

# NIKE INC

## FORM 8-K (Current report filing)

Filed 03/24/98 for the Period Ending 03/18/98

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

# NIKE INC

## FORM 8-K (Unscheduled Material Events)

Filed 3/24/1998 For Period Ending 3/18/1998

Address	ONE BOWERMAN DR BEAVERTON, Oregon 97005-6453
Telephone	503-671-3173
CIK	0000320187
Industry	Footwear
Sector	Consumer Cyclical
Fiscal Year	05/31

# 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) March 18, 1998**

## NIKE, INC.

(Exact name of registrant as specified in its charter)

Oregon  
(State of incorporation)

1-10635  
(Commission File  
Number)

93-0584541  
(IRS Employer  
Identification No.)

One Bowerman Drive, Beaverton, Oregon 97005-6453  
(Address of principal executive offices) (Zip Code)

(503) 671-6453  
(Registrant's telephone number, including area code)

### Item 5. OTHER EVENTS

The Registrant issued the following press release on March 18, 1998:

#### **NIKE REPORTS THIRD QUARTER 1998 EARNINGS; FY 1998 RESTRUCTURING CHARGE TO BE BETWEEN \$125 - \$175 MILLION; WORLDWIDE FUTURES ORDERS DECREASE 9 PERCENT**

##### Highlights:

Revenues for the quarter decreased 8% to \$2.22 billion; Earnings per share are \$0.25 versus \$0.80.  
Restructuring charge of \$125 - \$175 million expected in FY98. Global footwear revenues down 16 percent; global apparel up 11 percent.  
Worldwide Futures Orders decreased 9 percent; down 7 percent in constant dollars.

Beaverton, OR (March 18, 1998) -- NIKE, Inc. (NYSE:NKE) today reported revenues and earnings for the Company's third quarter ended February 28, 1998. Third quarter net income totaled \$73.1 million or \$0.25 per diluted share compared to \$237.1 million, or \$0.80 per diluted share. Third quarter revenues were \$2.22 billion, down 8 percent from \$2.42 billion last year.

The Company also reported that fourth quarter fiscal 1998 earnings will be reduced by an estimated restructuring charge of between \$125 and \$175 million. Included in the charge will be costs associated with the anticipated reduction in the Company's global workforce of approximately 1,600 positions, or seven percent of the workforce. The charge is also expected to include provisions for asset write-downs, lease abandonments and other costs.\*

These measures, combined with the Company's efforts to maintain an efficient cost structure in the face of a difficult short-term market in the U.S. and Asia Pacific, are expected to result in projected reduced spending in excess of \$100 million in fiscal 1999.\*

In addition to the restructuring charge, the Company's gross margins for the year will be negatively impacted by approximately \$100 million compared to Fiscal 1997, due to increased close-out sales and write-downs of slow moving inventories.\*

Philip H. Knight, Chairman and CEO, said, "The actions we announce today, as difficult as they are to undertake as they impact our human assets, will result in a leaner and more competitive NIKE as we move into fiscal 1999. Our explosive growth in the three years prior to this one caused us to dramatically increase our workforce from 9,500 to almost 22,000 employees at the end of fiscal 1997.

"In spirit, NIKE remains a company that is about change. Going forward into this challenging period, we must look to new initiatives,

ambitious thinking and new metrics for measuring our success to supplement our core value of creating the best products for athletes. Our goal is to continually invest in the future of NIKE, so that we are better poised to leverage those investments when our business is back on the path of growth.\*

"Looking ahead into fiscal 1999, we foresee continued pressure on our earnings resulting from our difficulties in the Asia Pacific market. Our near-term prospects in Japan and Korea, combined with the negative effect of the strong U.S. dollar, will continue to burden earnings through at least the first half of fiscal 1999. Going forward, we believe that the significant infrastructure reductions we have made in our regional office in Hong Kong strategically position us closer to the individual markets. We remain resolute in our belief that the Asia Pacific region holds the greatest long-term opportunities for growth."\*

### **Futures Orders**

The Company reported worldwide futures orders for athletic footwear and apparel, including orders for NIKE Japan, scheduled for delivery between March and July 1998 total \$4.0 billion, 9 percent lower than such orders for the same period last year. Had the U.S. dollar remained constant at year-ago levels, worldwide futures orders would have decreased 7 percent.\*

Looking at futures orders by region, the USA region was down 13 percent, Europe increased 15 percent, Asia Pacific was down 34 percent and the Americas was up 9 percent. In constant dollars, futures orders for Europe increased 16 percent, Asia Pacific decreased 26 percent and Americas was up 12 percent.\*

### **Regional Highlights**

#### **USA**

U.S. athletic footwear revenues declined 18 percent to \$800.4 million, compared to \$980.4 million in the same period last year. U.S. athletic apparel revenues declined 5 percent in the quarter to \$331.0 million. Mr. Knight noted, "We continued to see a highly promotional retail environment in the U.S. in the third quarter, resulting in gross margin pressure on a higher percentage of our footwear. The encouraging news is that our close-out inventory continues to sell through at a strong pace and we anticipate our U.S. inventories to be in a more normalized position by the end of fiscal 1998."\*

#### **Europe**

European revenues in the quarter increased 4 percent to \$568.0 million. Had the dollar remained constant at year-ago levels, revenues would have increased 11 percent. Italy, France and Spain all showed double digit revenue growth in constant dollars. "The double digit increase in futures orders is a good indication of our growing brand strength in Europe, particularly in apparel," said Mr. Knight. "Looking out to FY99, we anticipate continued pressure on pricing margins due to the continued strength of the US dollar."\*

#### **Asia Pacific**

Revenues in the Asia Pacific region declined 17 percent to \$273.3 million. In constant dollars, regional revenues decreased 2 percent. Revenues in Japan declined 10 percent, but were flat in constant dollars. Korea saw the largest decline in the quarter, with revenues down 52 percent and down 20 percent in constant dollars. Mr. Knight noted, "We are actively engaged in moving excess inventory in this region through existing channels, through the addition of NIKE factory outlet stores, and by moving some of this product to other regions. We believe we are adequately reserved for the impact this close-out inventory will have on our gross margins but remain cautious on the impact this inventory will have on our business going forward in FY99, particularly in Japan and Korea."\*

#### **Americas**

Revenues in the Americas region grew 27 percent to \$133.1 million. Had the dollar remained constant, revenues would have increased 32 percent. Double digit revenue gains were recorded in every major country with Canada up 28 percent in constant dollars.

### **Global Category Highlights**

Despite a decrease in global footwear revenues of 16 percent, key growth categories such as golf, soccer and Jordan brand footwear all showed increases of over 80 percent. Global apparel revenues again showed strength across most major categories, including our largest one, training, which increased 19 percent. Other global apparel categories showing strong growth were tennis, kids, soccer and golf.

### **Income Statement Review**

In the third quarter, U.S. athletic footwear and apparel revenues totaled \$1.1 billion, a decrease of 15 percent. Non-U.S. athletic footwear and apparel revenues decreased 1 percent to \$974.3 million. Had the U.S. dollar remained constant at year-ago levels, non-U.S. revenues would have increased 9 percent in the quarter. Other revenues, which include NIKE equipment, Bauer, Cole Haan(R), Tetra Plastics and Sports Specialties, increased 6 percent to \$118.3 million. Selling and administrative expenses were 29.3 percent of third quarter revenues, compared to 23.8 percent last year.

### **Balance Sheet Review**

Cash and short-term investments decreased to \$150.3 in the third quarter. The current ratio as of February 28, 1998, was 2.1 to 1. Total U.S. footwear inventory units ended the quarter up 9 percent compared to November 30, 1997, and up 7 percent from February 28, 1997.

## Share Repurchase

During the third quarter, the Company purchased a total of 2.7 million shares of NIKE's Class B Common Stock for \$123.2 million, completing the \$450 million program approved in July 1993 and beginning the \$1 billion program approved in December 1997. In the quarter, 2.4 million shares were purchased under the July 1993 program for \$108.2 million. Total shares purchased since July 1993 were 23.7 million. Under the new \$1 billion, four-year program, the Company purchased a total of 355,000 shares for approximately \$15.0 million.

NIKE, Inc., based in Beaverton, Oregon, is the world's leading designer and marketer of authentic athletic footwear, apparel, equipment and accessories for a wide variety of sports and fitness activities. Wholly-owned NIKE subsidiaries include Bauer Inc., the world's leading manufacturer of hockey equipment; Cole Haan, which markets a line of high-quality men's and women's dress and casual shoes; and Sports Specialties Corporation, which markets a full line of licensed headwear. Total revenues for the trailing twelve months ending February 28, 1998, were \$9.6 billion.

\* 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, which may vary significantly from quarter to quarter.

NIKE's earnings releases and other financial information are available on the Internet at NikeBiz.com.

NIKE, INC.  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED FEBRUARY 28, 1998  
(In thousands, except per share data)

INCOME STATEMENT	QUARTER ENDING		Y-T-D ENDING	
	2/28/98	2/28/97	2/28/98	2/28/97
Revenues	\$2,223,995	\$2,423,648	\$7,245,366	\$6,812,608
Costs & Expenses				
Cost of Sales	1,428,849	1,435,427	4,503,836	4,075,174
SG&A	651,378	577,579	1,903,338	1,637,569
Interest Expense	13,167	15,793	47,222	38,687
Other	7,983	7,716	27,473	16,210
Total Costs	2,101,377	2,036,515	6,481,869	5,767,640
Pre-tax Income	122,618	387,133	763,497	1,044,968
Income Taxes	49,500	150,000	296,200	404,900
Net Income	\$73,118	\$237,133	\$467,297	\$640,068
	=====	=====	=====	=====
Diluted EPS	\$0.25	\$0.80	\$1.58	\$2.16
Basic EPS	\$0.25	\$0.82	\$1.61	\$2.22
	=====	=====	=====	=====
Weighted Average Common Shares Outstanding:				
Diluted	293,185	297,368	295,816	296,915
Basic	287,585	288,568	289,292	288,183
	=====	=====	=====	=====
Dividend	\$0.12	\$0.10	\$0.34	\$0.28
	=====	=====	=====	=====

	QUARTER ENDING		Y-T-D ENDING	
	2/28/98	2/28/97	2/28/98	2/28/97
Divisional Revenues				
U.S. Athletic Footwear	\$800,410	\$980,369	\$2,644,077	\$2,796,823
U.S. Athletic Apparel	330,958	348,702	1,174,459	1,067,474
Total U.S. Athletic	1,131,368	1,329,071	3,818,536	3,864,297
International Footwear	595,433	689,064	1,910,215	1,754,831
International Apparel	378,857	293,821	1,091,303	788,181
Total International	974,290	982,885	3,001,518	2,543,012
Other Brands	118,337	111,692	425,312	405,299
Total	\$2,223,995	\$2,423,648	\$7,245,366	\$6,812,608

QUARTER ENDING

Y-T-D ENDING

Percentage Change	2/28/98	2/28/98
U.S. Athletic Footwear	-18%	-5%
U.S. Athletic Apparel	-5%	10%
Total U.S. Athletic	-15%	-1%
International Footwear	-14%	9%
International Apparel	29%	38%
Total International	-1%	18%
Other Brands	6%	5%
Total	-8%	6%

BALANCE SHEET	2/28/98	2/28/97
<b>ASSETS</b>		
Cash & Investments	\$150,280	\$300,801
Accounts Receivable	1,809,830	1,850,310
Inventory	1,566,099	1,089,143
Deferred Taxes	138,008	109,660
Prepaid Expenses	228,815	150,586
Current Assets	3,893,032	3,500,500
Fixed Assets	1,710,068	1,294,483
Depreciation	618,549	465,691
Net Fixed Assets	1,091,519	828,792
Identifiable Intangible Assets and Goodwill	449,718	467,497
Other Assets	203,834	147,712
Total Assets	\$5,638,103	\$4,944,501
<b>LIAB AND EQUITY</b>		
Current Long-Term Debt	\$1,960	\$2,641
Payable to Banks	629,665	527,393
Accounts Payable	471,575	511,802
Accrued Liabilities	674,179	506,859
Income Taxes Payable	59,369	55,146
Current Liabilities	1,836,748	1,603,841
Long-term Debt	385,311	289,375
Def Inc Taxes & Oth Liab	41,167	36,486
Preferred Stock	300	300
Common Equity	3,374,577	3,014,499
Total Liab. & Equity	\$5,638,103	\$4,944,501

## SIGNATURES

Pursuant to the requirements of the Securities and 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.**  
(Registrant)

Date: March 24, 1998

By /s/ Robert E. Harold  
Chief Financial Officer

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**End of Filing**

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