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Aug. 28, 2025 10 a.m. ET

Executive Chairman ? Edward W. Stack

President and Chief Executive Officer ? Lauren R. Hobart

Executive Vice President, Chief Financial Officer ? Navdeep Gupta

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Comparable store sales (comps)-- Increased 5% in the second quarter of fiscal 2025 (period ended Aug. 2, 2025), driven by a 4.1% rise in average ticket and a 0.9% increase in transactions.

Total sales-- Grew 5% to \$3.65 billion in the second quarter of fiscal 2025, with broad-based category strength.

Gross margin-- Expanded by 33 basis points to 37.06% of net sales in the second quarter of fiscal 2025, attributed to higher merchandise margin and occupancy leverage.

Non-GAAP operating income-- \$475 million, representing 13.02% of net sales, compared to \$480.5 million (13.83% of sales) in the second quarter last year.

Non-GAAP earnings per share (EPS)-- Non-GAAP earnings per share were \$4.38, compared to

\$4.37 last year. GAAP EPS was \$4.71 for the second quarter of fiscal 2025, reflecting noncash gains and acquisition-related costs.

SG&A expenses-- Non-GAAP SG&A expenses increased 9.9% to \$864 million and deleveraged 105 basis points year-over-year on a non-GAAP basis, as planned for strategic investments.

Inventory-- Ended the second quarter up 7.1% compared to last year, with management stating inventory is "well-positioned" for upcoming demand.

House of Sport and Fieldhouse expansion-- Opened one new House of Sport and four new Fieldhouse locations in the second quarter of fiscal 2025, targeting approximately 35 House of Sport and 42 Fieldhouse sites by year-end fiscal 2025.

E-commerce growth-- Online business grew faster than the company overall, with the app cited as driving engagement and sales launches.

Game Changer metrics-- Achieved 7.4 million unique active users and averaged 5.5 million monthly active users in the second quarter of fiscal 2025.

Updated fiscal 2025 guidance-- Raised comp sales growth guidance to 2%-3.5% (previously 1%-3%) for fiscal 2025, and non-GAAP EPS to \$13.90-\$14.50 (prior: \$13.80-\$14.40), with full-year consolidated sales outlook set at \$13.075 billion-\$13.95 billion for fiscal 2025.

SG&A and preopening expenses guidance-- Full-year preopening expenses are expected at \$65 million-\$75 million for fiscal 2025, with most third-quarter weighted for anticipated store launches.

Impact of tariffs-- All known tariff impacts have been factored into the raised sales and earnings outlook.

Pending Foot Locker acquisition-- Shareholders and regulators have approved; expected closing on Sept. 8, with synergies targeted at \$100 million-\$125 million.

DICK'S Sporting Goods(DKS -5.06%) delivered higher sales and earnings in the second quarter of fiscal 2025, reporting expansion in both store and e-commerce businesses. Management demonstrated confidence by raising full-year guidance for both comparable sales and EPS, explicitly incorporating anticipated tariff impacts, higher SG&A outlays, and significant new store investments into the fiscal 2025 outlook. The call highlighted the imminent acquisition of Foot Locker, signaling an upcoming shift in scale and market positioning, with management reiterating expectations to realize \$100 million-\$125 million in synergies. The company continued to spotlight digital and vertical brand initiatives, reporting strong user and revenue expansion in its Game Changer business. Investors received assertions that innovation, assortment quality, and broad-based demand?including for private brands?are supporting market share gains against both omnichannel and online-only competitors.

President Hobart said, "we continue to gain market share from online-only and from omnichannel retailers," directly linking performance to competitive channel displacement.

Management indicated back-to-school sales will be discussed in future quarters, as these primarily fall in the third quarter.

SG&A deleverage was attributed to calculated strategic investments in digital, in-store experiences, and marketing targeted at sustaining long-term growth.

Executive leadership described recent price increases as "surgical" with no broad-based consumer resistance observed, suggesting targeted mitigation of cost pressures is working as intended.

Management confirmed all required approvals for the Foot Locker deal and plans to discuss detailed integration strategies and accretion expectations on the next call post-close.

House of Sport: DICK'S large-format experiential store concept featuring interactive sports spaces and enhanced service; core to current store expansion strategy.

Fieldhouse: Smaller DICK'S store format with a localized assortment and community-focused amenities.

Game Changer: Proprietary youth sports mobile application focused on scorekeeping, video streaming, and team management; cited as a profitable, fast-growing digital subscription business.

DICK'S Media Network (DMN): Company's retail media platform leveraging first-party data for brand and advertiser partnerships, including exclusive engagement in youth sports content.

Vertical brands: Private-label product brands owned and exclusively marketed by DICK'S, such as DSG, CLIA, and Versed, delivering higher margins than national brands.

Ed Stack: Thanks, Nate. Good morning, everyone. As announced earlier this morning, we delivered a very strong second quarter with comps of 5%. Our momentum continues to build, which is a clear reflection of the strength of our long-term strategies and investments. We are really in a great lane.

The convergence of sport and culture has never been stronger, and we are seeing tremendous

momentum and opportunity across our industry. As a company rooted in sport, DICK'S is uniquely positioned to seize this opportunity. We have a deep understanding of our athletes, and we execute with precision. From our differentiated on-trend product assortment to our industry-leading omnichannel athlete experience, we are operating from a position of strength.

Before Lauren and Navdeep take you through the Q2 details, I'd like to provide a brief update on our pending acquisition of Foot Locker. As previously shared, Foot Locker shareholders approved the transaction. We've also received all regulatory approvals, and we anticipate the transaction will close on September 8. We remain very enthusiastic about the strategic benefits from the deal. By bringing together DICK'S and Foot Locker's iconic brands, we will create a global leader in the sports retail industry to serve a broader set of consumers, strengthen our partnerships with the world's leading sports brands, and meaningfully expand our total addressable market.

We look forward to providing more details on our plans for Foot Locker on our third quarter call. I will now turn the call over to Lauren, who will go over our Q2 results and full-year outlook.

Lauren Hobart: Thank you, Ed, and good morning, everyone. We are very pleased with our strong Q2 results. As Ed said, our performance continues to show how well our long-term strategies are working, the strength and resilience of our operating model, and our team's consistent execution. Our sustained momentum is powered by our compelling omnichannel athlete experience, differentiated product assortment, best-in-class teammate experience, and our ability to create deep engagement with the DICK'S brand. Today, we're raising our full-year outlook. This updated guidance reflects our strong Q2 results and the ongoing confidence we have in our business, grounded in our team's execution of the four strategic pillars I just mentioned.

We now expect comp sales growth for the year to be in the range of 2% to 3.5%, and EPS to be in

the range of \$13.90 to \$14.50. Now moving to our results. Our Q2 comps increased 5% with growth in average ticket and transactions. These strong comps were on top of a 4.5% increase last year and a 2% increase in 2023. And we continue to gain market share from online-only and from omnichannel retailers. Our second quarter gross margin expanded over 30 basis points, and we delivered non-GAAP EPS of \$4.38. As we continue to execute against our strategic pillars, we're seeing strong momentum across the three growth areas that we are focusing on for this year.

First, we're making great progress repositioning our real estate and store portfolio. This past quarter, we opened one additional House of Sport location, and in Q3, we expect to open 13 more, marking our highest number of House of Sport openings within a single quarter. We continue to expect to open approximately 16 total House of Sport locations this year, which will bring our year-end total to approximately 35. We also added four new Fieldhouse locations in Q2. We expect to open six more in Q3 and are on track to open approximately 15 total for the year, taking us to approximately 42 by year-end.

These investments are driving powerful financial results, strong engagement with our athletes, brand partners, and communities, and importantly, they're laying the foundation for sustainable long-term profitable growth. Second, supported by our differentiated product access and flagship vertical brands, our focus on driving growth in key categories is fueling significant athlete excitement and demand across our portfolio. In fact, during Q2, more athletes purchased from us. They purchased more frequently, and they spent more each trip compared to the same period last year. We remain encouraged by the strong product pipeline from our brand partners.

And third, our multibillion-dollar, highly profitable e-commerce business is standing out as a growth driver, once again growing faster this quarter than the company overall. Our app has been instrumental in creating a strong launch call across key categories, driving energy and sell-through.

At the same time, our stores are executing at a very high level. They're building an athlete-centric service and selling culture and really bringing our differentiated product assortment to life for our athletes. Lastly, as part of our broader digital strategy, we're harnessing the power of our athlete data and remain very enthusiastic about the long-term growth opportunities we see with Game Changer and the DICK'S Media Network.

I want to close with a brief comment on how enthusiastic I am about the future growth potential of the DICK'S and Golf Galaxy businesses, as well as the compelling range of opportunities that we see in our acquisition of Foot Locker. We've talked a lot about the strategic and financial benefits of this, and as we continue on the path to closing, we remain confident in those benefits and expect a really exciting future for both companies. Before concluding, I'd like to thank all of our teammates across the company for their outstanding efforts and continued commitment to DICK'S Sporting Goods. Their passion and hard work are the driving force behind these results.

With that, I'll turn it over to Navdeep to share more detail on our financial results and 2025 outlook. Navdeep, over to you.

Navdeep Gupta: Thank you, Lauren, and good morning, everyone. Let's begin with a brief review of our second quarter results. We are very pleased to deliver a consolidated sales increase of 5% to \$3.65 billion. As Lauren said, our Q2 comps increased 5%, and we continue to gain market share from online-only and from omnichannel retailers. This growth represents a 9.5% two-year comp stack and an 11.5% three-year comp stack. These strong comps were driven by a 4.1% increase in average ticket and a 0.9% increase in transactions. We saw broad-based strength across our key categories. Gross profit for the second quarter remains strong at \$1.35 billion, or 37.06% of net sales, and increased 33 basis points from last year.

This increase was driven by higher merchandise margin and leverage on occupancy costs due to higher sales. On a non-GAAP basis, SG&A expenses increased 9.9% to \$864 million and deleveraged 105 basis points compared to last year's non-GAAP results. As we discussed previously, this year-over-year deleverage was expected and driven by strategic investments digitally, in-store, and in marketing to better position ourselves over the long term. Preopening expenses were \$12.3 million, an increase of \$3.4 million compared to the prior year. Non-GAAP operating income was \$475 million, or 13.02% of net sales. This compares to non-GAAP operating income of \$480.5 million, or 13.83% of net sales in 2024. Non-GAAP EBT was \$472.6 million, or 12.96% of net sales.

This compares to EBT of \$482.3 million, or 13.89% of net sales, in Q2 of last year. In total, we delivered non-GAAP earnings per diluted share of \$4.38. This compares to earnings per diluted share of \$4.37 last year. On a GAAP basis, our earnings per diluted share was \$4.71.

This includes noncash gains from nonoperating investment in Foot Locker stock, as well as merger and integration and financing costs related to the pending Foot Locker acquisition. For additional details on this, you can refer to the non-GAAP reconciliation tables of our press release that we issued this morning. Now looking to our balance sheet, we ended Q2 with approximately \$1.2 billion of cash and cash equivalents and no borrowings on our new \$2 billion unsecured credit facility. Our quarter-end inventory levels increased 7.1% compared to Q2 of last year. As we enter into Q3, we believe our inventory is well-positioned to continue fueling our sales momentum.

Turning to our second quarter capital allocation, net capital expenditures were \$213 million, and we paid \$96 million in quarterly dividends. Now moving to our outlook for 2025, which does not include acquisition-related costs, investment gains, or results from the previously announced Foot Locker acquisition. As Lauren said, we are raising our expectation for comp sales and EPS. Our updated

guidance reflects our strong Q2 performance and includes the expected impact from all tariffs currently in effect. Our guidance balances our confidence in the outcomes we are driving through our strategic initiatives and our operational strength against the ongoing complex and dynamic macroeconomic environment.

We now expect full-year comp sales growth in the range of 2% to 3.5% compared to our prior expectation of 1% to 3% growth. Consolidated sales are expected to be in the range of \$13.075 billion to \$13.95 billion compared to our prior expectation of \$13.6 billion to \$13.9 billion. Driven by the quality of our assortment, we expect to drive gross margin expansion for the full year. We anticipate this expansion to be by SG&A deleverage as we are making strategic investments digitally, in-store, and in marketing to better position ourselves for the long term. We continue to expect full-year preopening expenses to be in the range of \$65 million to \$75 million.

For the back half, we expect most of the preopening expenses to be concentrated in the third quarter to support our 13 planned House of Sport and six Fieldhouse openings. We continue to expect operating margins to be approximately 11.1% at midpoint, and at the high end of our expectations, we continue to expect to drive approximately 10 basis points of operating margin expansion. We now expect EPS in the range of \$13.90 to \$14.50 compared to our prior expectation of \$13.80 to \$14.40. As contemplated in our 2025 annual plan, we expect EPS to decline year over year in Q3 and increase in the fourth quarter.

Our earnings guidance is based on approximately 81 million average diluted shares outstanding and an effective tax rate of approximately 25% compared to our prior expectation of approximately 24%. We continue to expect net capital expenditures of approximately \$1 billion for the full year. In closing, we are very pleased with our second quarter performance and the success of our long-term strategy. We remain very enthusiastic about the future of our business. This concludes our prepared

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

Operator: Thank you. We will now begin the question and answer session. If you would like to ask a question, please press \*1 on your telephone keypad. We also ask that you limit yourself to one question and one follow-up. Your first question comes from the line of Brian Nagel with Oppenheimer. Please go ahead.

Brian Nagel: Good morning. Nice quarter. Congratulations.

Lauren Hobart: Thank you.

Brian Nagel: I want to focus on your pending acquisition of Foot Locker. So your Foot Locker reported results just recently, in stark contrast to DICK'S. I mean, much weaker. So the question I want to ask is, as you're thinking about this acquisition, which will close shortly, any update on how you plan to revitalize, if you will, that Foot Locker business under DICK'S ownership and the timing of your key initiatives there?

Lauren Hobart: Sure, Brian. Thank you. Actually, it looks like we may have lost Ed. Ed is actually in Europe visiting Foot Locker stores. Ed, are you there? Nope. We can't hear you. So I will answer the question, Brian, and we'll work to get Ed's line restored. Ed, try one more time. Nope. Okay. So thank you for the question. We really appreciate it. We see a tremendous opportunity with the Foot Locker business. We think this acquisition is going to be great for our consumers, our employees, our vendor partners, and also our shareholders.

And the more time that we spend with the Foot Locker team, both at our various headquarters and

also in the stores with the strippers, we are increasingly optimistic, and this is a team that really, really wants to win. What we plan to do, we are going to be working with our brand partners who are very excited about the opportunity to turn the business around, who are already sharing really strong insights. We plan to invest in stores, we plan to invest in marketing, and we know that there are opportunities from a core merchandising standpoint. We're excited about apparel opportunities and also bringing in a new assortment of products. So across the board, we're very excited.

Brian, I would say we haven't closed the transaction yet. So we are at September 8 moving toward doing that. And we will be back to you at our Q3 call with more specific details. But rest assured, we are very excited about the opportunity that we see in Foot Locker, and we are moving forward with a lot of enthusiasm.

Brian Nagel: Thank you, Lauren. I appreciate the details. And then if I can just focus, big picture, but on more, I guess, on the DICK'S business. Just, you know, the topic of the day, if you will, the tariffs. You know, to what extent is DICK'S within the tariff conversation, your mitigation efforts, and to the extent that, you know, either DICK'S or your supply partners have started to adjust prices, have you seen any action or any impacts upon demand on the part of your consumers?

Lauren Hobart: Thanks, Brian. We actually come off a quarter where we had 5% comps. And we're feeling really strong about all aspects of our business. Our long-term strategies are clearly working. Everything from the differentiated assortment that we have in the stores, our athlete experience, which we continue to invest in and reinvent in our stores, our online business, our app, but also in our reinvention of our product portfolio, of our portfolio of stores with our House of Sport and our Fieldhouse concept. So I would point to the execution of our team has just been absolutely extraordinary, and their passion to win and their passion to produce results are really driving so much of our business.

As you look to the back half, we just did take up our top line and bottom line guidance, and that includes all of the impact of tariffs that we see. We did also just come off of a Q2 where our gross margin expanded. And we are navigating very well through an uncertain tariff environment. We've seen some sporadic price increases, but they are surgical and not across the board. And we're seeing our consumer, obviously with a 5% comp, we're seeing the consumer respond really well. So I'm very pleased that we are navigating well and still increasing our guidance and our gross margin for the back half.

Brian Nagel: That's very helpful. I appreciate it. Thank you.

Lauren Hobart: Thank you.

Operator: Your next question comes from the line of Simeon Gutman with Morgan Stanley. Please go ahead.

Simeon Gutman: Hey. Good morning, everyone. So Lauren, you mentioned the business is vibrant. Can you talk about the second half comp assumptions? Are there any signs that the consumer is slowing in any categories? Is there some just caution because of comparison and maybe tariff impact that the consumer could face?

Lauren Hobart: Yes. Thanks for the question, Simeon. We are not seeing any signs of slowdown with the consumer. In fact, one of the most exciting things about the quarter that we just delivered is the broad-based nature of the growth that we saw. We saw growth across all of our key segments. So footwear, apparel, team sports, and golf. All doing really, really well. So we do not see signs that the consumer is slowing. I would say, if anything, if you look to the assortment and the partnership

that we have with our key brands, there is a trend toward innovation and newness in the products that are coming down the pike.

That are keeping the consumer really energized, and they're responding very well to some of that technicity that's all in the product. Both, again, hardlines, and softlines. So we're seeing with that launches as well, as apparel as well as technical running and the new running constructs that are out in the market. So we think we're going to be navigating really well. We did just take our comp assumptions up for the back half. So we are confident we can deliver that guidance.

Navdeep Gupta: Yeah. Simeon, just to build on what Lauren said, as you can imagine, the overall macroeconomic situation continues to remain dynamic, and that's the reason we continue to have in the range of an outlook that we have provided. But the things that we control, core strategy, the assortment that we have access to, how well our inventory is positioned for the back half. We are really excited about all the opportunity that we continue to see ahead of us.

Simeon Gutman: Okay. And then my follow-up is on margin. There's maybe, like, a near-term component and then a medium-term. The near-term gross, the language in the presentation changed a little bit, and I don't know if you mentioned. So some clarification on the level of expansion you expect. Merch margin in Q2, plus what happened in Q2. And then the medium-term question is more on expenses within the margin. At what point does the leverage threshold of the business change? Meaning, you have the curve of House of Sport expense, technology, whatever else you're dealing with in SG&A. When does that level off such that the comp leverage point actually moderates or at least stabilizes?

Navdeep Gupta: Yeah. Simeon, let me, I think, so there are three questions there, and I'll try to answer all three of them. Let me know if I missed something. So the first, starting with Q2, like

Lauren indicated, we are very pleased with the business here in Q2. Not only did we deliver 5% comp, nine and a half percent two-year stack, but we delivered that on strong gross margin and merch margin. So our margins expanded 33 basis points gross margins. And the merch margin expanded by 18 basis points. The drivers of that expanded merch margin continue to be consistent with what we have been talking about, about the quality of our assortment.

The favorable mix that we continue to see from core categories that are performing exceedingly well, as well as some of the early benefits that we have started to see from Game Changer and DICK'S Media Network. And as we look to the back half, those three drivers will continue to remain the drivers of our expanded gross margin outlook that we have shared on a year-over-year basis for the full year as well. In terms of the leverage point, so we're not sharing the long-term room here, but the way consistently said in the past, we believe that we can deliver a kind of a leverage on the SG&A at a low single digits comp.

And that will be balanced between the margin outlook that we share as well as the SG&A investment opportunity. But what we have been saying is you can continue to look to us to drive consistently the strong top line and the strong bottom line momentum on top line and EPS basis. You'll continue to balance that between the opportunity that we see to create long-term differentiating opportunities like Game Changer, DICK'S Media Network, some of the work that our technology team has been doing in personalization, RFID. These are the differentiating capabilities that we are investing in. Driving sustained top line results as well as strong profitability growth.

Simeon Gutman: Okay. Thank you very much. Good luck.

Operator: Your next question comes from the line of Adrienne Yih with Barclays. Please go ahead.

Adrienne Yih: Yes. Thank you. Good morning, and I'll add my congratulations. Well done. Lauren, you're welcome. So my question is sort of higher level, kind of what we're seeing in the industry overall. You know, athleisure apparel and even performance footwear, they generally, right, have been under some pressure year to date. Seemingly, the retail channel, the wholesale part of their business, is doing better than maybe their own DTC. And then you have kind of your, you know, the deal with Foot Locker makes you a bigger presence for Nike.

So it just feels like to me some of the balance and power might be shifting in your favor, and I'm wondering if you can discuss that from a broad long-term perspective. And then, Navdeep, can you talk about how much of your comp came from current day price increases do you foresee for third and fourth quarter? And then you're working on, you know, spring orders. So are brands raising prices, right, because there's this rolling impact of the tariffs, in the spring season more intensively than fall? Thank you.

Lauren Hobart: Okay, Adrienne. Thanks for the question. So starting with what we're seeing in the industry and overall, we are seeing, as I just mentioned, growth across all aspects of our business. So that's footwear and that's apparel, and that's also team sports as well as golf. So we are finding growth in all of those. And you're right. As Foot Locker becomes part of the DICK'S family, we are an even more important brand to our wholesale partners. And that's part of the thesis and the strategy is that we want to be involved in that long-term insight sharing, trend identification, product development. So we're very, very focused on that.

I don't know what I would say the balance of power would shift. I think what I would say is our strategic relationship is very, very strong. And as the consumer continues to vote with, you know, into the categories that we serve, be it all be it, you know, the high heat footwear as well as the bats and all of the newness and the innovation that are coming down the pike. We feel terrific. We are

rooted in sport. Our brand partners are rooted in sport. And we are very optimistic about the future.

Navdeep, I'll turn it to you.

Navdeep Gupta: Adrienne, in terms of just drivers of the business when you look at the comp, you know, almost 1% of our comp came from the increase in transaction. And the remaining came from the overall basket increase. As Lauren indicated, we are seeing really strong affinity towards innovation as well as newness that is available in the products. And so that continues to be a big driver of the overall basket selling. And the work that our teams are doing in stores and helping sell and much more comprehensive basket. And so that means more units per transaction. That is also a driver in addition to the product mix as well.

So it's a combination of all three of those things that we are seeing a continued improvement in our basket selling as well as continued increase in transactions. In terms of the outlook for March and April, we typically don't break that out between at that level of detail, so I won't do that right now. And then as far as the outlook for the spring season, we will share that in due course of time. As you can imagine, we are working very closely with the national brand partners and our own vertical brands to come up with a plan for 2026.

Adrienne Yih: Thank you very much. Best of luck.

Lauren Hobart: Thank you.

Operator: Your next question comes from the line of Robbie Ohmes with Bank of America. Please go ahead.

Robbie Ohmes: Great quarter. I was wondering if Lauren, we could get a little more color on what

you're seeing from your customer. You gave us a lot already, but I think you're seeing it sounds like more shifting to online versus in stores. Could you tell us how back to school went for you guys? And how you think you did there versus last year? And are you seeing your customer gravitating more towards promotions or things like that?

Lauren Hobart: Thanks, Robbie. Thanks for the question. We are seeing strength with our consumer across the board. Our consumer is responding to our assortment. They're responding to the athlete experience. And we're seeing growth. We've been saying that we are outperforming in e-commerce, but we're seeing incredibly strong growth in all of our channels. So it's not a shift as much as it is just overall consumer demand. We feel terrific about back to school. A lot of those sales are in Q3, and so we will be reporting on back to school when we come back to you in a few months.

But between the amazing footwear that we have, the apparel, the backpacks, the lunch boxes, we have a terrific assortment. And, you know, promotional activity hasn't been an enormous factor for us. We are navigating as we always do. We're surgical. And the differentiated assortment that we have enables us to really lean into newness and innovation rather than a deep promotional cycle. So I just would point to I think our consumer across the board is doing so well, and you see that in the fact that we don't we're not seeing trade down from best to better or better to good. We're seeing growth across all income demographics.

We have products for absolutely every consumer, and that's taking us into the back half.

Robbie Ohmes: That sounds great. Thank you.

Lauren Hobart: Thank you.

Operator: Your next question comes from the line of Michael Lasser with UBS. Please go ahead.

Michael Lasser: Good morning. Thank you so much for taking my question. Getting feedback and stuff like it's under a bit of pressure. That is probably related to some of the commentary around the gross margin where previously was an explicit expectation that it was gonna be up 75 basis points for the year. And now the expectation is it simply gets good simply that it's going to be up. So a do you what is the most realistic expectation you would you anticipate now for your gross margin? And b, why would it be less than up 75 basis points like it was before? Thank you so much.

Navdeep Gupta: Yeah, Michael. Thanks for that question. I think the first part of your question broke up, but so your question is around the gross margin and the outlook that we have for the full year. So we still expect the gross margin to expand on a full-year basis. And that has been shared as part of the updated Outlook. You can imagine, we are balancing several puts and takes as we navigate the landscape that we have in front of us between tariffs, our consistent focus on keeping our inventory really vibrant because that inventory and the assortment is what is driving this consistent top line momentum that we have been delivering six straight quarters of over 4% comp.

And you can also imagine the pricing and the promotion landscape always remains very dynamic. So they're trying to balance all of those drivers as we look to the back half. And balance that against our SG&A expectations from an investment perspective. Because what we have also reiterated is that at the high end of the guidance, we still expect our operating margins to expand by 10 basis points, which is very consistent with what we had been talking about as we thought about the full year. So really excited about the overall outlook we have shared.

Expanded top line expectation, expanded bottom line expectation, and still continue to gross margin expansion driven by the new drivers like Game Changer, DMN, but predominantly driven by the

differentiated product assortment and balancing that against the SG&A investment opportunity.

Michael Lasser: Thank you for that. My follow-up question is given the performance of your stock price, it's likely that you'll have to issue more shares now for the Foot Locker deal than what was maybe previously anticipated. So how does that impact the potential flow through that you're going to get from the deal in the first year after you acquire it? And would you still expect it to be accretive given those additional shares you may have to deliver?

Navdeep Gupta: Yeah, Michael, great question. As you know, the shareholder election was on the twenty-ninth, so based on the consideration mix between the stock and cash, you know, that will determine the level of accretion. And all of that, we are working through right now once we are on the other side of September 8, we'll be having our own detailed evaluation of the opportunities that we see with the core business. We talked again about the synergies and the confidence we have of \$100 to \$125 million of synergies. And balancing that against the consideration mix. So much more good question, much more to come as we share the outlook as part of the Q3 call.

Michael Lasser: Okay. Thank you very much, and best of luck.

Navdeep Gupta: Thanks, Michael.

Operator: Your next question comes from the line of Mike Baker with D.A. Davidson. Please go ahead.

Mike Baker: Great. Thanks. I wanted to ask about Game Changer. Sometimes you get some statistics in terms of users and the like. Any update on any of those Game Changer type numbers?

Lauren Hobart: Yeah. Thanks, Mike. Great question. Game Changer continues to do incredibly well, highly profitable, fast-growing, software as a subscription business. In Q2, that continued. So we have solved 7.4 million unique active users in Q2. And on average, 5.5 million monthly active users were in the app. That's up percent year over year. We're still on track for the growth numbers. We hit over \$100 million last year, and we're on track for almost a 50% revenue growth on that. So everything is going great with Game Changer.

I would say one of the more exciting things that's happening also is that the DICK'S and the Game Changer businesses are working closer than ever on things like what we're calling a live experience called BatLab where we're rating with bringing in top athletes and rating all of the new equipment for the year. Game Changer and DICK'S were working on sharing data so that we can be more. And Game Changer is a huge piece of our DICK'S Media Network where we have actually live sports where we can tap into people who are fully engaged in the moment while they're watching their kids, their grandkids, sports in a highly personalized way. So Game Changer is doing fantastic.

Navdeep Gupta: Yeah. Mike, I'll just build on what Lauren said. I think so we want to give a shout out to the Game Changer team as they have been driving some of the most sustained and differentiated results in the overall youth sports industry. And in Q1, hopefully, all got a chance to see the first time that we actually did a brand advertising for Game Changer because we feel the brand awareness is another unique opportunity that we see with the Game Changer business. Couldn't be more excited about the results the team is driving and how sustained differentiated those results are.

Mike Baker: Yep. Sounds great. One more follow-up and you'll probably pump this to the third quarter. But just on Foot Locker, the more you've gotten to know them and see them and visit them, etcetera, any change to those synergy numbers? I believe in the past, they didn't really include any

revenue synergies, but you're talking about ways to improve the assortment, etcetera. And as part of the deal being approved, I didn't see anything on divestitures. Are there going to be any required divestitures?

Lauren Hobart: No. Too soon for us to comment on all of that. We are not changing the numbers. We had said \$100 to \$125 million in synergies. And that is we're still very much going after that. We will be diving in once we get past the transaction on September 8 and be back to you in Q3. So you are right.

Mike Baker: Okay. Fair enough.

Operator: Your next question comes from the line of Chris Horvers with JPMorgan. Please go ahead.

Chris Horvers: I wanted to follow-up on the share count question. In the original release, you did talk about they expected that the deal would be accretive on an earnings basis, I believe, in the first full year post-acquisition. Is the answer that because I think it's about eleven million shares, obviously, you know, Foot Locker stock's price moving here. But to the extent that you get a full share conversion, would you expect it to be, still be accretive on an earnings basis? Or is that more of, like, it'll be accretive but on an operating profit dollar basis?

Navdeep Gupta: Yeah, Chris. All are great questions. As you can imagine, there are multiple moving pieces when you are trying to understand the accretion dilution. Share count just happens to be one of them. Like Lauren indicated, synergy the timing of synergy would be another driver. The core business performance would be another driver. There is definitely more work to be done. But what we continue to remain confident is that this would be accretive, but the level of accretion will be

depending based on the consideration mix.

But that is the work that is ahead of us once we are past September 8, we'll be working very closely as a collective company to refine those expectations and share a deeper outlook as part of our Q3 and Q4 call.

Chris Horvers: Got it. Makes sense. And then as you think about the momentum that you've seen in the business, the excitement around the newness, what seems to be a pretty good back to school season, and the implied comps in the back half are, I understand you mentioned you raised them, but, you know, it does signal a sharp deceleration. So is that just more caution around what might happen with the consumer sort of in between events? Given the uncertainty with tariffs?

Lauren Hobart: Thanks, Chris. Yeah. We are balancing the incredible momentum that we have in the business with just some appropriate caution about the uncertain macroeconomic environment. We've now included tariffs and everything we know about tariffs in. And keep in mind, we're also lapping second half comps that are aggressive, 50 basis points stronger than the first half. So we are really confident. We never guide to the highest possible outcome, but we have a tremendous momentum and are just appropriately cautious as we guide.

Navdeep Gupta: Yeah. So, Chris, just as a reminder, what Lauren is alluding to is the fact that we'd actually delivered a 6.4% comp in Q4. So that has also been contemplated as we gave the second half outlook. But unlike you rightly pointed out, we raised our second half outlook versus our prior guidance. Based on the strength of the core strategies, strength of the assortment that we have, as well as how well our teams are executing.

Chris Horvers: Understood. Have a great back to school season. Thank you.

Navdeep Gupta: Thanks, Chris.

Operator: Your next question comes from the line of Joe Feldman with Telsey Advisory Group. Please go ahead.

Joe Feldman: Yeah. Hi. Good morning, guys. Thanks for taking the question. Lauren, I think you mentioned customers are responding to innovation and technology in some of the products. And I was wondering if you could share a little more color on that and maybe, you know, which categories you're seeing the most innovation in or just which products and what people are looking at there? Thanks.

Lauren Hobart: Thank you. We are seeing, as I said, growth across the entire business. And we are absolutely seeing consumers lean into innovation and technical aspects of the product and performance. So you see it in the running construct from Nike, for example, doing really well. You see it, as I've mentioned, in some of the hardline categories. We're actually having tremendous excitement in the license category, and we've got small tests going on with trading cards that are doing very well. There is excitement.

I think it speaks to the fact that the consumer, sport, and culture are intertwined in ways that have never been this powerful, and the consumer is very, very in newness, those the lifestyle sport and the performance of sport, and we're carrying those products. So I could point to the entire portfolio and say there are areas of incredible excitement and things that we're very excited about coming down the pike.

Joe Feldman: That's great. Thanks. And maybe a quick separate sort of question, which is can you

talk a little bit about how you guys are incorporating new technologies into the business, like AI or computer vision and machine learning and how that's maybe gonna help on the back end and the front end? Thanks.

Lauren Hobart: That's a great question. As you know, we have been investing in SG&A for some time now, and a lot of that is in marketing, but also technical tools that are really enabling our business. And we've been investing in things like the digital businesses to make our e-commerce and the Game Changer business even stronger. We're investing in the marketing stack so that we can be more personalized. We're investing in tools for our teammates so that they use RFID to help find products around the store and to be able to send products faster to athletes. And we have AI embedded in many of these tools.

We've got search function, supercharged search on e-comm that is based on AI enablement. And as his teammates scheduling and product and merch assortment planning. So early innings with AI, but the tools that we are building are powered by them and will continue to be more so. And this is a very significant part of how we're driving productivity and also empowering our teammates to spend more time with athletes in the sales and service mode rather than on tasking.

Joe Feldman: That's great. Thanks. Good luck with this next quarter.

Lauren Hobart: Thank you.

Operator: Your next question comes from the line of John Kernan with TD Cowen. Please go ahead.

John Kernan: Thanks for taking my question. And congrats on a nice quarter. Lauren, can you talk to the athletic footwear cycle where you think we are prices seem to be moving a little bit higher and

probably will show through the first half of next year. How do you think the consumer's ability to absorb these price increases stands? And I got a quick follow-up after that.

Lauren Hobart: Yes. Well, as I've said, the footwear business continues to be very, very strong. There have been some selective price increases, but we and our brand partners are very surgical about when, where, and how much we can bring in some minor price increases, you know, to offset some of the tariffs. But we are always conscious of what the consumer will be able to afford and the profitability of the business. So with a 5% comp, you know, we have not seen the consumer having any issue with the price increases, the small level price increases that have gone in. And we're seeing incredible demand for footwear.

John Kernan: Got it. Then, Navdeep, maybe a quick question for you. Just the tariff impacts on cost of goods sold and gross margin in the back half. What are your assumptions? And do you think this will trend into the first half of next year?

Navdeep Gupta: Yeah. John, you know, minimal impact from tariffs in Q2. There is a small impact in the second half that has been contemplated into our outlook that we shared. For the margin as well as the full-year profitability. And I will share much more around the FY 2026 in due course. But as you can imagine, this is an active body of work between us with our manufacturers, with the national brand partners, and also looking at the pricing and promotion opportunity that we see. So plenty of work that is still ahead of us. Feel great about the outlook. And how our teams have been managing through this situation.

John Kernan: Got it. Best of luck in the fall. Thank you.

Navdeep Gupta: Thank you.

Operator: Your next question comes from the line of Joseph Civello with Truist. Please go ahead.

Joseph Civello: Hey. Good morning, guys. I was wondering if you could talk a little bit about how traffic compares between Fieldhouse and House of Sport stores versus the chain average. And how you're thinking about the dynamics between ticket and transactions moving forward?

Navdeep Gupta: Yeah. So we don't break that level of details out, so I'll not do that right now. As you can imagine, you know, we continue to remain really, really enthusiastic about the performance that we are seeing from House of Sport stores, the Fieldhouse stores, not just from a traffic perspective, but overall basket building opportunity, the work that our teams are doing in fully servicing these athletes that are walking into these locations, the experiences that we are able to provide. So traffic probably is a very niche way to look at it, and we are looking at the overall aggregate level of performance coming out of these stores.

And as we have shared, we are very excited about top line momentum as well as the bottom line momentum. More importantly, how well these are resonating with our brand partners is a very differentiating capability that we are excited about. Terms of the dynamics of tickets and transaction, you know, won't guide at that level as you can consistently see over the last several quarters.

You know, our growth in comp sales has been consistently coming from more transactions as well as ticket, and that's goes back to continue to being the case where DICK'S is seen as a right destination for sport and culture, and that's what gets us really excited as we look at the balance of the year this year.

Joseph Civello: Got it. Makes sense. And then if I just squeeze in one more. Just wanted to ask

about the recent retail media investments. And how we should think about that business scaling, I guess, through this year and then maybe how we're thinking about it in 2026 versus 2025?

Lauren Hobart: Yeah. We are thrilled with our DICK'S Media Network. We have been building it for some time now. It is getting increasingly more powerful as we leverage the automation of the data and the reporting. Our brand partners and non-endemic partners are very excited, but we are still in early innings. So we haven't broken out exactly how much we are expecting from the retail media network this year nor next year. But I would look to this as being a long-term growth profitability driver, margin driver, and revenue. We are very, very pleased. We have a unique network here where we have access to youth sports and actually live sports.

You look at the Game Changer platform, and it's something that is being recognized as being very unique in the industry.

Navdeep Gupta: Yeah. Joe, I'll actually connect your last question and this question on DMN because there is a very unique opportunity that exists at the intersection of Fieldhouse and House of Sport with DICK'S Media Network as well. Where we are able to activate the brands, both endemic and non-endemic, and really, really showcase those brands in front of the athletes while they are visiting House of Sport or Fieldhouse. So that's what the unique opportunity that we see between Game Changer, the retail location, as well as some of the online platforms that we have.

Joseph Civello: Great. Thanks so much.

Operator: Your next question comes from the line of Paul Lejuez with Citi. Please go ahead.

Paul Lejuez: Hey. Thanks. Sorry if I missed this, but did you talk about the performance of your

private brands this quarter? And then just along those lines, from a tariff perspective, curious what kind of cost increases you're seeing due to tariffs on the product that you direct import and what your plans are with price for those items. And then same question for National Brands. So the price increases that you are seeing, what's happening with price? Are you looking to maintain margin or you're looking to maintain profit dollars? Thanks.

Lauren Hobart: Great, Paul. Thanks for the question. I'll start off. Our vertical brands continue to do very, very well. And I specifically would point to our flagship apparel brands, DSG, CLIA, and Versed. Doing very well in meeting a consumer need in our stores for product that is not being covered elsewhere. It's really it's a great incremental opportunity. Our vertical brands also still have seven to 900 basis points higher margin than the average national brand, and we are the number one or two vendor in a lot of categories for ourselves, accessories, athletic apparel, fitness, golf, team sports. So across the board, vertical brands doing very well.

I'll turn it to Navdeep to answer the second part of your question.

Navdeep Gupta: So, Paul, just to build on the tariff question as well as pricing, you know, we as you can imagine, we have seen some of the brand partners, you know, as we manage our business, they are managing and there is a little bit of an increase in prices that we have seen both on the vertical brand side as well as from the national brand partners. However, you know, consistent with what we have been doing for a few years now, as well as look at the prior cycles, we take a very surgical and a flexible approach to pricing.

We are consistently working very closely with our manufacturers and our brand partners trying to make the right decision that balances the needs of that athlete so that we continue to drive the top line momentum at the same time balance against the profitability of that aspect of the business. And

this is all has been contemplated in the updated outlook that we provided for the second half.

Operator: Your next question comes from the line of Justin Kleber with Baird. Please go ahead.

Justin Kleber: Hey, good morning, everyone. Thanks for taking the question. Just wanted to follow-up there on Paul's vertical brand question and ask it in a bit different way. Typically, as it relates to how you envision leveraging your success in vertical brands and perhaps introducing some of these into the Foot Locker stores.

Lauren Hobart: Justin, too it's too soon for us to talk about that. We have to immerse into the business. We haven't closed yet. We don't know. We think there's a lot of merchandising opportunities. We think there's apparel opportunities over in Foot Locker, but vertical brands way too soon to tell.

Justin Kleber: Okay. And then just one clarification. The new comp and sales guide, does that just flow through the first half upside? Or I thought, Lauren, I heard you mention that you did take up your second half assumptions. So just wanted to clarify that. Thank you.

Lauren Hobart: Yes. We did take up the second half assumptions. Modestly. Navdeep, you want to give some specifics?

Navdeep Gupta: Yeah. Absolutely. Justin, like Lauren indicated, we flowed through the beat on Q2 against our own internal expectations, and we have modestly raised our second half comp expectations modestly also for the back half.

Justin Kleber: Alright. Thank you, guys. Best of luck.

Navdeep Gupta: Thanks, Justin.

Operator: Your next question comes from the line of Eric Cohen with Gordon Haskett. Please go ahead.

Eric Cohen: Hi. Thanks for the question and great quarter. Historically, DICK'S has had a pretty diversified offering across categories. The footwear, apparel, hardlines. But then post the Foot Locker acquisition, your footwear category is gonna become a much more meaningful part of the business. So I guess how do you ease concerns that business is not gonna have incremental inherent risk by being much more tied to a single category than you have been in the past?

Lauren Hobart: Thanks, Eric. Footwear is the engine that pulls the train. We always have said that the outfit starts with the footwear. Footwear is key for performance. It's key for sport lifestyle. As sport and culture continue to intertwine, footwear is the key product. So we are quite confident. We're serving different consumers, both at DICK'S and at the Foot Locker banners. And we are going to be delivering them what they need in a category that we think is fairly important both long-term, short-term and long-term.

Eric Cohen: Great. And just as you continue to open up more House of Sport in different market sizes and locations within markets, have you seen a difference in sort of the sales productivity or how they ran? Obviously, now you're gonna accelerate the openings. Need to think about just of those pro forma should just be consistent as you expand more.

Navdeep Gupta: Yeah. Eric, we are very happy with the performance that we are seeing. Actually, excited also about the fact that, you know, even some of the smaller markets are able to support the

House of Sport locations very, very productively. So that actually expands the opportunities for us to think broadly about the House of Sport strategy as we look to the next few years.

Eric Cohen: Great. Thanks a lot.

Lauren Hobart: Thank you.

Operator: And that concludes our question and answer session. And I will now turn it back over to Lauren Hobart, President and CEO, for closing comments.

Lauren Hobart: Thank you all for your time today and for your interest in DICK'S Sporting Goods, and a shout out to our teams across the country and a welcome to our new Foot Locker teammates. We're excited to get going on after September 8. Thank you all very much.

Operator: Ladies and gentlemen, this does conclude today's conference call. Thank you for your participation, and you may now disconnect.

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