

NIKE INC

FORM 8-K (Current report filing)

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Address	ONE BOWERMAN DR 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):

December 21, 2010



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:

(503)671-6453

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 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

Today NIKE, Inc. issued a press release disclosing financial results for the fiscal quarter ended November 30, 2010. 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 November 30, 2010.

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.

NIKE, Inc.

Date December 21, 2010

By: /s/ Donald W. Blair

Donald W. Blair
Chief Financial Officer



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NIKE, INC. REPORTS FISCAL 2011 SECOND QUARTER RESULTS

- Revenue \$4.8 billion; up 10 percent versus prior year or up 11 percent excluding currency changes
- Diluted earnings per share up 24 percent from prior year to \$0.94
- NIKE Brand futures orders up 11 percent
- Inventories up 8 percent versus prior year

BEAVERTON, Ore., Dec. 21, 2010 – NIKE, Inc. (NYSE:NKE) today reported financial results for its fiscal 2011 second quarter ended November 30, 2010. Earnings per share for the quarter were up 24 percent on 10 percent higher net revenue as NIKE, Inc. brands continued to experience strong sales in the marketplace and benefit from clean inventory positions while better leveraging SG&A expenses.

“We had a great second quarter. Almost every brand, category and geography delivered growth,” said Mark Parker, President and CEO of NIKE Inc. “We continue to outperform the market thanks to our innovative product, compelling brands and strong marketplace management. That’s good for athletes and consumers, good for our industry, and it’s good for our shareholders. Going forward, we’re in the enviable position of having far more opportunities than challenges. I’m confident our strategies can continue to deliver sustainable, profitable growth.”*

Futures Orders

As of the end of the quarter futures orders for NIKE Brand athletic footwear and apparel, scheduled for delivery from December 2010 through / 2011, totaled \$7.7 billion, 11 percent higher than orders reported for the same period last year with minimal impact from changes in foreign currency exchange rates compared to the prior year.*

By geography, futures orders were as follows:

<i>Geography</i>	<i>Reported Futures Orders</i>	<i>Excluding Currency Changes</i>
North America	+16%	+16%
Western Europe	0%	+3%
Central and Eastern Europe	+9%	+11%
Greater China	+18%	+14%
Japan	-2%	-5%
Emerging Markets	+15%	+15%
Total NIKE Brand Futures Orders	+11%	+11%

Second Quarter Income Statement Review

- **Revenues** increased 10 percent to \$4.8 billion. Excluding the impacts of changes in foreign currency, NIKE, Inc. revenue increased 11 percent. Revenues for the NIKE Brand were up 9 percent, or up 10 percent on a currency neutral basis, driven by growth in all seven NIKE Brand key categories except Sportswear, which was down slightly compared to the prior year, and every geography except Japan. Our Other Businesses revenues increased 13 percent, with a minimal impact from changes in foreign currency exchange rates, as Cole Haan, Converse, Hurley, NIKE Golf and Umbro all experienced growth during the quarter.
- **Gross margins** improved 80 basis points to 45.3 percent. The improvement was due to a higher mix of full-price sales and fewer and more profitable close-out sales resulting from strong demand for our products and cleaner inventory positions, as well as improved profitability from our Direct to Consumer operations. These factors more than offset margin pressure from higher total freight costs, including additional airfreight costs incurred to meet strong demand for NIKE Brand products.
- **Selling and administrative expenses** were up 9 percent to \$1.6 billion mainly due to operating overhead, which increased 14 percent to \$1.0 billion. This increase was a result of additional investments made in both our wholesale and Direct to Consumer businesses, higher performance based compensation expense and meeting and travel expense increases given comparisons to reduced levels last year. Demand Creation spending was inline with the same period last year at \$574 million.
- **Other income** was \$28 million, comprised largely of non-recurring items and net conversion gains primarily on currency hedges. For the

quarter, we estimate the year over year change in foreign currency related gains included in other income, net combined with the impact of changes in foreign currency exchange rates on the translation of foreign currency-denominated profits had an insignificant impact on pretax income.

- *The effective tax rate* was 25.0 percent compared to 23.6 percent for the same period last year. The effective tax rate was higher due to a larger percentage of pretax income coming from operations in the United States, which has a higher effective tax rate than operations abroad.
- *Net income* increased 22 percent to \$457 million and *diluted earnings per share* increased 24 percent to \$0.94, reflecting higher net income and an approximate 1 percent decline in the number of diluted weighted average common shares outstanding.

November 30, 2010 Balance Sheet Review

- *Inventories* for NIKE, Inc. were \$2.3 billion, up 8 percent from November 30, 2009.
- *Cash and short-term investments* at period-end were \$4.8 billion, 19 percent higher than last year mainly as a result of higher net income.

Share Repurchases

During the second quarter, the Company repurchased a total of 3.5 million shares for approximately \$280 million as part of the Company's four-year, \$5 billion share repurchase program, approved by the Board of Directors in September 2008. As of the end of the second quarter the Company has purchased a total of 17.4 million shares for approximately \$1.3 billion under this program.

Conference Call

NIKE management will host a conference call beginning at approximately 2:00 p.m. PT on December 21, 2010, to review second quarter results. The conference call will be broadcast live over the Internet and can be accessed at www.nikebiz.com/investors. 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, December 28, 2010.

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 subsidiaries include Cole Haan, which designs, markets and distributes luxury shoes, handbags, accessories and coats; Converse Inc., which designs, markets and distributes athletic footwear, apparel and accessories; Hurley International LLC, which designs, markets and distributes action sports and youth lifestyle footwear, apparel and accessories; and Umbro Ltd., a leading United Kingdom-based global football (soccer) brand. For more information, NIKE's earnings releases and other financial information are available on the Internet at www.nikebiz.com/investors.

* *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 and discounts, which may vary significantly from quarter to quarter, and because a significant portion of the business does not report futures orders.*

(Additional Tables Follow)

NIKE, Inc.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED NOVEMBER 30, 2010
(In millions, except per share data)

INCOME STATEMENT	QUARTER ENDED			YEAR TO DATE ENDED		
	11/30/2010	11/30/2009	% Chg	11/30/2010	11/30/2009	% Chg
Revenues	\$ 4,842	\$ 4,405	10 %	\$ 10,017	\$ 9,204	9 %
Cost of sales	2,649	2,445	8 %	5,390	5,028	7 %
Gross margin	2,193	1,960	12 %	4,627	4,176	11 %
	45.3 %	44.5 %		46.2 %	45.4 %	
Demand creation expense	574	573	0 %	1,253	1,127	11 %
Operating overhead expense	1,037	906	14 %	2,031	1,898	7 %
Total selling and administrative expense	1,611	1,479	9 %	3,284	3,025	9 %
	33.3 %	33.6 %		32.8 %	32.9 %	
Other (income), net	(28)	(12)	133 %	(21)	(24)	-13 %
Interest expense, net	1	2	-50 %	-	3	100 %
Income before income taxes	609	491	24 %	1,364	1,172	16 %
Income taxes	152	116	31 %	348	284	23 %
	25.0 %	23.6 %		25.5 %	24.2 %	
Net income	\$ 457	\$ 375	22 %	\$ 1,016	\$ 888	14 %
Diluted EPS	\$ 0.94	\$ 0.76	24 %	\$ 2.08	\$ 1.80	16 %
Basic EPS	\$ 0.96	\$ 0.77	25 %	\$ 2.12	\$ 1.83	16 %
Weighted Average Common Shares Outstanding:						
Diluted	487.6	494.5		488.4	493.5	
Basic	477.9	487.2		478.8	486.5	
Dividends declared	\$ 0.31	\$ 0.27		\$ 0.58	\$ 0.52	

NIKE, Inc.

BALANCE SHEET	11/30/2010	11/30/2009	% Change
	(In millions)		
<i>ASSETS</i>			
Current assets:			
Cash and equivalents	\$ 1,768	\$ 2,035	-13%
Short-term investments	3,021	1,975	53%
Accounts receivable, net	2,792	2,717	3%
Inventories	2,348	2,176	8%
Deferred income taxes	267	220	21%
Prepaid expenses and other current assets	<u>720</u>	<u>643</u>	12%
Total current assets	10,916	9,766	12%
Property, plant and equipment	4,641	4,503	3%
Less accumulated depreciation	<u>2,638</u>	<u>2,479</u>	6%
Property, plant and equipment, net	2,003	2,024	-1%
Identifiable intangible assets, net	469	473	-1%
Goodwill	192	196	-2%
Deferred income taxes and other assets	884	899	-2%
Total assets	<u>\$ 14,464</u>	<u>\$ 13,358</u>	8%
<i>LIABILITIES AND SHAREHOLDERS' EQUITY</i>			
Current liabilities:			
Current portion of long-term debt	\$ 132	8	-
Notes payable	128	103	24%
Accounts payable	1,225	1,008	22%
Accrued liabilities	1,685	1,598	5%
Income taxes payable	<u>78</u>	<u>81</u>	-4%
Total current liabilities	3,248	2,798	16%
Long-term debt	338	460	-27%
Deferred income taxes and other liabilities	929	876	6%
Redeemable preferred stock	-	-	-
Shareholders' equity	<u>9,949</u>	<u>9,224</u>	8%
Total liabilities and shareholders' equity	<u>\$ 14,464</u>	<u>\$ 13,358</u>	8%

NIKE, Inc.

DIVISIONAL REVENUES ¹	QUARTER ENDED			% Change Excluding Currency Changes ²	YEAR TO DATE ENDED			% Change Excluding Currency Changes ²	
	11/30/2010	11/30/2009	% Change		11/30/2010	11/30/2009	% Change		
	(In millions)								
North America									
Footwear	\$ 1,083	\$ 981	10%	10%	\$ 2,372	\$ 2,200	8%	8%	
Apparel	538	441	22%	22%	1,053	885	19%	19%	
Equipment	80	75	7%	4%	179	172	4%	3%	
Total	1,701	1,497	14%	13%	3,604	3,257	11%	10%	
Western Europe									
Footwear	499	515	-3%	6%	1,126	1,150	-2%	8%	
Apparel	297	323	-8%	0%	661	716	-8%	2%	
Equipment	47	64	-27%	-20%	112	141	-21%	-12%	
Total	843	902	-7%	2%	1,899	2,007	-5%	4%	
Central and Eastern Europe									
Footwear	120	108	11%	17%	266	247	8%	14%	
Apparel	88	85	4%	8%	180	174	3%	9%	
Equipment	15	15	0%	0%	40	42	-5%	-5%	
Total	223	208	7%	12%	486	463	5%	10%	
Greater China									
Footwear	264	210	26%	24%	510	428	19%	18%	
Apparel	191	170	12%	11%	373	338	10%	9%	
Equipment	27	23	17%	13%	59	53	11%	11%	
Total	482	403	20%	18%	942	819	15%	14%	
Japan									
Footwear	93	103	-10%	-17%	179	201	-11%	-17%	
Apparel	85	98	-13%	-20%	145	165	-12%	-19%	
Equipment	14	21	-33%	-38%	31	42	-26%	-31%	
Total	192	222	-14%	-21%	355	408	-13%	-19%	
Emerging Markets									
Footwear	521	405	29%	23%	925	704	31%	26%	
Apparel	183	158	16%	11%	332	274	21%	15%	
Equipment	51	44	16%	9%	89	82	9%	2%	
Total	755	607	24%	19%	1,346	1,060	27%	21%	
Global Brand Divisions ³	27	25	8%	24%	59	56	5%	14%	
Total NIKE Brand	4,223	3,864	9%	10%	8,691	8,070	8%	9%	
Other Businesses ⁴	631	556	13%	13%	1,324	1,160	14%	14%	
Corporate ⁵	(12)	(15)	20%	27%	2	(26)	-	-	
Total NIKE, Inc. Revenues	\$ 4,842	\$ 4,405	10%	11%	\$ 10,017	\$ 9,204	9%	10%	
Total NIKE Brand									
Footwear	\$ 2,580	\$ 2,322	11%	12%	\$ 5,378	\$ 4,930	9%	10%	
Apparel	1,382	1,275	8%	9%	2,744	2,552	8%	9%	
Equipment	234	242	-3%	-5%	510	532	-4%	-4%	
Global Brand Divisions ³	27	25	8%	24%	59	56	5%	14%	

¹ Certain prior year amounts have been reclassified to conform to fiscal year 2011 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

² Fiscal 2011 results have been restated using fiscal 2010 exchange rates for the comparative period to enhance the visibility of the underlying business trends excluding the impact of foreign currency exchange rate fluctuations.

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

⁴ Other businesses represent activities of Cole Haan, Converse, Hurley, NIKE Golf and Umbro.

⁵ Corporate revenues primarily consist of foreign currency revenue-related hedge gains and losses generated by entities within the NIKE Brand geographic operating segments through our centrally managed foreign exchange risk management program and foreign currency gains and losses resulting from the difference between actual foreign currency rates and standard rates assigned to these entities, which are used to record any non-functional currency revenues into the entity's functional currency.

NIKE, Inc.

EARNINGS BEFORE INTEREST AND TAXES ^{1,2}	QUARTER ENDED			%	YEAR TO DATE ENDED			%
	11/30/2010	11/30/2009	Chg		11/30/2010	11/30/2009	Chg	
(In millions)								
North America	\$ 359	\$ 290	24%	\$ 805	\$ 701	15%		
Western Europe	141	175	-19%	420	464	-9%		
Central and Eastern Europe	44	49	-10%	107	126	-15%		
Greater China	174	125	39%	338	274	23%		
Japan	36	45	-20%	63	80	-21%		
Emerging Markets	194	171	13%	318	277	15%		
Global Brand Divisions ³	<u>(227)</u>	<u>(175)</u>	-30%	<u>(477)</u>	<u>(356)</u>	-34%		
Total NIKE Brand	721	680	6%	1,574	1,566	1%		
Other Businesses ⁴	59	35	69%	168	122	38%		
Corporate ⁵	<u>(170)</u>	<u>(222)</u>	23%	<u>(378)</u>	<u>(513)</u>	26%		
Total earnings before interest and taxes ^{1,2}	\$ 610	\$ 493	24%	\$ 1,364	\$ 1,175	16%		

¹ 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, net and income taxes.

² Certain prior year amounts have been reclassified to conform to fiscal year 2011 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

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

⁴ Other businesses represent activities of Cole Haan, Converse, Hurley, NIKE Golf and Umbro.

⁵ 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.

