NIKE INC

FORM 10-Q
(Quarterly Report)

Filed 04/17/95 for the Period Ending 02/28/95

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 4/17/1995 For Period Ending 2/28/1995

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 28, 1995 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 28, 1995 were:

Class A	26,494,897
Class B	45,700,835
	72,195,732

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

NIKE, Inc.

CONDENSED CONSOLIDATED BALANCE SHEET

Feb. 28, 1995	May 31, 1994

(in thousands)

ASSETS

Current assets:		
Cash and equivalents	$ 242,747	$ 518,816
Accounts receivable	930,592	703,682
Inventories (Note 3)	627,983	470,023
Deferred income taxes	53,337	37,603
Prepaid expenses	65,304	40,307
Total current assets	1,919,963	1,770,431
Property, plant and equipment	821,018	639,085
Less accumulated depreciation	315,196	233,240
	505,822	405,845
Goodwill and other intangibles	493,022	157,187
Other assets	44,526	40,352
	$2,963,333	$2,373,815
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 5,026	$ 3,857
Notes payable	354,840	127,378
Accounts payable	276,330	210,576
Accrued liabilities	257,976	181,889
Income taxes payable	12,960	38,287
Total current liabilities	907,132	561,987
Long-term debt	69,353	12,364
Non-current deferred income taxes	30,530	18,228
Other long-term liabilities	37,671	39,987
Commitments and contingencies (Note 4)	-	-
Redeemable Preferred Stock	300	300
Shareholders' equity:		
Common Stock at stated value (Note 2):		
Class A convertible-26,495 and 26,679 shares outstanding	158	159
Class B-45,701 and 46,521 shares outstanding	2,703	2,704
Capital in excess of stated value	109,069	108,284
Foreign currency translation adjustment	(5,393)	(15,123)
Retained earnings	1,811,810	1,644,925
	1,918,347	1,740,949
	$2,963,333	$2,373,815

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

NIKE, Inc.

CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Three Months Ended February 28,		Nine Months Ended February 28,	
	1995	1994	1995	1994
	(in thousands, except per share data)			
Revenues	$1,124,697	$ 871,845	$3,348,798	$2,785,512

Costs and expenses:				
Cost of sales	678,404	537,066	2,018,882	1,701,001
Selling and administrative	278,311	231,285	839,478	694,032
Interest	6,257	3,988	14,955	12,500
Other expense (income)	5,376	(3,229)	6,208	(1,051)
	968,348	769,110	2,879,523	2,406,482
Income before income taxes	156,349	102,735	469,275	379,030
Income taxes	61,000	39,500	183,000	149,400
Net income	$ 95,349	$ 63,235	286,275	229,630
Net income per common share(Note 2)	$ 1.29	$ 0.85	$ 3.88	$ 3.03
Dividends declared per common share	$ .25	$ .20	$ 0.70	$ 0.60
Average number of common and common equivalent shares (Note 2)	73,482	75,149	73,694	75,853

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 28,	
	1995	1994
	(in thousands)	
Cash provided (used) by operations:		
Net income	$286,275	$229,630
Income charges (credits) not affecting cash:		
Depreciation	48,029	45,376
Deferred income taxes and purchased tax benefits	4,288	(3,719)
Other non-current liabilities	(2,316)	3,012
Other	7,760	5,162
Changes in other working capital components	(205,171)	54,042
Cash provided by operations	138,865	333,503
Cash provided (used) by investing activities:		
Acquisition of business:		
Net assets acquired	(83,346)	--
Goodwill and other intangibles acquired	(344,474)	--
Additions to property, plant and equipment	(96,008)	(55,657)
Disposals of property, plant and equipment	6,671	7,748
Increase in other assets	(4,462)	(3,795)
Cash used by investing activities	(521,619)	(51,704)
Cash provided (used) by financing activities:		
Additions to long-term debt	1,631	2,140
Reductions in long-term debt including current portion	(5,247)	(53,336)
Increase (decrease) in notes payable	221,614	7,337
Proceeds from exercise of options	3,403	2,967
Repurchase of stock	(71,214)	(92,431)
Dividends - common and preferred	(47,367)	(45,260)

Cash provided (used) by financing activities	102,820	(178,583)
Effect of exchange rate changes on cash	3,865	(8,501)
Net (decrease) increase in cash and equivalents	(276,069)	94,715
Cash and equivalents, May 31, 1994 and 1993	518,816	291,284
Cash and equivalents, February 28, 1995 and 1994	$242,747	$385,999

Supplemental schedule of noncash investing activities:

The Company had a like-kind exchange of certain equipment during the second quarter of the prior year as follows:

Cost of old equipment	$24,057
Accumulated depreciation	(14,502)
Cash received	652
Book value of new asset	$10,207

The Company acquired a new NIKE subsidiary during the third quarter of the prior year with net assets of $124,966,000, resulting in an accrued liability of a similar amount. Approximately $3.5 million was paid in cash during the 4th quarter of the prior year.

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 28, 1995 are not necessarily indicative of results to be expected for the entire year.

NOTE 2 - Net income per common share:

Net income per common share is computed based on the weighted average number of common and common equivalent (stock option) shares outstanding for the period(s).

NOTE 3 - Inventories:

Inventories by major classification are as follows:

	Feb. 28, 1995	May 31, 1994
	(in thousands)	
Finished goods	$593,141	$465,065
Work-in-process	4,697	2,915
Raw materials	30,145	2,043
	$627,983	$470,023

NOTE 4 - Commitments and contingencies:

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

NOTE 5 - Acquisition of business:

During the quarter, the Company consummated the acquisition of Canstar Sports Inc. for a cash purchase price including acquisition costs of approximately $407 million. The purchase has been given effect in the Consolidated Balance Sheet and the associated Statement of Cash Flows as of February 28, 1995. The proforma effect of the acquisition on the combined results of operations for the nine months ended February 28, 1995 and 1994 was not significant.

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

Operating Results

The quarter ended February 28, 1995 established a new third quarter high, with net income increasing 51% as a result of record revenues, gross margin improvement and selling and administrative expenses reducing as a percentage of sales. Net income for the period was $95.3 million or $1.29 per share, compared to $63.2 million or $0.85 per share for the same period in the prior year. The 52% increase in earnings per share as compared to the 51% increase in net income is primarily due to the Company's share repurchase program.

Revenues exceeded $1 billion for the first time in a third quarter, increasing 29% to $1.125 billion compared to $872 million in the prior year. This is the fourth consecutive quarter with revenues in excess of $1 billion. United States apparel increased 39% ($33 million), growing at a slightly faster pace than the U.S. footwear business, which was up 27% ($126 million) over the previous year due to a 21% increase in pairs shipped and a 5% increase in average selling price. The Company had increases in all categories of both U.S. footwear and apparel. International revenues increased $85 million, 33% over last year's third quarter, with growth in footwear revenues of 29% and apparel revenues of 46%. Favorable exchange rates contributed $16 million of the increase and new NIKE-owned subsidiaries in Korea, Argentina, and Austria added $41 million. Other brands, which include Cole Haan, Tetra Plastics, and Sports Speciatlies, increased 16%. The breakdown of revenues follows:

	Three Months Ended Feb. 28			Nine Months Ended Feb. 28		
	1995	1994	% Change	1995	1994	% Change
	(in thousands)					
U.S. Footwear	$ 603,529	$ 477,061	27%	$1,714,130	$1,439,824	19%
U.S. Apparel	118,049	85,071	39	310,668	261,632	19
Other Brands	57,413	49,423	16	176,686	169,829	4
Total United States	778,991	611,555	27	2,201,484	1,871,285	18
International						
Footwear	262,974	203,702	29	846,264	688,065	23
Apparel	82,732	56,588	46	301,050	226,162	33
Total International	345,706	260,290	33	1,147,314	914,227	26
Total Revenues	$1,124,697	$ 871,845	29%	$3,348,798	$2,785,512	20%

Consolidated gross margins for the quarter were 39.7% compared to 38.4% last year. The increase was a result of the high volume of revenues and a smaller percentage of closeout sales in the current year combined with lower margins in the prior year due to difficulties in other brands, including Sports Specialties and the decision to discontinue the i.e. division. The Company continues to place strong emphasis on inventory management, minimizing foreign exchange risk, and production sourcing in order to maximize gross profit.

Selling and administrative expenses decreased as a percentage of revenues from 26.5% during the prior year third quarter to 24.7% in the current year. On an absolute dollar basis, spending increased $47 million, or 20%, with new NIKE-owned subsidiaries accounting for $8 million of the increase. International operations added $24 million of spending, a result of the new subsidiaries and planned increases in international infrastructure development. Also, the foreign currency translation impact increased spending by approximately $6 million. U.S. operations were up $19 million, primarily in planned marketing expenses. The Company intends to continue to invest in growth opportunities and to increase marketing expenses in order to ensure the successful sell-through of the high level of orders discussed below. As a result, the Company expects selling and administrative costs as a percentage of revenues for the current year to approximate the prior year results.

Interest expenses for the quarter increased over the prior year due to both increased operational short-term borrowings at new NIKE subsidiaries and other international locations, and increased short-term borrowings in the U.S. primarily due to increased cash operational needs and the purchase of Canstar during the third quarter. Other income decreased $8.6 million mostly due to increases in profit share plan expense, foreign currency transactions, and goodwill along with shutdown expenses in connection with the continued consolidation of warehouse facilities in Europe. These increases were offset partially by increased interest income. In addition, a gain on insurance proceeds as a result of the flood at Tetra Plastics increased other income in the prior year.

The Company's effective tax rate for the quarter was 39.0% compared to 38.4% in the prior year. Last year's third quarter included a reduction for the tax impact of permanently reinvesting foreign earnings overseas, as more fully discussed in the Form 10-Q filed for that quarter. The Company anticipates the tax rate for fiscal 1995 will approximate the 39.1% rate for the full fiscal year 1994.

Worldwide orders for athletic footwear and apparel scheduled for delivery from March 1995 through July 1995 were approximately $2.4 billion, 37% higher than such orders booked in the comparable period of the prior year. This represents a record amount of orders for any period, and a significant portion of our production capacity will be devoted to filling these orders, potentially impacting availability of product for "at once" shipments. These orders are not necessarily indicative of total revenues for subsequent periods because the mix of advance orders and "at once" shipments may vary significantly from quarter to quarter and year to year. Additionally, as international operations continue to shift to a greater emphasis on futures orders, this mix again may vary. Finally, exchange rates can cause differences in the comparisons.

Liquidity and Capital Resources

During the quarter, the Company finalized the purchase of all of the outstanding shares of Canstar Sports Inc. for Canadian $27.50 per share in cash. See Note 5 for further discussion.

The Company's financial position remained strong. However, working capital decreased $196 million since May 31, 1994 due to increased operational borrowings and cash used to purchase Canstar Sports Inc. The working capital ratio was 2.1:1 at February 28, 1995 compared to 3.2:1 at May 31, 1994.

Cash and equivalents decreased $276 million primarily as a result of the Canstar Sports Inc. purchase, offset partially by cash provided by operations. Cash was also used to purchase 1,160,000 additional shares of NIKE stock under the stock repurchase program announced in July 1993.

Accounts Receivable is at an all-time high, with the increase of $227 million, or 32%, a direct result of the 42% increase in sales in both January and February over last May's comparable two month period.

Overall inventories increased $158 million since May 31. Gross U.S. footwear inventory is down $12 million due to strong demand, however, international inventories have increased $95 million, $30 million of which is due to new NIKE-owned subsidiaries with the remaining increase in preparation for increased demand in the fourth quarter. In addition, Canstar Sports Inc. added $72 million in inventory.

The debt to equity ratio at February 28, 1995 was .5:1 compared to .4:1 at May 31, 1994 and .4:1 at February 28, 1994. Management believes that funds generated by operations, together with currently available resources, will adequately finance anticipated fiscal 1995 expenditures. At February 28, 1995, the Company had $300 million available in committed unused lines of credit.

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, 1994.

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 Annual Report on Form 10-K for the fiscal year ended May 31, 1988 and Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1990).

3.2 Second Restated Bylaws, as amended (incorporated by reference from Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1993).

4.1 Articles IV, VI, VII, VIII and X of the Restated Articles of Incorporation, as amended (see Exhibit 3.1).

4.2 Articles II, III, VII, IX and X of the Second Restated Bylaws, as amended (see Exhibit 3.2).

10.1 Credit Agreement dated as of June 1, 1991 among NIKE, Inc., The First National Bank of Chicago, individually and as Agent, and the other banks party thereto (incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1991).

10.2 Amendment No. 2 to Credit Agreement dated as of November 7, 1994 extending the termination date of the revolving credit facility in Exhibit 10.1 to November 30, 1996 (incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 1994.

10.3 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).*

10.4 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).

10.5 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).*

10.6 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 17, 1990)*

10.7 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).*

27 Financial Data Schedule

* Management contract or compensatory plan or arrangement.

(b) The following reports on Form 8-K were filed by the Company during the third quarter of fiscal 1995:

Form 8-K

December 14, 1994	ITEM 5.	OTHER EVENTS.	Press release announcing plans to acquire all of the outstanding shares of Canstar Sports Inc.
December 19, 1994	ITEM 5.	OTHER EVENTS.	Press release announcing 2nd quarter earnings.
January 5, 1995	ITEM 5.	OTHER EVENTS.	Press release announcing that the Company and Canstar Sports Inc. have entered into a Business Combination Agreement and the Company has commenced its tender offer effective January 16, 1995.
January 31, 1995	ITEM 5.	OTHER EVENTS.	Press release regarding Canadian Bureau of Competition Policy issued an Advance Ruling Certificate declining to oppose the Company's proposed acquisition of Canstar Sports Inc.
February 7, 1995	ITEM 5.	OTHER EVENTS.	Press release regarding the Company obtaining all required regulatory approval for the acquisition of Canstar Sports Inc.
February 9, 1995	ITEM 5.	OTHER EVENTS.	Press release announcing the Company has taken up all of the common shares of Canstar Sports Inc. deposited under its tender offer.

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/Robert S. Falcone

Robert S. Falcone
Vice President,
Chief Financial Officer

DATED: April 14, 1995

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FEBRUARY 28, 1995 FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	MAY 31 1995
PERIOD END	FEB 28 1995
CASH	242,747
SECURITIES	0
RECEIVABLES	930,592
ALLOWANCES	33,387
INVENTORY	627,983
CURRENT ASSETS	1,919,963
PP&E	821,018
DEPRECIATION	315,196
TOTAL ASSETS	2,963,333
CURRENT LIABILITIES	907,132
BONDS	69,353
COMMON	2,861
PREFERRED MANDATORY	0
PREFERRED	300
OTHER SE	1,915,486
TOTAL LIABILITY AND EQUITY	2,963,333
SALES	3,348,798
TOTAL REVENUES	3,348,798
CGS	2,018,882
TOTAL COSTS	2,018,882
OTHER EXPENSES	835,752
LOSS PROVISION	9,934
INTEREST EXPENSE	14,955
INCOME PRETAX	469,275
INCOME TAX	183,000
INCOME CONTINUING	286,275
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	286,275
EPS PRIMARY	3.88
EPS DILUTED	3.88

End of Filing