

# NIKE INC

## FORM 8-K (Current report filing)

Filed 09/26/13 for the Period Ending 09/26/13

|             |                                             |
|-------------|---------------------------------------------|
| Address     | ONE BOWERMAN DR<br>BEAVERTON, OR 97005-6453 |
| Telephone   | 5036713173                                  |
| CIK         | 0000320187                                  |
| Symbol      | NKE                                         |
| SIC Code    | 3021 - Rubber and Plastics Footwear         |
| Industry    | Footwear                                    |
| Sector      | Consumer Cyclical                           |
| Fiscal Year | 05/31                                       |

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 8-K**

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):

September 26, 2013



NIKE, Inc.

(Exact name of registrant as specified in charter)

OREGON

(State or other jurisdiction  
of incorporation)

1-10635

(Commission  
File Number)

93-0584541

(IRS Employer  
Identification No.)

ONE BOWERMAN DRIVE  
BEAVERTON, OR

(Address of principal executive offices)

97005-6453

(Zip Code)

Registrant's telephone number, including area code:

(510)124

NO CHANGE

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.1



## **Item 2.02 Results of Operations and Financial Condition**

Today NIKE, Inc. issued a press release disclosing financial results for the fiscal quarter ended August 31, 2013. The text of the release is furnished herewith as Exhibit 99.1.

## **Item 9.01 Financial Statements and Exhibits**

(d) Exhibits.

The following exhibit is furnished with this Form 8-K:

99.1 Press Release dated September 26, 2013.

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## **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: September 26, 2013

NIKE, INC.  
(Registrant)

By: /s/ Donald W. Blair  
Donald W. Blair  
Chief Financial Officer



Investor Contact:

Kelley Hall  
(503) 532-3793

Media Contact:

Kellie Leonard  
(503) 671-6171

## NIKE, INC. REPORTS FISCAL 2014 FIRST QUARTER RESULTS

- Revenues from continuing operations up 8 percent to \$7.0 billion
- Diluted earnings per share from continuing operations up 37 percent to \$0.86
- Worldwide futures orders up 8 percent, 10 percent growth excluding currency changes
- Inventories as of August 31, 2013 up 6 percent

**BEAVERTON, Ore., September 26, 2013** - NIKE, Inc. (NYSE:NKE) today reported financial results for its fiscal 2014 first quarter ended August 31, 2013. Strong demand for NIKE, Inc. brands propelled revenue growth, and diluted earnings per share grew faster than revenue due to gross margin expansion, SG&A leverage, a lower tax rate and a lower average share count.

"We had a great first quarter driven by our unrelenting commitment to delivering innovative products and services to athletes around the world," said Mark Parker, President and CEO of NIKE, Inc. "Our powerful portfolio of businesses combined with unmatched leadership and resources allows us to capitalize on opportunities that drive long-term value for our shareholders. I am more excited than ever about our potential to continue to innovate with purpose, and fuel NIKE's growth."\*

### First Quarter Continuing Operations Income Statement Review

Starting in the first quarter of fiscal 2014, the Company changed the reporting structure for what was historically identified as Other Businesses. Hurley and NIKE Golf have been included in the overall financial results for the NIKE Brand and for individual geographies, reflecting the operational integration of these businesses into the NIKE Brand category offense. Converse will now be reported as a separate segment, reflecting the ongoing operation of this brand as a stand-alone business.

- **Revenues** for NIKE, Inc. increased 8 percent to \$7.0 billion. Changes in foreign currency exchange rates did not have a significant impact on total reported revenue growth.
  - Revenues for the NIKE Brand were \$6.5 billion, up 7 percent on a currency neutral basis, with growth in every product type and every geography except Greater China. For the first quarter, NIKE Brand revenues were higher in Running, Basketball, Football (Soccer) and Men's Training, offsetting a slight decline in Sportswear.
  - Revenues for Converse were \$494 million, up 16 percent on a currency neutral basis, driven by strong performance in our largest owned markets: the United Kingdom, North America and China.
- **Gross margin** increased 120 basis points to 44.9 percent. Gross margin benefitted from easing raw material costs, a shift in the mix of the Company's revenues to higher margin products, lower discounts and growth in the higher margin Direct-to-Consumer business. These benefits were partially offset by higher labor costs and unfavorable changes in foreign exchange rates.
- **Selling and administrative expense** was in line with the same period last year at \$2.1 billion. Demand creation expense was \$731 million, down 16 percent versus the prior year, which included higher spending supporting key product initiatives, as well as the Olympics and European Football Championships. Operating overhead expense increased 12 percent to \$1.3 billion due to investments in digital innovation and other growth businesses, as well as higher Direct to Consumer costs driven by growth and new store openings.
- **Other expense, net** was \$28 million, comprised primarily of foreign currency exchange losses. For the quarter, the Company estimates the year-over-year change in foreign currency related gains and losses included in other expense (income), net, combined with the impact of changes in currency exchange rates on the translation of foreign currency-denominated profits, decreased pretax income by approximately \$38 million.
- **The effective tax rate** was 25.0 percent, compared to 26.9 percent for the same period last year, an improvement due primarily to a lower effective tax rate on operations outside the United States.
- **Net income** increased 33 percent to \$780 million while **diluted earnings per share** increased 37 percent to

\$0.86, reflecting a 1 percent decline in the weighted average diluted common shares outstanding.

## August 31, 2013 Balance Sheet Review for Continuing Operations

- **Inventories** for NIKE, Inc. were \$3.5 billion, up 6 percent from August 31, 2012. NIKE Brand wholesale unit inventories increased 8 percent to support future demand. Changes in foreign currency exchange rates and product cost drove approximately a 2 percentage point decline in NIKE, Inc. inventory growth.
- **Cash and short-term investments** were \$5.6 billion; \$2.3 billion higher than last year mainly as a result of proceeds from the issuance of debt and sale of the Umbro and Cole Haan businesses in the prior fiscal year, in addition to higher net income and continued focus on working capital productivity.

## Share Repurchases

During the first quarter, NIKE, Inc. repurchased a total of 8.4 million shares for approximately \$526 million as part of the four-year, \$8 billion program approved by the Board of Directors in September 2012. As of the end of the first quarter, a total of 23.7 million shares had been repurchased under this program at a cost of approximately \$1.3 billion.

## Futures Orders

As of the end of the quarter, worldwide futures orders for NIKE Brand athletic footwear and apparel scheduled for delivery from September 2013 through January 2014 were 8 percent higher than orders reported for the same period last year. Excluding currency changes, reported orders would have increased 10 percent.\*

## Conference Call

NIKE management will host a conference call beginning at approximately 2:00 p.m. PT on September 26, 2013, to review first quarter results. The conference call will be broadcast live over the Internet and can be accessed at <http://investors.nikeinc.com>. For those unable to listen to the live broadcast, an archived version will be available at the same location through 9:00 p.m. PT, October 3, 2013.

## About NIKE, Inc.

NIKE, Inc., based near Beaverton, Oregon, is the world's leading designer, marketer and distributor of authentic athletic footwear, apparel, equipment and accessories for a wide variety of sports and fitness activities. Wholly-owned NIKE, Inc. subsidiaries include Converse Inc., which designs, markets and distributes athletic lifestyle footwear, apparel and accessories and Hurley International LLC, which designs, markets and distributes surf and youth lifestyle footwear, apparel and accessories. For more information, NIKE's earnings releases and other financial information are available on the Internet at <http://investors.nikeinc.com> and individuals can follow @Nike.

\* *The marked paragraphs contain forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially. These risks and uncertainties are detailed from time to time in reports filed by Nike with the S.E.C., including Forms 8-K, 10-Q, and 10-K. Some forward-looking statements in this release concern changes in futures orders that are not necessarily indicative of changes in total revenues for subsequent periods due to the mix of futures and "at once" orders, exchange rate fluctuations, order cancellations, discounts and returns, which may vary significantly from quarter to quarter, and because a significant portion of the business does not report futures orders.*

(Additional Tables Follow)

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**NIKE, Inc.**  
**CONSOLIDATED STATEMENTS OF INCOME**

For the period ended August 31, 2013

| <i>(Dollars in millions, except per share data)</i>     | <b>THREE MONTHS ENDED</b> |                  | <b>%</b>      |
|---------------------------------------------------------|---------------------------|------------------|---------------|
|                                                         | <b>8/31/2013</b>          | <b>8/31/2012</b> | <b>Change</b> |
| <b>Income from continuing operations:</b>               |                           |                  |               |
| Revenues                                                | \$ 6,971                  | \$ 6,474         | 8%            |
| Cost of sales                                           | 3,839                     | 3,646            | 5%            |
| Gross profit                                            | 3,132                     | 2,828            | 11%           |
| <i>Gross margin</i>                                     | <i>44.9 %</i>             | <i>43.7 %</i>    |               |
| Demand creation expense                                 | 731                       | 871              | -16%          |
| Operating overhead expense                              | 1,325                     | 1,188            | 12%           |
| Total selling and administrative expense                | 2,056                     | 2,059            | 0%            |
| <i>% of revenue</i>                                     | <i>29.5 %</i>             | <i>31.8 %</i>    |               |
| Interest expense (income), net                          | 8                         | (3)              | —             |
| Other expense (income), net                             | 28                        | (28)             | —             |
| Income before income taxes                              | 1,040                     | 800              | 30%           |
| Income taxes                                            | 260                       | 215              | 21%           |
| <i>Effective tax rate</i>                               | <i>25.0 %</i>             | <i>26.9 %</i>    |               |
| <b>NET INCOME FROM CONTINUING OPERATIONS</b>            | <b>780</b>                | <b>585</b>       | <b>33%</b>    |
| <b>NET (LOSS) INCOME FROM DISCONTINUED OPERATIONS</b>   | <b>—</b>                  | <b>(18)</b>      | <b>—</b>      |
| <b>NET INCOME</b>                                       | <b>\$ 780</b>             | <b>\$ 567</b>    | <b>38%</b>    |
| <b>Earnings per share from continuing operations:</b>   |                           |                  |               |
| Basic earnings per common share                         | \$ 0.88                   | \$ 0.65          | 35%           |
| Diluted earnings per common share                       | \$ 0.86                   | \$ 0.63          | 37%           |
| <b>Earnings per share from discontinued operations:</b> |                           |                  |               |
| Basic earnings per common share                         | \$ —                      | \$ (0.03)        | —             |
| Diluted earnings per common share                       | \$ —                      | \$ (0.02)        | —             |
| <b>Weighted average common shares outstanding:</b>      |                           |                  |               |
| Basic                                                   | 889.4                     | 905.6            |               |
| Diluted                                                 | 910.7                     | 922.8            |               |
| Dividends declared per common share                     | \$ 0.21                   | \$ 0.18          |               |

# NIKE, Inc.

## CONSOLIDATED BALANCE SHEETS

As of August 31, 2013

| <i>(Dollars in millions)</i>                      | August 31,<br>2013 | August 31,<br>2012 | % Change   |
|---------------------------------------------------|--------------------|--------------------|------------|
| <b>ASSETS</b>                                     |                    |                    |            |
| Current assets:                                   |                    |                    |            |
| Cash and equivalents                              | \$ 2,936           | \$ 2,165           | 36%        |
| Short-term investments                            | 2,642              | 1,102              | 140%       |
| Accounts receivable, net                          | 3,207              | 3,291              | -3%        |
| Inventories                                       | 3,472              | 3,263              | 6%         |
| Deferred income taxes                             | 308                | 270                | 14%        |
| Prepaid expenses and other current assets         | 1,053              | 720                | 46%        |
| Assets of discontinued operations                 | —                  | 636                | —          |
| <b>Total current assets</b>                       | <b>13,618</b>      | <b>11,447</b>      | <b>19%</b> |
| Property, plant and equipment                     | 5,684              | 5,175              | 10%        |
| Less accumulated depreciation                     | 3,127              | 2,951              | 6%         |
| Property, plant and equipment, net                | 2,557              | 2,224              | 15%        |
| Identifiable intangible assets, net               | 383                | 372                | 3%         |
| Goodwill                                          | 131                | 131                | 0%         |
| Deferred income taxes and other assets            | 985                | 940                | 5%         |
| <b>TOTAL ASSETS</b>                               | <b>\$ 17,674</b>   | <b>\$ 15,114</b>   | <b>17%</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |                    |                    |            |
| Current liabilities:                              |                    |                    |            |
| Current portion of long-term debt                 | \$ 57              | \$ 9               | 533%       |
| Notes payable                                     | 111                | 129                | -14%       |
| Accounts payable                                  | 1,559              | 1,492              | 4%         |
| Accrued liabilities                               | 1,913              | 1,864              | 3%         |
| Income taxes payable                              | 211                | 114                | 85%        |
| Liabilities of discontinued operations            | 12                 | 151                | -92%       |
| <b>Total current liabilities</b>                  | <b>3,863</b>       | <b>3,759</b>       | <b>3%</b>  |
| Long-term debt                                    | 1,207              | 226                | 434%       |
| Deferred income taxes and other liabilities       | 1,322              | 1,082              | 22%        |
| Redeemable preferred stock                        | —                  | —                  | —          |
| Shareholders' equity                              | 11,282             | 10,047             | 12%        |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <b>\$ 17,674</b>   | <b>\$ 15,114</b>   | <b>17%</b> |



# NIKE, Inc.

## DIVISIONAL REVENUES <sup>1</sup>

For the period ended August 31, 2013

| <i>(Dollars in millions)</i>                                | THREE MONTHS ENDED |           | %      | % Change                                      |
|-------------------------------------------------------------|--------------------|-----------|--------|-----------------------------------------------|
|                                                             | 8/31/2013          | 8/31/2012 | Change | Excluding<br>Currency<br>Changes <sup>2</sup> |
| <b>North America</b>                                        |                    |           |        |                                               |
| Footwear                                                    | \$ 1,904           | \$ 1,745  | 9 %    | 9 %                                           |
| Apparel                                                     | 1,009              | 924       | 9 %    | 9 %                                           |
| Equipment                                                   | 222                | 197       | 13 %   | 13 %                                          |
| Total                                                       | 3,135              | 2,866     | 9 %    | 9 %                                           |
| <b>Western Europe</b>                                       |                    |           |        |                                               |
| Footwear                                                    | 829                | 716       | 16 %   | 12 %                                          |
| Apparel                                                     | 399                | 388       | 3 %    | 1 %                                           |
| Equipment                                                   | 73                 | 72        | 1 %    | -3 %                                          |
| Total                                                       | 1,301              | 1,176     | 11 %   | 8 %                                           |
| <b>Central &amp; Eastern Europe</b>                         |                    |           |        |                                               |
| Footwear                                                    | 193                | 168       | 15 %   | 13 %                                          |
| Apparel                                                     | 139                | 129       | 8 %    | 6 %                                           |
| Equipment                                                   | 34                 | 30        | 13 %   | 14 %                                          |
| Total                                                       | 366                | 327       | 12 %   | 10 %                                          |
| <b>Greater China</b>                                        |                    |           |        |                                               |
| Footwear                                                    | 341                | 357       | -4 %   | -7 %                                          |
| Apparel                                                     | 197                | 181       | 9 %    | 6 %                                           |
| Equipment                                                   | 36                 | 39        | -8 %   | -11 %                                         |
| Total                                                       | 574                | 577       | -1 %   | -3 %                                          |
| <b>Japan</b>                                                |                    |           |        |                                               |
| Footwear                                                    | 88                 | 108       | -19 %  | 2 %                                           |
| Apparel                                                     | 53                 | 67        | -21 %  | -1 %                                          |
| Equipment                                                   | 17                 | 22        | -23 %  | 1 %                                           |
| Total                                                       | 158                | 197       | -20 %  | 1 %                                           |
| <b>Emerging Markets</b>                                     |                    |           |        |                                               |
| Footwear                                                    | 624                | 617       | 1 %    | 5 %                                           |
| Apparel                                                     | 226                | 223       | 1 %    | 6 %                                           |
| Equipment                                                   | 52                 | 57        | -9 %   | -6 %                                          |
| Total                                                       | 902                | 897       | 1 %    | 5 %                                           |
| <b>Global Brand Divisions <sup>3</sup></b>                  |                    |           |        |                                               |
|                                                             | 32                 | 27        | 19 %   | 12 %                                          |
| <b>Total NIKE Brand</b>                                     |                    |           |        |                                               |
|                                                             | 6,468              | 6,067     | 7 %    | 7 %                                           |
| Converse                                                    | 494                | 418       | 18 %   | 16 %                                          |
| Corporate <sup>4</sup>                                      | 9                  | (11)      | —      | —                                             |
| <b>Total NIKE, Inc. Revenues From Continuing Operations</b> |                    |           |        |                                               |
|                                                             | \$ 6,971           | \$ 6,474  | 8 %    | 8 %                                           |
| <b>Total NIKE Brand</b>                                     |                    |           |        |                                               |
| Footwear                                                    | \$ 3,979           | \$ 3,711  | 7 %    | 8 %                                           |
| Apparel                                                     | 2,023              | 1,912     | 6 %    | 6 %                                           |
| Equipment                                                   | 434                | 417       | 4 %    | 5 %                                           |
| Global Brand Divisions <sup>3</sup>                         | 32                 | 27        | 19 %   | 12 %                                          |

<sup>1</sup> Certain prior year amounts have been reclassified to conform to fiscal year 2014 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

<sup>2</sup> Fiscal 2014 results have been restated using fiscal 2013 exchange rates for the comparative period to enhance the visibility of the underlying business trends excluding the impact of foreign currency exchange rate fluctuations.

<sup>3</sup> Global Brand Divisions primarily represent NIKE Brand licensing businesses that are not part of a geographic operating segment.

<sup>4</sup> Corporate revenues primarily consist of intercompany revenue eliminations and foreign currency revenue-related hedge gains and losses generated by entities within the NIKE Brand geographic operating segments and Converse through our centrally managed foreign exchange risk management program.



**NIKE, Inc.**  
**EARNINGS BEFORE INTEREST AND TAXES**<sup>1,2</sup>

For the period ended August 31, 2013

| <i>(Dollars in millions)</i>                    | THREE MONTHS ENDED |               | %           |
|-------------------------------------------------|--------------------|---------------|-------------|
|                                                 | 8/31/2013          | 8/31/2012     |             |
| North America                                   | \$ 813             | \$ 645        | 26 %        |
| Western Europe                                  | 265                | 212           | 25 %        |
| Central & Eastern Europe                        | 81                 | 54            | 50 %        |
| Greater China                                   | 170                | 165           | 3 %         |
| Japan                                           | 24                 | 23            | 4 %         |
| Emerging Markets                                | 210                | 221           | -5 %        |
| Global Brand Divisions <sup>3</sup>             | (466)              | (456)         | -2 %        |
| <b>TOTAL NIKE BRAND</b>                         | <b>1,097</b>       | <b>864</b>    | <b>27 %</b> |
| Converse                                        | 169                | 124           | 36 %        |
| Corporate <sup>4</sup>                          | (218)              | (191)         | -14 %       |
| <b>TOTAL EARNINGS BEFORE INTEREST AND TAXES</b> | <b>\$ 1,048</b>    | <b>\$ 797</b> | <b>31 %</b> |

<sup>1</sup> The Company evaluates performance of individual operating segments based on earnings before interest and taxes (also commonly referred to as "EBIT"), which represents net income before interest expense (income), net, and income taxes.

<sup>2</sup> Certain prior year amounts have been reclassified to conform to fiscal year 2014 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

<sup>3</sup> Global Brand Divisions primarily represent NIKE Brand licensing businesses that are not part of a geographic operating segment and selling general and administrative expenses that are centrally managed for the NIKE Brand.

<sup>4</sup> Corporate consists of unallocated general and administrative expenses, which includes expenses associated with centrally managed departments, depreciation and amortization related to the Company's corporate headquarters, unallocated insurance and benefit programs, certain foreign currency gains and losses, including certain hedge gains and losses, corporate eliminations and other items.

**NIKE, Inc.**  
**NIKE BRAND REPORTED FUTURES GROWTH BY GEOGRAPHY** <sup>1</sup>  
As of August 31, 2013

|                                          | Reported Futures Orders | Excluding Currency Changes <sup>2</sup> |
|------------------------------------------|-------------------------|-----------------------------------------|
| North America                            | 11%                     | 12%                                     |
| Western Europe                           | 12%                     | 12%                                     |
| Central & Eastern Europe                 | 25%                     | 27%                                     |
| Greater China                            | 3%                      | 2%                                      |
| Japan                                    | -19%                    | 1%                                      |
| Emerging Markets                         | 1%                      | 7%                                      |
| <b>Total NIKE Brand Reported Futures</b> | <b>8%</b>               | <b>10%</b>                              |

<sup>1</sup> Futures orders by geography and in total for NIKE Brand athletic footwear and apparel scheduled for delivery from September 2013 through January 2014, excluding NIKE Golf and Hurley.

The reported futures and advance orders growth is not necessarily indicative of our expectation of revenue growth during this period. This is due to year-over-year changes in shipment timing and because the mix of orders can shift between advance/futures and at-once orders and the fulfillment of certain orders may fall outside of the schedule noted above. In addition, exchange rate fluctuations as well as differing levels of order cancellations, discounts and returns can cause differences in the comparisons between advance/futures orders and actual revenues. Moreover, a significant portion of our revenue is not derived from futures and advance orders, including at-once and close-out sales of NIKE Brand footwear and apparel, sales of NIKE Brand equipment, sales from certain of our Direct to Consumer operations, and sales from Converse, NIKE Golf and Hurley.

<sup>2</sup> Reported futures have been restated using prior year exchange rates to enhance the visibility of the underlying business trends excluding the impact of foreign currency exchange rate fluctuations.