth becomes finalized, when we have more clarity, we continue to update that model. So right now, we are still on track to open a fifth DC sometime in 2017. Those numbers were embedded in the numbers that were presented today.

Edward W. Stack
Chairman & Chief Executive Officer

A

As far as some of the things that have happened with ScoreCard, we continue to be more aggressive in marketing our ScoreCard program. We ran a TV campaign, that's in our tabs a lot more. We direct mail about this. We've been much more aggressive in looking to sign people up inside the store than we've been in the past and it's just the program, it's just continued to grow and we've got more sales on that.

We do – our team does a better job of analyzing the ScoreCard data and the people that are most important to us in communicating with them. And we've just – overall, we've just done a much better job from a ScoreCard standpoint. It really focused on making this an important strategy in the business and we'll continue to do so going forward.

Dan R. Wewer
Raymond James & Associates, Inc.

Q

Dan Wewer at Raymond James. In the 10-K that was released a few weeks ago, you disclosed that Nike and Under Armour are about 31% of your purchases. You're obviously investing a lot of capital to grow your e-commerce capabilities and those two brands will benefit, but simultaneously, they're investing their own e-commerce capabilities and looking at the results, they've been highly successful.

Could you talk about the type of conversations you have with those two companies about this potential channel conflict? And I've one follow-up question.

Edward W. Stack
Chairman & Chief Executive Officer

A

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You really want me to tell you what I say to them? I think this is just kind of a – this is the way the world we have – the way the world today. And there's a bit of a quid pro quo out there. So yeah, so are they marketing their brands direct to consumer? Yes. Do we listen to them and they talk about the insight that it gives them and the ability of how they can change their product offering and all that, yeah, we hear all that. Are we happy that they're doing that? No, we're definitely not. But there is nothing that we can do about it, nothing you can do about it. They're going to do what they're going to do and that's just you have to compete in that world, which we're fine doing.

The quid pro quo is that they're not terribly excited about what we're doing from a private brand standpoint either. So what we're doing with the products that we're launching, what we're doing with Field & Stream, what we're doing with CALIA, what we're doing with Umbro, what we're doing with some of these other brands, they're not terribly happy about that. So kind of to be honest with you, we've all decided just not to talk about it. And that...

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

But that should work.

Edward W. Stack
Chairman & Chief Executive Officer
A

...yeah, yeah. I don't know if it's going to work, but that's kind of the way the world is, so we've just all decided that you do your thing with it. But I say that kind of in jest but we really do have a great relationship with our brands and these two brands in particular. And they have been very transparent in talking to us about what's working online, what's not working online, what they see happening.

And so they've done a – their business has been successful. But as how much business they've done is a pretty small percent of what their total business is, especially on the Nike side. And they know that the majority of their business and their growth is going to come from retailers like us, other retailers whether we're doing that in-store, online, and we've got a great relationship and that they give us some great insight on how to sell more of their products, not only in store, but also online. So I've been bit of a wise guy when I said we don't talk about it, we actually talk about it a little bit.

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

Then the follow-up question on real estate. When you look at the store targets today compared to what we talked about on September '13, is the reduction in your estimate of the middle and smaller size market opportunities for DICK's or is that your desire to avoid cannibalization in your larger metro markets?

Edward W. Stack
Chairman & Chief Executive Officer
A

It's really a matter of cannibalization and we've kind of – we've taken a look at this and we just feel that it's time to be a bit prudent and where we're putting stores and how much we're going to cannibalize, because this really is an evolving marketplace from an e-commerce standpoint.

And our people feel that it's going to be 15% to 25% of the business. We're kind of in that 20% to slightly plus 20% of the business and is just it's the right time to be prudent and let this thing play out a little bit before we end up with too many stores.

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Eric Brandt Tracy
Janney Montgomery Scott LLC

Q

Hey, Eric Tracy with Janney. Ed, if I could follow-up on your comments on golf. You said you expect the industry to rebound at some point suggested that challenges are more cyclical in nature than structural. Could you maybe just talk through the data that you'll all see that perhaps we don't in terms of millennial generation may be not participating nearly to the extent that the other generations have, maybe just sort of talk through that?

Edward W. Stack
Chairman & Chief Executive Officer

A

Well, I think the golf business is going to find its level. I think it will rebound a bit. I think Golf does go through some cyclical times. I think that what's going on in golf right now, we think that it could get better. So some of the things that are going on with some of the new younger exciting players that are out there in the game could help push or pull some of these – the younger people back into the game or into the game for the first time, I think that's helpful.

I think what happened this past weekend was fantastic for golf. And what Jordan Spieth did winning wire-to-wire and then just the way he handled everything. It was great for him, great for the game of golf.

We also think that there are some things going on in golf that can be helpful to golf. What top golf is doing right now and getting people to their facilities to just hit golf balls, people who've never hit golf balls before to get out there and do that and have some fun doing it. What the PGA of America is doing with this junior golf league and having these teams go compete like a captain and crew or captain and mate format against other teams kind of almost like a little league for junior golf, I think is great.

So I don't think it's necessarily right around the corner, but I think that there are some things being done in golf that are going to be very good for the game and we're going to stay in the golf business. We're committed to the golf business and we think it's going to be – we think it will be fine.

Eric Brandt Tracy
Janney Montgomery Scott LLC

Q

And then a follow-up on that. Just in terms of the reallocation of space within the DICK's Sporting Goods, stores themselves, you mentioned both women and youth being constrained, therefore not needing to reduce the size of the overall box, maybe just update us on where we stand from that reallocation process, maybe on a percentage basis those categories relative to golf, does golf continue to get rationalized a little bit and if not where are the other categories?

Edward W. Stack
Chairman & Chief Executive Officer

A

Yeah. So the kind of the space reallocation is primarily done. So that – we did that last year. We had great success with that, with what happened with the kids apparel, in the women's apparel business. We feel we can do through content different fixtures, accessory items, we still feel that there is growth available for us there, but from a meaningful change in square foot allocation, there won't be anything different this year significantly than there was last year.

Katharine McShane
Citigroup Global Markets, Inc. (Broker)

Q

Hi. Kate McShane from Citi.

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Edward W. Stack
Chairman & Chief Executive Officer

A

Hi, Kate.

Katharine McShane
Citigroup Global Markets, Inc. (Broker)

Q

Thank you. I want to go back to the Nike Under Armour question quickly, but more in the context of shop-in-shops, I think with the comp slide that you had shown earlier in the presentation, you've noted in the past that some of the buildouts of these shop-in-shops contributed to comp, so as we lap that going forward, how should we think about the contribution of those businesses and what is really the future I guess of that shop-in-shop concept and are any other vendors going to be participating?

Edward W. Stack
Chairman & Chief Executive Officer

A

Well, there is – we feel that there is still growth available in those shop-in-shops on a comp store basis. So as we continue to evolve and the brands continue to evolve, there is the ability to do that. In some cases, the average unit retail is going up. Nike has come out with some product that is higher priced, better product that the consumer has really responded positively to. So I think there's some real still growth opportunities available there.

As far as other brands, we're probably not going to create space for many other brands if any. So adidas has got some space and we'll do some things from an adidas standpoint and the North Face. But the only other thing that we're really going to create another home for and significant space is this CALIA brand, which has been just – has been terrific right out of the blocks.

Now, we also know that that's great today, but we've got to bring out new styles, new colors, new patterns, where we've got to continue to evolve that brand, but we're really excited about that and we really – we truly believe that CALIA can be our third female athletic brand in the store in the next couple of years.

Katharine McShane
Citigroup Global Markets, Inc. (Broker)

Q

If I can just ask one more question unrelated about the competitive landscape, I wondered if you could compare and contrast how you're thinking about the competitive landscape today versus when we last heard your last long-term outlook on September 2013, especially since the mix of the stores seems to be changing a little bit and why you may or may not be more confident in market share gains going forward.

Edward W. Stack
Chairman & Chief Executive Officer

A

Yeah, I think we're still very confident in our market share gains. To compare and contrast this, the outdoor category has clearly heated up a little bit. I think that part of that is what we did with Field & Stream to be honest is we've – let people know, we're in that business, we're going to be committed to that business. So I think that helped spur some of the growth in that category with some other brands out there.

From a sporting goods standpoint, I think it's actually gotten a little bit less competitive. We've got Academy, who is a very well-run, good operator that we compete with and then the other people in the sporting goods business, I think from when we last talked in September of 2013 that they are less consequential today than they were then.

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Glenn J. Krevlin
Glenhill Advisors
Q

It's Glenn Krevlin. I had a couple of questions around the e-commerce business, the $1 billion that you have out there, how much of that have you incorporated in ship-from-store and order from store?

Secondly, when we look today or prospectively, how much SKU expansion do you have on the net versus the store?

And then lastly, are there specific categories that you can go much deeper in things like niches, like Fanatics where you can be a much bigger player now that you have control of this platform?

Edward W. Stack
Chairman & Chief Executive Officer
A

So I'll just answer the first question. Well, I'll answer the first question by not answering the first question. So kind of what our percentages of ship-from-store, ship-from-vendor direct, we're not going to get to that quite granular information from a competitive standpoint.

Are there categories that we can get more aggressive in similar to what Fanatics is, yes, and kind of you'll see that with what we did with ESPN, with their Fan Shop. So we think that there is the ability to take some of these categories. With Nike, we built a micro site. With Nike, we've gotten other shop – within shops if you will and looking to do those in our site and then, I'm sorry, the last question is probably more for Michele.

Michele B. Willoughby
Executive Vice President-eCommerce & Supply Chain
A

Thank you. Is there specific categories to go deeper in?

Glenn J. Krevlin
Glenhill Advisors
Q

No. Just get a sense of how much more SKUs are available on the net versus your stores. I look across the board, are you 2x, 3x, how many more?

Michele B. Willoughby
Executive Vice President-eCommerce & Supply Chain
A

Right now, we're about 4x. So we've made a concerted effort over the last several years to really expand our assortment online.

Glenn J. Krevlin
Glenhill Advisors
Q

And where do you see that going in that '17 range that you've given us?

Michele B. Willoughby
Executive Vice President-eCommerce & Supply Chain
A

We continue to look at opportunities. We do get a lot of rich data on the website, because people do come to the site searching for specific items. So we use a lot of that customer research to really inform and guide us on where we should continue to expand.

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Glenn J. Krevlin
Glenhill Advisors

Q

All right. And then I've one quick unrelated question. On these combo stores before you're testing for this year, I'm assuming you're testing different types of markets to see how it plays out. Is that the idea behind the four stores or it's just real estate opportunity and see how it does?

Edward W. Stack
Chairman & Chief Executive Officer

A

Well, there are four very different markets. So there'll be two of them in Columbus, Ohio; there will be one in Champaign, Illinois; and one in Mobile, Alabama.

Andrè J. Hawaux
Executive Vice President, Chief Operating Officer/Chief Financial Officer

A

Yeah. Question is up here in room when you got a chance.

Andrè J. Hawaux
Executive Vice President, Chief Operating Officer/Chief Financial Officer

A

Go ahead.

Edward W. Stack
Chairman & Chief Executive Officer

A

Well, go ahead.

David G. Magee
SunTrust Robinson Humphrey

Q

Yeah. Hi. It's David Magee at SunTrust Robinson Humphrey. You mentioned earlier 175 small market opportunities. Could you give a little more color around that? What do you define as a small market? What would you expect the margins to be relative to the rest of the store base and what kind of competition do you come across in the small markets? Thanks.

Andrè J. Hawaux
Executive Vice President, Chief Operating Officer/Chief Financial Officer

A

So I'll answer the second and third part of that. One is that, in many of those markets, there's not a significant amount of competition as the example that I use. In many of these markets, they won't sustain a lot of competitors and so, that's the first piece.

The second piece is, we're not going to get into what our margins are going to be by small market, mid-sized market or large markets. That's just not a level of granularity we get into. And if I could ask you the first part of your question again was – yes, we've identified 175 of these markets throughout our work.

David G. Magee
SunTrust Robinson Humphrey

Q

I guess how do you define a small market? What were the parameters?

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Andrè J. Hawaux
Executive Vice President, Chief Operating Officer/Chief Financial Officer

A

Our parameters are typically – they're going to be demographic or population size and market and trade area in terms of people and population density.

David G. Magee
SunTrust Robinson Humphrey

Q

Do you have any numbers? Could you give us some numbers on the population that you target?

Andrè J. Hawaux
Executive Vice President, Chief Operating Officer/Chief Financial Officer

A

No. We're not going to give that one.

Mark R. Miller
William Blair & Co. LLC

Q

Hi. Mark Miller with William Blair. A two-part question on store, labor and customer service. Can you bridge the experience from the step-up in labor 2013 to where we are today, labor hour specifically and then what are you planning going forward for hours and wages?

And then the second part of the question is, just broadly, what did you learn from that experience of increased investment? How satisfied are you with the service today? We've seen in our tracking a big increase in the service, but then it looks like it – feedbacks ebbed a little bit, but what are the metrics you're seeing today? Thanks.

Edward W. Stack
Chairman & Chief Executive Officer

A

So we look at our OSAT scores and our OSAT scores or our customer service scores are up. So we're really very pleased with the progress that we've made. We won't get into specific – we're not going to get into the specific labor costs or that for you, but the investments that we made we're very pleased with. The scores have gone up. We think that's been an important part of the – what's helped drive the sales. So it's a program that we're going to continue with. We're not going to go back and scale anything back. We think that the service levels in the store a few years ago were not what they should be and we felt we really needed to fix that.

Mark R. Miller
William Blair & Co. LLC

Q

And then the wage piece, any planned change there?

Edward W. Stack
Chairman & Chief Executive Officer

A

I mean there has been – it's all embedded into the plan, but there's some markets that minimum wage has gone up. We don't have an awful lot of minimum wage personnel. So all of the wages that we – all the payroll costs that we think we're going to have to have are all embedded into these plans.

Joseph Isaac Feldman
Telsey Advisory Group LLC

Q

Hi. Joe Feldman, Telsey Advisory Group. Wanted to follow up on the question about the online business. What percentage of your sales are actually bought online and picked up at the store and can that go higher?

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Michele B. Willoughby
Executive Vice President-eCommerce & Supply Chain
A

We don't share those numbers today, but I will tell you we're pleased with the early results. We really just had our first holiday being live in all stores across the broad category base. So we continue to look for areas to really identify the – to offer more to the customer for buy-online, pick-up in-store. The biggest success we've had so far is really the large heavy items where people can avoid shipping costs.

Joseph Isaac Feldman
Telsey Advisory Group LLC
Q

Got it. And then just a follow-up, unrelated, but on the CALIA brand, are there other women's brands out there that you have targeted or you see opportunity? I know it's still early days for that one to grow, but do you foresee a larger area of that product?

Edward W. Stack
Chairman & Chief Executive Officer
A

When you say a larger area of that product...

Joseph Isaac Feldman
Telsey Advisory Group LLC
Q

More women's are pulled together in a different way and merchandised differently to really cater to the women, female shopper coming in the store.

Edward W. Stack
Chairman & Chief Executive Officer
A

Well, you'll see in the – I think this will answer your question. In stores that we'll be opening up this year, we've developed a new space for the women with different dressing rooms, different – the way that we merchandise the product, different environment and it will really pull this whole women's concept together more than it has been to date. So, yeah, we're still continuing to evolve that. And what you'll see later this fall, we're pretty excited about.

Some guys down here. Scott?

Stephen V. Tanal
Goldman Sachs & Co.
Q

Actually...

Edward W. Stack
Chairman & Chief Executive Officer
A

Oh, I'm sorry.

Stephen V. Tanal
Goldman Sachs & Co.
Q

That's okay, Ed. Steve Tanal from Goldman Sachs. So just one follow-up, really on the Field & Stream. As you think about that effort, are there specific regions you're targeting? Obviously, the product is very localized and there's some regional differences in how you merchandise it. And as part of that question kind of, how is the store near Cabela's doing relative to the other boxes? Do you feel like you can compete toe-to-toe?

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And then just a last question on the overall effort. We saw the four walls, but in terms of sort of the overhead associated with running a separate banner, how many stores do you think you actually need to kind of get the overall effort sort of up to speed or – I don't want to say profitable because I don't if it's profitable all in. But I guess the gist of my question is just when do you get scale? What's the breakpoint in terms of store count?

Edward W. Stack
Chairman & Chief Executive Officer

A

Probably for what we're trying to do is scale is going to be in that 25 range, 25 to 30 range. And how do we do with Cabela's? Cabela's runs a very good operation. I think we run a very good operation. And in the markets where we compete with Cabela's, we're doing – for what we're trying to do, we're doing fine. I suspect they're doing fine also. I think what happens is some of the smaller mom-and-pops that have had a big share of this market are the ones where this market share is coming from.

Q

Ed, can you give us any insights, what happened with the private equity conversations earlier in the year? How did that come about? Was it something you initiated or something you reacted to? What can you tell us about that?

Edward W. Stack
Chairman & Chief Executive Officer

A

Well, really, we've always talked that we don't comment on any of those rumors. So we're not going to comment on it. Things happen. I think one of the things that did happen here was when PetSmart went private, I think there was an article or a couple of articles written about who the next people might be and we were named there. So that's as much as I can say about it. Yes?

Aram H. Rubinson
Wolfe Research LLC

Q

Hi. It's Aram Rubinson from Wolfe Research. Question if you can about cross-shopping patterns. Curious not so much about across channel but across sports. Are we seeing customers buy more specialized to their needs in sports? Are you seeing them buying more across the store? Wondering if your ScoreCard data, can you kind of give us any insight there?

Edward W. Stack
Chairman & Chief Executive Officer

A

Yeah, well, it can and it does. What customers are buying depends on what they do. So if somebody is strictly a baseball player, they're buying baseball product, then they'll go buy other ancillary product. They'll buy athletic apparel, go buy footwear, they'll buy accessories but they'll primarily be a baseball player. You've got other young men and young women who are playing multiple sports, so they may play basketball and they may play lacrosse. And they're clearly cross-shopping.

And we've got data where it shows that we can tell when people have multiple kids playing multiple sports. So in the spring time if we see a ScoreCard that's got a lot of soccer purchases on it and a lot of baseball purchases on it, we can tell that they've got a baseball player, they've got a soccer player in that family. And we'll target that marketing to them. So we can figure out an awful lot about what's going on with this ScoreCard and what these athletes want.

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Aram H. Rubinson
Wolfe Research LLC
Q

But it doesn't seem like there's a trend in one direction like if you look at fitness equipments or gyms, which are becoming increasingly specialized with CrossFit and so on, it's still a very broad mass appeal to your stores.

Edward W. Stack
Chairman & Chief Executive Officer
A

Well, it is. But if you take that baseball player, we can see that the baseball player is buying more specialized product whether it's a bat, whether it's a glove, whether it's some of the accessory items, Lizard Skins that these kids are all putting on the bats. We can tell that these kids who are real specialized players are going and buying a lot of these accessory-type add-on pieces for their sport and we think that there's – and those are all high – most of those are high-margin, high-velocity products and it's been really good for the business.

Sean P. McGowan
Needham & Co. LLC
Q

Hi. Sean McGowan with Needham & Company. I'd just like to clarify a couple of slides first and then ask an unrelated question. On the store map, Andrè, are you talking about those – the numbers that are on that map, is that additional stores from the current base?

Andrè J. Hawaux
Executive Vice President, Chief Operating Officer/Chief Financial Officer
A

Yes.

Sean P. McGowan
Needham & Co. LLC
Q

Okay. Thought so. And are remodels and relocations always kept in the same-store sales base?

Joseph R. Oliver
Senior Vice President & Chief Accounting Officer
A

Remodels or relocations are up to a point. It depends upon the distance from the store that is being replaced.

Sean P. McGowan
Needham & Co. LLC
Q

Would you expect that in the next year all of the ones you have planned will stay in the same-store sales base?

Joseph R. Oliver
Senior Vice President & Chief Accounting Officer
A

I believe for 2015, they are.

Sean P. McGowan
Needham & Co. LLC
Q

Okay.

Joseph R. Oliver
Senior Vice President & Chief Accounting Officer
A

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Yeah. Beyond that, it would really depend upon the individual store and what we're able to negotiate with the landlord.

Sean P. McGowan
Needham & Co. LLC

Q

Okay, thanks. And then the other unrelated question. A lot of talk about fitness technology, wearable devices, besides selling those devices, what are you guys doing to work with the platforms and the manufacturers to enhance, to make sure that you stay as part of that conversation?

Edward W. Stack
Chairman & Chief Executive Officer

A

Well, we're working with a number of people on how we can integrate that into our business. And it will be interesting to see, what Under Armour does with what they're doing and how we may be able to partner there, if they want to do that. But there is a lot going on in that category and we're working on. We don't have anything specific to talk about today, but we're continuing to work in that area.

Sean P. McGowan
Needham & Co. LLC

Q

Okay. Thank you.

Andrè J. Hawaux
Executive Vice President, Chief Operating Officer/Chief Financial Officer

A

We're going to have time just for Scott and Anne-Marie just probably for a couple of more questions, as we get ready for closing. One up here.

Marc Hasson
Glenhill Capital Advisors LLC

Q

Yes, so it's Marc Hasson over at Glenhill Capital. As the Golf Galaxy leases roll and some of the locations are moved toward to colocate with DICK'S stores. Is there an opportunity similar to what you described at Field & Stream to reduce the Golf assortment in the core Dick stores?

Edward W. Stack
Chairman & Chief Executive Officer

A

So we've talked little bit about that. So in Columbus, Ohio, we actually have this one block of space where we have a DICK'S, Field & Stream and Golf Galaxy altogether. And right now, we we're really pleased with the Field & Stream and DICK'S component. Now that's the place where I told you that the volume right now is exceeding $30 million, which does not include the Golf Galaxy, which Golf Galaxy is doing really quite well there. So – if we did that then we would reduce the Golf's presence in the DICK'S, but we don't have any plans to do a DICK'S in a Golf Galaxy next to each other, the way we're doing Field & Stream.

Camilo R. Lyon
Canaccord Genuity, Inc.

Q

Camilo Lyon from Canaccord Genuity. And if you go back a few years ago, you guys made some pretty significant investments in systems also the benefit of structural gross margin improvements. And as we look here at the guidance for the next few years, the contributing factors to margin expansion, product mix, key items, private brand, systems isn't a part of that. So I'm curious, does that play a factor from an assortment allocations

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perspective, from a regional allocation perspective, have you already realized those benefits or are those benefits not as fast to accrue to the business as you thought back a few years ago?

Edward W. Stack
Chairman & Chief Executive Officer

A

I think there is – we don't call out the systems piece of this, but the systems has been – is a part of that. So as we take a look at inventory controls if you will, to mitigate markdowns, there is a system component inside that. As we take a look at regionalization to make sure we've got the right product in the right store. The system piece is a part of that to be able to take markdowns and zone pricing, systems are a part of that. We just didn't call out systems as a component of that. But systems are embedded in there. We still have a ways to go. So some of these systems have been helpful, some of them have been a little bit slower to be realized, but we are still moving in that direction.

Joseph R. Oliver
Senior Vice President & Chief Accounting Officer

A

Yeah. I think in the past we called it out because those were incremental investments that we were making at that time. Going forward, while there'll still be some system enhancements, the primary investment is going to be e-commerce that we've talked about going forward.

Camilo R. Lyon
Canaccord Genuity, Inc.

Q

So that's the shift of investment dollars to e-com not an incremental add-on?

Joseph R. Oliver
Senior Vice President & Chief Accounting Officer

A

Yes. That's right.

Camilo R. Lyon
Canaccord Genuity, Inc.

Q

Thank you.

Edward W. Stack
Chairman & Chief Executive Officer

A

One more question. One more question. There's a lot of people who got their hand up. Go ahead.

Q

Just curious on the classic cadence of EPS growth question. So I know you talked about a 12% to 16% CAGR over three years. We know what this year is. Is that fair to look at the investment debt slide that you put up there with $21 million and $25 million to think about how that would sort of impact 2016 in the overall EPS, CAGR. And then as you get to 2017 and doesn't that accelerate, because then you some of the benefits flowing through?

Andrè J. Hawaux
Executive Vice President, Chief Operating Officer/Chief Financial Officer

A

I think it's fair to say, Chris, that 2017 accelerates and 2016 we make some investments as we talked about. So I think it's fair enough to lay that out.

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Christopher Michael Horvers
JPMorgan Securities LLC

Q

Perfect. Thanks.

Edward W. Stack
Chairman & Chief Executive Officer

Great. We like to thank everyone for coming today, and hopefully we answered some of your questions. We've got some of the questions up there about stores and got a little more visibility in Field & Stream. So I would like to thank everyone for taking their time to come on and see us today. Talk to you later. Thank you.

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