

NIKE INC

FORM 10-Q (Quarterly Report)

Filed 04/14/00 for the Period Ending 02/29/00

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 10-Q (Quarterly Report)

Filed 4/14/2000 For Period Ending 2/29/2000

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 10-Q

FOR QUARTERLY REPORTS UNDER SECTION 13 OR 15 (d) OF
THE SECURITIES AND EXCHANGE ACT OF 1934

For the Quarter Ended February 29, 2000 Commission file number - 1-10635

NIKE, Inc.

(Exact name of registrant as specified in its charter)

OREGON	93-0584541
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Bowerman Drive, Beaverton, Oregon	97005-6453
(Address of principal executive offices)	(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15 (d) of the Securities Exchange
Act of 1934 during the preceding 12 months (or for such shorter period
that the registrant was required to file such reports), and (2) has been
subject to such filing requirements for the past 90 days

Yes X No .

Common Stock shares outstanding as of February 29, 2000 were:

Class A	100,433,999
Class B	173,017,858
	<u>273,451,857</u>
	=====

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

NIKE, Inc.

CONDENSED CONSOLIDATED BALANCE SHEET

Feb. 29,	May 31,
2000	1999
<hr/>	
(in millions)	

	1,932.5	1,971.4	5,996.9	6,004.5
Income before income taxes	229.1	205.4	725.5	590.1
Income taxes	83.8	81.2	272.4	233.1
Net income	\$ 145.3	\$ 124.2	\$ 453.1	\$ 357.0
Basic earnings per common share (Note 3)	\$ 0.53	\$ 0.44	\$ 1.63	\$ 1.26
Diluted earnings per common share (Note 3)	\$ 0.52	\$ 0.44	\$ 1.61	\$ 1.24
Dividends declared per common share	\$ 0.12	\$ 0.12	\$ 0.36	\$ 0.36

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of this statement.

NIKE, Inc.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Nine Months Ended February 29 and 28,	
	2000	1999
	(in millions)	
Cash provided (used) by operations:		
Net income	\$ 453.1	\$357.0
Income charges (credits) not affecting cash:		
Depreciation	138.3	151.2
Deferred income taxes	(3.5)	0.1
Amortization and other	29.1	36.7
Changes in other working capital components	(145.4)	69.1
	471.6	614.1
Cash provided (used) by investing activities:		
Additions to property, plant and equipment	(447.7)	(265.4)
Disposals of property, plant and equipment	27.8	16.9
Increase in other assets	(40.8)	(46.9)
Increase (decrease) in other liabilities	5.3	(6.5)
	(455.4)	(301.9)
Cash provided (used) by financing activities:		
Additions to long-term debt	109.0	-
Reductions in long-term debt including current portion	(1.6)	(1.4)
Increase in notes payable	383.6	75.8
Proceeds from exercise of options	29.5	18.2
Repurchase of stock	(483.7)	(262.6)
Dividends - common and preferred	(100.5)	(102.3)
	(63.7)	(272.3)
Effect of exchange rate changes on cash	8.8	(20.6)
Net (decrease) increase in cash and equivalents	(38.7)	19.3
Cash and equivalents, May 31, 1999 and 1998	198.1	108.6

Cash and equivalents, February 29 and 28, 2000
and 1999

\$ 159.4 \$127.9
===== =====

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of this statement.

NIKE, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - Summary of significant accounting policies:

Basis of presentation:

The accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) which are, in the opinion of management, necessary for a fair presentation of the results of operations for the interim period(s). The interim financial information and notes thereto should be read in conjunction with the Company's latest annual report to shareholders. The results of operations for the nine (9) months ended February 29, 2000 are not necessarily indicative of results to be expected for the entire year.

Year 2000 costs:

Costs associated with the Company's efforts around Year 2000 issues are expensed as incurred, unless they relate to the purchase of hardware and software, and software development, in which case they are capitalized. Capitalized software and hardware costs are depreciated from three to five years.

NOTE 2 - Comprehensive Income:

Comprehensive income, net of taxes, is as follows:

	Three Months Ended February 29 and 28,		Nine Months Ended February 29 and 28,	
	2000	1999	2000	1999
	_____	_____	_____	_____
	(in millions)			
Net Income	\$145.3	\$124.2	\$453.1	\$357.0
Change in Cumulative Translation Adjustment	(6.3)	(10.9)	(21.8)	(19.6)
Change in Unrealized Gains on Securities	12.1	-	12.1	-
	_____	_____	_____	_____
Total Comprehensive Income	\$151.1	\$113.3	\$443.4	\$337.4
	=====	=====	=====	=====

NOTE 3 - Net income per common share:

Basic and diluted earnings per share are calculated in accordance with SFAS 128, "Earnings per Share." This standard requires that basic earnings per share be calculated using the average common shares outstanding. Diluted earnings per share are calculated by taking into consideration the dilutive effect of issued and outstanding stock options. The following represents a reconciliation from basic earnings per share to diluted earnings per share:

	Three Months Ended February 29 and 28,		Nine Months Ended February 29 and 28,	
	2000	1999	2000	1999
	_____	_____	_____	_____
	(in millions, except per share data)			
Determination of shares:				
Average common shares outstanding	276.1	281.3	278.2	283.7
Assumed conversion of stock options	0.8	4.8	3.0	4.9

Diluted average common shares outstanding	276.9 =====	286.1 =====	281.2 =====	288.6 =====
Basic earnings per common share	\$ 0.53 =====	\$ 0.44 =====	\$ 1.63 =====	\$ 1.26 =====
Diluted earnings per common share	\$ 0.52 =====	\$ 0.44 =====	\$ 1.61 =====	\$ 1.24 =====

NOTE 4 - Inventories:

Inventories by major classification are as follows:

	Feb. 29, 2000	May 31, 1999
	(in millions)	
Finished goods	\$1,326.1	\$1,132.7
Work-in-progress	47.6	44.8
Raw materials	15.2	21.8
	-----	-----
	\$1,388.9 =====	\$1,199.3 =====

NOTE 5 - Operating Segments:

The Company's major operating segments are defined by geographic regions for subsidiaries participating in NIKE Brand sales activity. Other Brands as shown below represent activity for non-NIKE brand subsidiaries (Cole-Haan Holdings, Inc., Bauer NIKE Hockey, Inc., and NIKE IHM, Inc.) and are considered immaterial for individual disclosure. Where applicable, "Corporate and Other" represents items necessary to reconcile to the consolidated financial statements which generally include corporate activity and corporate eliminations. The segments are evidence of the structure of the enterprise's internal organization. Each NIKE Brand geographic segment operates predominantly in one industry: the design, production, marketing and selling of sports and fitness footwear, apparel, and equipment.

Net revenues as shown below represent sales to external customers for each segment. Intercompany revenues have been eliminated and are immaterial for separate disclosure. The Company evaluates performance of individual operating segments based on Contribution Profit before Corporate Allocations, Interest Expense and Income Taxes. On a consolidated basis, this amount represents Income Before Taxes less Interest Expense as shown in the Consolidated Statement of Income. Other reconciling items for Contribution Profit represent corporate costs that are not allocated to the operating segments for management reporting and intercompany eliminations for specific income statement items.

Accounts receivable, inventory, and fixed assets for operating segments are regularly reviewed and therefore provided:

	Three Months Ended February 29 and 28,		Nine Months Ended February 29 and 28,	
	2000	1999	2000	1999
Net Revenue				
USA	\$1,161.1	\$1,165.9	\$3,571.4	\$3,577.7
EUROPE	558.5	599.8	1,761.0	1,710.8
ASIA PACIFIC	254.1	222.5	687.6	610.8
AMERICAS	110.0	104.7	398.7	377.0
OTHER BRANDS	77.9	83.9	303.7	318.3
	-----	-----	-----	-----
	\$2,161.6 =====	\$2,176.8 =====	\$6,722.4 =====	\$6,594.6 =====
Contribution Profit				
USA	\$ 237.2	\$ 227.1	\$ 709.5	\$ 692.8
EUROPE	116.0	118.8	331.5	277.2
ASIA PACIFIC	38.2	30.2	106.6	47.7
AMERICAS	8.3	9.1	51.6	56.4
OTHER BRANDS	16.4	2.5	56.2	17.1
CORPORATE & OTHER	(173.1)	(171.9)	(499.3)	(466.4)
	-----	-----	-----	-----
	\$ 243.0 =====	\$ 215.8 =====	\$ 756.1 =====	\$ 624.8 =====

	Feb 29, 2000	May 31, 1999
Accounts Receivable, net		
USA	\$ 642.1	\$ 578.2
EUROPE	568.2	551.6
ASIA PACIFIC	169.5	141.5
AMERICAS	111.0	119.2
OTHER BRANDS	114.8	104.6
CORPORATE & OTHER	31.5	45.0
	<u>\$1,637.1</u>	<u>\$1,540.1</u>
	=====	=====
Inventories, net		
USA	\$ 679.6	\$ 565.5
EUROPE	327.1	316.3
ASIA PACIFIC	125.9	81.5
AMERICAS	85.1	73.1
OTHER BRANDS	144.2	137.5
CORPORATE & OTHER	27.0	25.4
	<u>\$1,388.9</u>	<u>\$1,199.3</u>
	=====	=====
Property, Plant and Equipment, net		
USA	\$ 272.5	\$ 293.0
EUROPE	256.9	271.4
ASIA PACIFIC	405.9	148.0
AMERICAS	20.0	21.5
OTHER BRANDS	112.0	111.7
CORPORATE & OTHER	485.9	420.2
	<u>\$1,553.2</u>	<u>\$1,265.8</u>
	=====	=====

Note 6 - Restructuring Charges:

1998 Charge

During the fourth quarter of fiscal 1998 the Company recorded a restructuring charge of \$129.9 million as a result of certain of the Company's actions to better align its cost structure with expected revenue growth rates. The restructuring activities (shown below in tabular format) primarily related to: 1) the elimination of job responsibilities company-wide, resulting in costs to sever employees and related asset write-downs and lease abandonments related to the affected employees; 2) the relocation of, and elimination of, certain job responsibilities of the Asia Pacific headquarters in Hong Kong, resulting in reduction in workforce, lease abandonments and other costs of downsizing the Hong Kong headquarters; 3) the downsizing of the Company's Japan distribution center, resulting in the write-down of assets no longer in use; 4) the cancellation of certain non-strategic long-term endorsement contracts, resulting in one-time termination fees; and 5) the decision to exit certain manufacturing operations of the Bauer subsidiary, resulting in the reduction in manufacturing related jobs, the write-down of assets no longer in use, and the estimated loss on divestiture of certain manufacturing plants.

Employees were terminated from almost all areas of the Company, including marketing, sales and administrative areas. The total number of employees terminated was 1,208, with 1,203 having left the Company as of February 29, 2000.

No increases to the 1998 restructuring charge have been made. A total of \$15 million of the restructuring charge was reversed in fiscal year 1999. During the first three quarters of fiscal year 2000 continuing cash payments were made against the reserve liability as shown in the table below. \$0.2 million of the reserve was reversed due to a change in an outstanding lease commitment. The remaining accrual will be relieved throughout fiscal 2000, as leases expire and severance payments, some of which are paid on a monthly basis, are completed

Detail of the 1998 restructuring charge is as follows:

(in millions)						
DESCRIPTION	CASH/NON- CASH	FY98 RESTRUCTURING CHARGE	FY99 ACTIVITY	RESERVE BALANCE AT 5/31/99	FY00 ACTIVITY	RESERVE BALANCE AT 2/29/00
ELIMINATION OF JOB RESPONSIBILITIES COMPANY- WIDE		\$(49.8)	\$46.5	\$(3.3)	\$ 2.4	\$(0.9)
Severance packages	cash	(29.1)	28.2	(0.9)	0.6	(0.3)
Lease cancellations &						

commitments	cash	(10.8)	8.4	(2.4)	1.8	(0.6)
Write-down of assets	non-cash	(9.6)	9.6	-	-	-
Other	cash	(0.3)	0.3	-	-	-
<hr/>						
DOWNSIZING THE ASIA PACIFIC HEADQUARTERS IN HONG KONG		\$(13.1)	\$13.0	\$(0.1)	\$0.1	\$ -
Severance packages	cash	(4.6)	4.6	-	-	-
Lease cancellations & commitments	cash	(5.5)	5.4	(0.1)	0.1	-
Write-down of assets	non-cash	(3.0)	3.0	-	-	-
<hr/>						
DOWNSIZING THE JAPAN DISTRIBUTION CENTER		\$(31.6)	\$30.5	\$(1.1)	\$1.1	\$ -
Write-off of assets	non-cash	(12.5)	12.5	-	-	-
Software development costs	cash/non cash	(19.1)	18.0	(1.1)	1.1	-
<hr/>						
CANCELLATION OF ENDORSEMENT CONTRACTS		cash \$(5.6)	\$5.3	\$(0.3)	\$ -	\$(0.3)
<hr/>						
EXITING CERTAIN MANUFACTURING OPERATIONS AT BAUER		\$(22.7)	\$21.7	\$(1.0)	\$0.6	\$(0.4)
Write-down of assets	non-cash	(14.7)	14.7	-	-	-
Divestiture of manufacturing facilities	non-cash	(5.2)	5.2	-	-	-
Lease cancellations & commitments	cash	(1.6)	0.9	(0.7)	0.3	(0.4)
Severance packages	cash	(1.2)	0.9	(0.3)	0.3	-
<hr/>						
OTHER		\$(7.1)	\$6.4	\$(0.7)	\$0.4	\$(0.3)
Cash	cash	(0.6)	0.6	-	-	-
Non-cash	non-cash	(6.5)	5.8	(0.7)	0.4	(0.3)
<hr/>						
Effect of foreign currency translation		-	\$0.2	\$0.2	\$(0.2)	\$ -
<hr/>						
TOTAL		\$(129.9)	\$123.6	\$(6.3)	\$4.4	\$(1.9)

</TABLE

1999 Charge

During fiscal 1999, a \$60.1 million charge was taken due to further cost realignment programs. The charge (shown below in tabular format) was primarily for costs of severing employees, including severance packages, lease abandonments and the write down of assets no longer in use. Employees were terminated in Europe, Asia Pacific, and in the United States, and included employees affected by the Company's shift to outsourcing certain of its information technology functions. The original number of employees to be terminated was 1,291. As of February 29, 2000, 42 employees have found positions elsewhere in the Company and 1,140 have left the Company, leaving 109 still to be terminated. Due to the change in the number of employees that will be terminated, \$0.5 million of the reserve has been reversed during the current fiscal year.

Also included in the charge was a \$20.2 write-off of certain assets related to the change in strategies around the Company's warehouse distribution facilities in the United States.

The remaining accrual balance will be relieved throughout fiscal 2000 and early 2001, as leases expire and severance payments are completed.

Detail of the 1999 restructuring charge is as follows:

(in millions)

DESCRIPTION	CASH/NON-CASH	FY99 RESTRUCTURING CHARGE	FY99 ACTIVITY	RESERVE BALANCE AT 5/31/99	FY00 ACTIVITY	RESERVE BALANCE AT 2/29/00
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ELIMINATION OF JOB RESPONSIBILITIES		\$(39.9)	\$21.9	\$(18.0)	\$11.2	\$(6.8)
Severance packages	cash	(28.0)	11.7	(16.3)	9.7	(6.6)
Lease cancellations & commitments	cash	(2.4)	1.6	(0.8)	0.6	(0.2)
Write-down of assets	non-cash	(7.8)	7.8	-	-	-
Other	cash/non-cash	(1.7)	0.8	(0.9)	0.9	-
<hr/>						
CHANGE IN WAREHOUSE DISTRIBUTION STRATEGY		\$(20.2)	\$20.2	\$ -	\$ -	\$ -
Write-down of assets	non-cash	(20.2)	20.2	-	-	-
<hr/>						
Effect of foreign currency translation		-	\$0.1	\$0.1	\$0.2	\$ 0.3
<hr/>						
TOTAL		\$(60.1)	\$42.2	\$(17.9)	\$11.4	\$(6.5)

<Table/

NOTE 7 - Commitments and contingencies:

At February 29, 2000, the Company had letters of credit outstanding totalling \$874.5 million. These letters of credit were issued for the purchase of inventory.

There have been no other significant subsequent developments relating to the commitments and contingencies reported on the Company's most recent Form 10-K.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Operating Results

Net income for the third quarter of fiscal year 2000 was \$145.3 million, a 17% increase over the prior year's third quarter earnings of \$124.3 million. Year-to-date net income increased 27% to \$453.1 million, 20% excluding the 1999 restructuring charge. The increase reflected our improved gross margin, which was up 3.2% points from the prior year third quarter and up 2.6% points on a year-to-date basis, which more than offset increased selling and administrative expenses. In addition, quarterly earnings were improved due to a \$25.3 million decrease in other expense and our improved effective tax rate, which was down 2.9% points for the quarter and 2.0% points for the year-to-date period. Diluted earnings per share increased 18% in the quarter and 30% year-to-date, slightly better than net income, as a result of share repurchases.

Consolidated revenues decreased 1% for the quarter, compared to last year, and increased 2% for the year-to-date period. On a constant dollar basis, quarterly revenues increased 3% and year-to-date revenues increased 4%. The lower real dollar amounts reflected the impact of the continued strength of the U.S. dollar against the euro, the effect of which was slightly offset by the strength of the yen against the U.S. dollar.

U.S. overall NIKE brand revenues remained flat for the quarter and year-to-date. U.S. footwear revenues continued to grow, with a 4% increase this quarter compared to the same quarter last year and a 5% growth rate year-to-date. The growth reflected an increase in pairs sold equal to the dollar growth rate, 4% for the quarter and 5% year-to-date, while the average price per pair remained the same as last year. Apparel revenues decreased 12% quarter over quarter, and 11% for the year-to-date period compared to last year. There was a contraction of athletic sportswear retail space in the current year that slowed quarterly and year-to-date revenue growth. Although we expect that this contraction will continue to affect revenue growth through the first quarter of next year, we believe the ultimate impact of a smaller retail market will be to strengthen the remaining retail entities and thereby improve our opportunities for revenue growth in the U.S. over the long-term.

In Europe, revenues were down 7% for the quarter; however, on a constant dollar basis, revenues grew 8%. Year-to-date, European revenues increased 3%, which represented 12% in constant dollars. The growth in constant dollars was indicative of the continued momentum of business in this region, which has been sustained over the past 5 years. Given that our European market penetration is

significantly less than that of the U.S., we are well-positioned to continue to achieve significant growth in this region going-forward.

In the Asia Pacific region, quarterly revenues increased 14%, or 8% on a constant-dollar basis. Year-to-date revenues increased 13%, or 3% on a constant-dollar basis. These increases reflected continued recovery of the economies in that region, the introduction of innovative footwear products in Japan, and development of products specifically for emerging markets. These factors should continue to fuel Asia Pacific revenue growth in the future.

In the Americas and Africa regions, quarterly revenues increased 5%, or 6% in constant dollars, compared to the prior year. Year-to-date revenues increased by 6%, or 9% in constant dollars. Other Brands revenue, which includes Bauer NIKE Hockey and Cole Haan, decreased 7% for the quarter and 5% for the year-to-date period, as compared to last year.

The breakdown of revenues follows:

	Three Months Ended February 29 and 28,			Nine Months Ended February 29 and 28,		
	2000	1999	% change	2000	1999	% change
(in millions)						
U.S.A. REGION						
FOOTWEAR	\$858.9	\$828.5	4%	\$2,522.8	\$2,411.9	5%
APPAREL	251.8	287.0	-12%	890.8	1,004.7	-11%
EQUIPMENT AND OTHER	50.4	50.4	0%	157.8	161.1	-2%
TOTAL U.S.A.	<u>1,161.1</u>	<u>1,165.9</u>	0%	<u>3,571.4</u>	<u>3,577.7</u>	0%
EUROPE REGION						
FOOTWEAR	303.9	311.4	-2%	914.6	863.2	6%
APPAREL	241.1	273.7	-12%	801.2	800.2	0%
EQUIPMENT AND OTHER	13.5	14.7	-8%	45.2	47.4	-5%
TOTAL EUROPE	<u>558.5</u>	<u>599.8</u>	-7%	<u>1,761.0</u>	<u>1,710.8</u>	3%
ASIA PACIFIC REGION						
FOOTWEAR	151.1	124.4	21%	404.2	321.4	26%
APPAREL	96.2	92.3	4%	264.4	273.0	-3%
EQUIPMENT AND OTHER	6.8	5.8	17%	19.0	16.4	16%
TOTAL ASIA PACIFIC	<u>254.1</u>	<u>222.5</u>	14%	<u>687.6</u>	<u>610.8</u>	13%
AMERICAS REGION						
FOOTWEAR	75.2	72.6	4%	277.8	248.9	12%
APPAREL	32.2	29.9	8%	111.9	119.3	-6%
EQUIPMENT AND OTHER	2.6	2.2	18%	9.0	8.8	2%
TOTAL AMERICAS	<u>110.0</u>	<u>104.7</u>	5%	<u>398.7</u>	<u>377.0</u>	6%
TOTAL NIKE BRAND	<u>2,083.7</u>	<u>2,092.9</u>	0%	<u>6,418.7</u>	<u>6,276.3</u>	2%
OTHER & OTHER BRANDS	77.9	83.9	-7%	303.7	318.3	-5%
TOTAL REVENUES	<u>\$2,161.6</u> =====	<u>\$2,176.8</u> =====	-1%	<u>\$6,722.4</u> =====	<u>\$6,594.6</u> =====	2%

Gross margins were significantly improved in the quarter, up from 37.3% in the prior year to 40.5% in the current year. The improvement is consistent with that of the year-to-date period, which improved from 37.0% last year to 39.6% this year. The improved margin is our highest quarterly gross margin since the third quarter of 1997, and it came from all regions. The key factors in the improvement of margins were as follows:

- 1) Improved pricing on in-line products, particularly in apparel and equipment.
- 2) Reduced levels of lower margin close-out sales, reflecting lower inventories of out-of-season product.
- 3) Higher margins on close-out sales, driven by the expansion of our network

of outlet stores.

Selling and administrative expenses were up for both the quarter and year-to-date period compared to the prior year. For the quarter, these expenses were up 11% to \$632.4 million, and year-to-date they were up 7% to \$1,883.8 million. The increases, for both the quarter and the year-to-date period, were driven primarily by incremental spending for initiatives undertaken to achieve future revenue growth and profitability. These include investments in new retail stores; conversions of certain geographic markets from distributorships to direct NIKE ownership; e-commerce; and new operational systems and processes, primarily our comprehensive initiative to shorten and streamline our supply chain. An additional factor contributing to higher selling and administrative expenses was higher bad debt expense incurred as compared to last year, primarily as a result of the bankruptcy filing of one of our customers in the U.S. region.

Third quarter interest expense was up 34% over the prior year, growing from \$10.4 million last year to \$13.9 million this year. Interest expense was down 12% year-to-date compared to last year. The increase in the current quarter was due to increased levels of debt recorded in the quarter as compared to last year. See the Liquidity and Capital Resources discussion following for more information on debt balances. The year-to-date decrease in interest expense was a result of income associated with our intercompany hedging program, lower interest rates outside of the U.S., and our restructured operating agreement with our trading partner, Nissho Iwai American Corporation (NIAC), which resulted in a lower rate paid to NIAC.

Included in other expense are interest income, profit sharing expense, foreign currency conversion gain or loss, goodwill amortization, and various nonrecurring charges. Other expense decreased for the quarter and year-to-date period as compared to last year. This decrease was primarily due to a fluctuation in foreign currency conversion gain/loss between periods and the impact of a nonrecurring charge in the 3rd quarter of last year due to an asset write-down.

Our current year-to-date tax rate was significantly lower than the prior year, moving from 39.5% to 37.5%. This year-to-date amount reflected our expected annual tax rate of 37.5% for fiscal 2000, which is down from last year's rate of 39.5%. The decrease was primarily due to reduced state taxes, the utilization of tax loss carryforwards of certain foreign operations that have recently turned profitable, and increased profits derived in our European and Asian regions, where our effective tax rate is lower than in the U.S. In addition, the 36.6% effective tax rate for the third quarter 2000 was reduced by an adjustment to reflect the change in our estimate of the effective rate for the year to 37.5%.

Worldwide futures and advance orders for NIKE brand athletic footwear and apparel scheduled for delivery between March and July 2000 totaled \$3.9 billion, 4% higher than such orders for the same period last year. These orders and the percentage change in these orders are not necessarily indicative of the change in revenues which we will experience for subsequent periods. Variances between futures growth and actual revenue growth may be the result of shifts in the mix of advance orders in relation to at once orders and varying cancellation rates. Finally, exchange rate fluctuations will also cause differences in the comparisons.

Restructuring charges

1998 Charge

During the fourth quarter of fiscal 1998 we recorded a restructuring charge of \$129.9 million as a result of certain of our actions to better align our cost structure with expected revenue growth rates. The restructuring activities (shown below in tabular format) primarily related to: 1) the elimination of job responsibilities company-wide, resulting in costs to sever employees and related asset write-downs and lease abandonments related to the affected employees; 2) the relocation of, and elimination of, certain job responsibilities of the Asia Pacific headquarters in Hong Kong, resulting in reduction in workforce, lease abandonments and other costs of downsizing the Hong Kong headquarters; 3) the downsizing of our Japan distribution center, resulting in the write-down of assets no longer in use; 4) the cancellation of certain non-strategic long-term endorsement contracts, resulting in one-time termination fees; and 5) the decision to exit certain manufacturing operations of the Bauer subsidiary, resulting in the reduction in manufacturing related jobs, the write-down of assets no longer in use, and the estimated loss on divestiture of certain manufacturing plants.

Employees were terminated from almost all areas of the Company, including marketing, sales and administrative areas. The total number of employees terminated was 1,208, with 1,203 having left as of February 29, 2000.

No increases to the 1998 restructuring charge have been made. A total of \$15 million of the restructuring charge was reversed in fiscal year 1999. During the first three quarters of fiscal year 2000 continuing cash payments were made against the reserve liability as shown in the table below. \$0.2 million of the reserve was reversed due to a change in an outstanding lease commitment. The remaining accrual will be relieved throughout fiscal 2000, as leases expire and severance payments, some of which are paid on a monthly basis, are completed.

Detail of the 1998 restructuring charge is as follows:

(in millions)

DESCRIPTION	CASH/NON-CASH	FY98 RESTRUCTURING CHARGE	FY99 ACTIVITY	RESERVE BALANCE AT 5/31/99	FY00 ACTIVITY	RESERVE BALANCE AT 2/29/00
<hr/>						
ELIMINATION OF JOB RESPONSIBILITIES COMPANY- WIDE		\$(49.8)	\$46.5	\$(3.3)	\$2.4	\$(0.9)
Severance packages	cash	(29.1)	28.2	(0.9)	0.6	(0.3)
Lease cancellations & commitments	cash	(10.8)	8.4	(2.4)	1.8	(0.6)
Write-down of assets	non-cash	(9.6)	9.6	-	-	-
Other	cash	(0.3)	0.3	-	-	-
<hr/>						
DOWNSIZING THE ASIA PACIFIC HEADQUARTERS IN HONG KONG		\$(13.1)	\$13.0	\$(0.1)	\$0.1	\$ -
Severance packages	cash	(4.6)	4.6	-	-	-
Lease cancellations & commitments	cash	(5.5)	5.4	(0.1)	0.1	-
Write-down of assets	non-cash	(3.0)	3.0	-	-	-
<hr/>						
DOWNSIZING THE JAPAN DISTRIBUTION CENTER		\$(31.6)	\$30.5	\$(1.1)	\$1.1	\$ -
Write-off of assets	non-cash	(12.5)	12.5	-	-	-
Software development costs	cash/non cash	(19.1)	18.0	(1.1)	1.1	-
<hr/>						
CANCELLATION OF ENDORSEMENT CONTRACTS	cash	\$(5.6)	\$5.3	\$(0.3)	\$ -	\$(0.3)
<hr/>						
EXITING CERTAIN MANUFACTURING OPERATIONS AT BAUER		\$(22.7)	\$21.7	\$(1.0)	\$0.6	\$(0.4)
Write-down of assets	non-cash	(14.7)	14.7	-	-	-
Divestiture of manufacturing facilities	non-cash	(5.2)	5.2	-	-	-
Lease cancellations & commitments	cash	(1.6)	0.9	(0.7)	0.3	(0.4)
Severance packages	cash	(1.2)	0.9	(0.3)	0.3	-
<hr/>						
OTHER		\$(7.1)	\$6.4	\$(0.7)	\$0.4	\$(0.3)
Cash	cash	(0.6)	0.6	-	-	-
Non-cash	non-cash	(6.5)	5.8	(0.7)	0.4	(0.3)
<hr/>						
Effect of foreign currency translation		-	\$0.2	\$0.2	\$(0.2)	\$ -
<hr/>						
TOTAL		\$(129.9)	\$123.6	\$(6.3)	\$4.4	\$(1.9)

</TABLE

1999 Charge

During fiscal 1999, a \$60.1 million charge was taken due to further cost realignment programs. The charge (shown below in tabular format) was primarily for costs of severing employees, including severance packages, lease abandonments and the write down of assets no longer in use. Employees were terminated in Europe, Asia Pacific, and in the United States, and included employees affected by our shift to outsourcing certain of our information

technology functions. The original number of employees to be terminated was 1,291. As of February 29, 2000, 42 employees have found positions elsewhere in the Company and 1,140 have left the Company, leaving 109 still to be terminated. Due to the change in the number of employees that will be terminated, \$0.5 million of the reserve has been reversed during the current fiscal year.

Also included in the charge was a \$20.2 write-off of certain assets related to the change in strategies around our warehouse distribution facilities in the United States.

The remaining accrual balance will be relieved throughout fiscal 2000 and early 2001, as leases expire and severance payments are completed.

Detail of the 1999 restructuring charge is as follows:

(in millions)

DESCRIPTION	CASH/NON-CASH	FY99 RESTRUCTURING CHARGE	FY99 ACTIVITY	RESERVE BALANCE AT 5/31/99	FY00 ACTIVITY	RESERVE BALANCE AT 2/29/00
ELIMINATION OF JOB RESPONSIBILITIES		\$ (39.9)	\$21.9	\$ (18.0)	\$11.2	\$ (6.8)
Severance packages	cash	(28.0)	11.7	(16.3)	9.7	(6.6)
Lease cancellations & commitments	cash	(2.4)	1.6	(0.8)	0.6	(0.2)
Write-down of assets	non-cash	(7.8)	7.8	-	-	-
Other	cash/non-cash	(1.7)	0.8	(0.9)	0.9	-
CHANGE IN WAREHOUSE DISTRIBUTION STRATEGY		\$ (20.2)	\$20.2	\$ -	\$ -	\$ -
Write-down of assets	non-cash	(20.2)	20.2	-	-	-
Effect of foreign currency translation		-	\$0.1	\$0.1	\$0.2	\$ 0.3
TOTAL		\$ (60.1)	\$42.2	\$ (17.9)	\$11.4	\$ (6.5)

<Table/>

Euro Conversion

On January 1, 1999, eleven of the fifteen member countries of the European Union established permanent, fixed conversion rates between their existing currencies and the European Union's new common currency, the euro. During the transition period ending December 31, 2001, public and private parties may pay for goods and services using either the euro or the participating country's legacy currency. Beginning January 1, 2002, euro denominated bills and coins will be issued, with the legacy currencies being completely withdrawn from circulation on June 30, 2002.

We have had a dedicated project team working on euro strategy since January 1998. We are in the process of making modifications to information technology systems including marketing, order management, purchasing, invoicing, payroll, and cash management. Many of our systems are already euro compliant. Our plan is to have most systems converted to euro compliance by the end of calendar year 2000, well ahead of the end of the transitional period.

We believe the introduction of the euro may create a move towards a greater level of price harmonization, although differing country costs and value added tax rates will continue to result in price differences at a retail level. We have a process in place to analyze price trends among countries. Currency exchange and hedging costs could be reduced, due to the introduction of the euro.

The costs of implementing the euro are generally related to modification of existing systems, and are estimated to be approximately \$14 million. These costs will be expensed as incurred. We believe that the conversion to the euro will not be material to our financial condition or results of operations.

LIQUIDITY AND CAPITAL RESOURCES

Our financial position remained strong at February 29, 2000. Compared to May 31, 1999, shareholders' equity decreased slightly to \$3.2 billion. Working capital decreased 19% to \$1.5 billion and the current ratio was 1.72:1 at February 29, 2000 compared to 2.26:1 at May 31, 1999. The decrease in working capital and the current ratio resulted from the increase in short-term debt since May 31, 1999. See the discussion of short-term debt following.

Cash provided by operations for the nine-month period ended February 29, 2000 was \$471.6 million, which was a decrease of \$142.5 million from the same period last year, despite increased net income of \$96 million in the current period. The decrease in operating cash flow was driven by three factors, each of which created a change in our inventory levels:

- 1) We liquidated significant levels of close-out inventory during the nine-month period in fiscal 1999, which generated an increase in cash flows from operations in that fiscal year. The current fiscal year began with much lower, cleaner levels of inventory; therefore, there was no cash inflow from decreasing inventory levels during the year. The decrease in inventory levels in 1999 highlighted our successful initiative to reduce close-out inventories undertaken to significantly improve our margins and profitability in the short-term as well as into the future.
- 2) During fiscal year 1999 our business experienced a slow-down leading us to further decrease our inventory levels, whereas in fiscal year 2000 our business has been accelerating from last year's level. This difference has resulted in additional use of cash as compared to last year to fund increasing levels of operations.
- 3) Finally, we restructured our operating arrangement with NIAC in the first quarter of this year. The restructured agreement enables us, among other things, to take over financing of inventory purchases previously performed by NIAC. This has resulted in the recording of USA inventory on our balance sheet fifteen to twenty-five days earlier than in the past. Although the net working capital impact of this new arrangement is minimal, as of February 29, 2000, approximately \$130 million of inventory was in-transit to the U.S. and on our balance sheet, compared to zero at May 31, 1999.

Total cash flows used by investing activities during the nine month period were \$455.4 million. The primary driver of this use was the purchase of property, plant and equipment throughout the year. The largest purchase during the year was our distribution center in Japan, discussed below. The other significant expenditures were related to the continued expansion of our world headquarters and additions to computer equipment and software, primarily relating to our supply chain initiative.

Net cash flows used by financing activities for the nine months ended February 29, 2000 were \$63.7 million. This amount included uses of cash for stock repurchases and dividends to shareholders, partially offset by increases to our debt balances.

The increase in debt was used in part to purchase our distribution facility in Japan from NIAC for approximately \$246 million. We financed the first quarter purchase by assuming NIAC's Japanese development bank loans, along with some short-term debt, which we currently intend to convert to long-term.

The level of short-term debt rose also due to our financing of inventory purchases previously financed by NIAC.

Another significant driver of the increase in short-term debt was our continued repurchases of NIKE stock under the \$1 billion share repurchase program approved by the company's board of directors in December 1997. During the first nine months of fiscal 2000, we purchased a total of 10.6 million shares for \$504 million under the program. From the inception of the program through February 29, 2000, we had purchased a total of 19.3 million shares of NIKE's Class B common stock for \$860 million in the open market. Funding has, and is expected to continue to, come from operating cash flow in conjunction with short-term borrowings. The timing and the amount of shares purchased will be dictated by working capital needs and stock market conditions.

Management believes that significant funds generated by operations, together with access to sufficient sources of funds, will adequately meet our anticipated operating, global infrastructure expansion and capital needs. Significant short and long-term lines of credit are maintained with banks, which, along with cash on hand, provide adequate operating liquidity. Liquidity is also provided by our commercial paper program, under which there was \$596.6 million outstanding at February 29, 2000.

As a result of the restructuring of the NIAC agreement, we are now responsible for issuing letters of credit for the purchases of inventories. At February 29, 2000, letters of credit of \$874.5 million were outstanding for the purchase of inventories.

Dividends per share of common stock for the third quarter of fiscal 2000 remained at \$.12 per share, the same level as the previous year.

Special Note Regarding Forward-Looking Statements and Reports Analyst Reports

Certain written and oral statements made or incorporated by reference from time to time by NIKE or its representatives in this report, other reports, filings with the Securities and Exchange Commission, press releases, conferences, or otherwise, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 ("the Act"). Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate, or imply future results, performance, or achievements, and may contain the words "believe," "anticipate," "expect," "estimate," "project," "will be," "will continue," "will result," or words or phrases of similar meaning. Forward-looking statements involve risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. The 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, and include, among others, the following: international, national and local general economic and market conditions; the size and growth of the overall athletic footwear, apparel, and equipment markets; intense competition among designers, marketers, distributors and sellers of athletic footwear, apparel, and equipment for consumers and endorsers; demographic changes; changes in consumer preferences; popularity of particular designs, categories of products, and sports; seasonal and geographic demand for NIKE products; the size, timing and mix of purchases of NIKE's products; fluctuations and difficulty in forecasting operating results, including, without limitation, the fact that advance "futures" orders may not be indicative of future revenues due to the changing mix of futures and at-once orders; the ability of NIKE to sustain, manage or forecast its growth and inventories; new product development and introduction; the ability to secure and protect trademarks, patents, and other intellectual property; performance and reliability of products; customer service; adverse publicity; the loss of significant customers or suppliers; dependence on distributors; business disruptions; increased costs of freight and transportation to meet delivery deadlines; changes in business strategy or development plans; general risks associated with doing business outside the United States, including, without limitation, import duties, tariffs, quotas and political and economic instability; changes in government regulations; liability and other claims asserted against NIKE; the ability to attract and retain qualified personnel; and other factors referenced or incorporated by reference in this report and other reports.

The risks included here are not exhaustive. Other sections of this report may include additional factors which could adversely impact NIKE's business and financial performance. Moreover, NIKE operates in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on NIKE's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Investors should also be aware that while NIKE does, from time to time, communicate with securities analysts, it is against NIKE's policy to disclose to them any material non-public information or other confidential commercial information. Accordingly, shareholders should not assume that NIKE agrees with any statement or report issued by any analyst irrespective of the content of the statement or report. Furthermore, NIKE has a policy against issuing or confirming financial forecasts or projections issued by others. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not the responsibility of NIKE.

Part II - Other Information

Item 1. Legal Proceedings:

There have been no material changes from the information previously reported under Item 3 of the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1999.

Item 6. Exhibits and Reports on Form 8-K:

(a) EXHIBITS:

- 3.1 Restated Articles of Incorporation, as amended (incorporated by reference from Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1995).
- 3.2 Third Restated Bylaws, as amended (incorporated by reference from Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1995).
- 4.1 Restated Articles of Incorporation, as amended (see Exhibit 3.1).
- 4.2 Third Restated Bylaws, as amended (see Exhibit 3.2).
- 4.3 Form of Indenture between the Company and The First National Bank of Chicago, as Trustee (incorporated by reference from Exhibit 4.01 to Amendment No. 1 to Registration Statement No. 333-15953 filed by the Company on November 26, 1996).
- 10.1 Credit Agreement dated as of September 15, 1995 among NIKE, Inc., Bank of America National Trust & Savings Association, individually and as Agent, and the other banks party thereto (incorporated by reference from the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1995).
- 10.2 Form of non-employee director Stock Option Agreement (incorporated by reference from Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1993).*
- 10.3 Form of Indemnity Agreement entered into between the Company and each of its officers and directors (incorporated by reference from the Company's definitive proxy statement filed in connection with its annual meeting of shareholders held on September 21, 1987).
- 10.4 NIKE, Inc. Restated Employee Incentive Compensation Plan (incorporated by reference from Registration Statement No. 33-29262 on Form S-8 filed by the Company on June 16, 1989).*
- 10.5 NIKE, Inc. 1990 Stock Incentive Plan (incorporated by reference from the Company's definitive proxy statement filed in connection with its annual meeting of shareholders held on September 22, 1997).*
- 10.6 NIKE, Inc. Executive Performance Sharing Plan (incorporated by reference from the Company's definitive proxy statement filed in connection with its annual meeting of shareholders held on September 18, 1995).*
- 10.7 NIKE, Inc. Long-Term Incentive Plan (incorporated by reference from the Company's definitive proxy statement filed in connection with its annual meeting of shareholders held on September 22, 1997).*
- 10.8 Collateral Assignment Split-Dollar Agreement between NIKE, Inc. and Philip H. Knight dated March 10, 1994 (incorporated by reference from Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1994).*
- 12.1 Computation of Ratio of Earnings to Charges.
- 27 Financial Data Schedule.

* Management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K:

No reports on Form 8-K were filed during the fiscal quarter ending February 29, 2000.

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 thereunto duly authorized.

NIKE, Inc.
An Oregon Corporation

BY:/s/Donald W. Blair

Donald W. Blair
Chief Financial Officer

DATED: April 14, 2000

NIKE, INC.
COMPUTATION OF RATIO OF EARNINGS TO CHARGES

	Nine Months Ended February 29 and 28,	
	2000	1999
	(in millions)	
Net income	\$453.1	\$357.0
Income taxes	272.4	233.1
	<hr/>	<hr/>
Income before income taxes	725.5	590.1
	<hr/>	<hr/>
Add fixed charges		
Interest expense (A)	32.3	40.1
Interest component of leases (B)	36.1	31.7
	<hr/>	<hr/>
Total fixed charges	68.4	71.8
	<hr/>	<hr/>
Earnings before income taxes and fixed charges (C)	\$792.2	\$656.5
	=====	=====
Ratio of earnings to total fixed charges	11.58	9.14
	=====	=====

(A) Interest expense includes both expensed and capitalized. (B) Interest component of leases includes one-third of rental expense, which approximates the interest component of operating leases.

(C) Earnings before income taxes and fixed charges is exclusive of capitalized interest.

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FEBRUARY 29, 2000 FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	MAY 31 2000
PERIOD END	FEB 29 2000
CASH	159
SECURITIES	0
RECEIVABLES	1717
ALLOWANCES	80
INVENTORY	1389
CURRENT ASSETS	3483
PP&E	2349
DEPRECIATION	796
TOTAL ASSETS	5778
CURRENT LIABILITIES	2019
BONDS	463
COMMON	3
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	3200
TOTAL LIABILITY AND EQUITY	5778
SALES	6722
TOTAL REVENUES	6722
CGS	4059
TOTAL COSTS	4059
OTHER EXPENSES	1877
LOSS PROVISION	31
INTEREST EXPENSE	31
INCOME PRETAX	726
INCOME TAX	272
INCOME CONTINUING	453
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	453
EPS BASIC	1.63
EPS DILUTED	1.61

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