

NIKE INC

FORM 8-K (Current report filing)

Filed 04/24/95 for the Period Ending 04/24/95

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 8-K (Unscheduled Material Events)

Filed 4/24/1995 For Period Ending 4/24/1995

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 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) April 24, 1995

NIKE, INC.

(Exact name of registrant as specified in its charter)

Oregon (State of incorporation) No.)	1-10635 (Commission File Number)	93-0584541 (IRS Employer Identification
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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 2. ACQUISITION OR DISPOSITION OF ASSETS.

NIKE, Inc. ("NIKE") has consummated the purchase of the outstanding shares of common stock (the "Shares") of Canstar Sports Inc., a Canadian corporation ("Canstar"). The purchase was effected through an offer by NIKE to the shareholders of Canstar to purchase all of the 20,470,991 outstanding Shares at a price of US\$19.88 (Can.\$27.50) cash per share, for an aggregate purchase price of US\$409 million including estimated acquisition related costs. The source of the funds used for the acquisition was cash held by NIKE. Canstar manufactures and distributes skating and hockey equipment, and will continue to do so.

Item 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(a) Financial Statements of Businesses Acquired.

Financial statements for Canstar Sports Inc. for the fiscal year ended December 31, 1993 are incorporated by reference from Form 40-F Annual Report of Canstar Sports Inc. filed with the Securities Exchange Commission on or about June 30, 1994 and Form 6-K filed on June 23, 1994.

(b) Pro Forma Financial Information

(1) Introductory Note to Unaudited Pro Forma Financial Information

(2) Pro Forma Condensed Combined Balance Sheet (Unaudited) as of November 30, 1994

(3) Footnotes to Pro Forma Condensed Combined Balance Sheet (Unaudited)

(4) Pro Forma Combined Statement of Income (Unaudited) for the six months ended November 30, 1994

(5) Pro Forma Combined Statement of Income (Unaudited) for the year ended May 31, 1994

(6) Footnotes to Pro Forma Combined Statements of Income (Unaudited)

(c) Exhibits.

2.1 Business Combination Agreement dated January 5, 1995 between NIKE, Inc. and Canstar Sports Inc. incorporated by reference from Item 7 of the Registrant's report on Form 8-K filed with the SEC on January 20, 1995.

2.2 Lock Up Agreement dated December 15, 1994 between NIKE, Inc. and certain shareholders of Canstar Sports Inc. incorporated by reference from Item 7 of the Registrant's report on Form 8-K filed with the SEC on January 20, 1995.

2.3 Amendment to Lock Up Agreement dated February 10, 1995 between NIKE, Inc. and certain shareholders of Canstar Sports, Inc. incorporated by reference from Item 7 of the Registrant's report on Form 8-K filed with the SEC on February 24, 1995.

2.4 Take Over Bid Offer and Circular dated January 6, 1995, incorporated by reference from Schedule 14D-1F filed with the SEC on or about January 6, 1995.

Introductory Note to Unaudited Pro Forma Combined Financial Information

The following unaudited pro forma combined financial information should be read in conjunction with historical financial statements of NIKE, Inc. contained in their Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q and the historical financial statements of Canstar Sports Inc. contained in their Annual Reports on Form 40-F and Quarterly Reports on Form 6-K. The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred had the acquisition been consummated in accordance with the assumptions set forth below, nor is it necessarily indicative of future operating results or financial position.

Basis of Presentation

The unaudited pro forma combined income statements for the year ended May 31, 1994 and for the six months ended November 30, 1994 present the combined results of operations assuming that the acquisition had been consummated as of June 1, 1993. Canstar's previous year end was December 31. To facilitate the preparation of the pro forma combined financial information, Canstar results included in the pro forma for the six months ended November 30, 1994 are for the six months ended December 31, 1994; and for the year ended May 31, 1994 are for the period July 1, 1993 through June 30, 1994. Canstar's results for the full year ended June 30, 1994 and the six months ended December 31, 1994 have been derived from Canstar's annual and quarterly reports. The financial information for Canstar contains certain reclassifications made to conform to NIKE's classification.

Assets and liabilities of Canstar are translated into U.S. Dollars at current exchange rates at the combined balance sheet date. Income and expense accounts are translated into U.S. Dollars at average rates of exchange prevailing during the respective periods.

Unallocated Purchase Price and Nonrecurring Charges

The unaudited pro forma combined financial information reflects preliminary allocations of the purchase price and is subject to revision after additional studies and appraisals are completed. The pro forma income statements do not reflect any material nonrecurring charges or credits which may result directly from the acquisition. Nonrecurring items of this nature, if any, would be separately disclosed in the financial statements within the twelve months following the acquisition.

Pro Forma Condensed Combined Balance Sheet (Unaudited)

as of November 30, 1994

[/TABLE]
[CAPTION]

	NIKE	Canstar	Total (1) Adjustments	Combined Totals
[S]	[C]	[C]	[C]	[C]
Assets				
Current Assets:				
Cash and equivalents	546,105	0	(408,700)	137,405
Accounts receivable	776,952	59,613	13,127	849,692
Inventories	459,276	52,162		511,438
Deferred income taxes	46,106	1,291		47,397
Prepaid expenses	53,808	2,747		56,555
	1,882,247	115,813	(395,573)	1,602,487
Property, plant and equipment (net)	441,901	32,597	14,103	488,601
Goodwill and other intangibles	163,210	4,679	332,212	500,101
Other assets	40,397	6,076	(2,815)	43,658
	441,901	38,675	339,397	820,973

	2,527,755	159,165	(52,073)	2,634,847
	=====	=====	=====	=====
Liabilities and Shareholder's Equity				
Current Liabilities:				
Current portion of long-term debt	2,534	2,941		5,475
Notes Payable	133,710	7,499		141,209
Accounts Payable	196,921	20,359		217,280
Accrued Liabilities	228,377	7,171	10,398	245,946
Income taxes payable	25,807	0		25,807
	-----	-----	-----	-----
Long-term debt	587,349	37,970	10,398	635,717
Non-current deferred income taxes	14,299	54,205		68,504
Other long term liabilities	21,159	2,598		23,757
	-----	-----	-----	-----
	43,397	1,921		45,318
	-----	-----	-----	-----
	78,855	58,724		137,579
Redeemable Preferred Stock	300	0		300
Shareholder's equity:				
Common stock at stated value:		17,257	(17,257)	0
Class A convertible	159			159
Class B	2,699			2,699
Capital in excess of stated value	107,840			107,840
Foreign currency translation adjustment	5,176	(768)	768	5,176
Retained earnings	1,745,377	45,982	(45,982)	1,745,377
	-----	-----	-----	-----
	1,861,251	62,471	(62,471)	1,861,251
	-----	-----	-----	-----
	2,527,755	159,165	(52,073)	2,634,847
	=====	=====	=====	=====

[/TABLE]

See footnotes to the Condensed Combined Balance Sheet.

Footnotes to Pro Forma Condensed Combined Balance Sheet (Unaudited)

(1) To reflect the purchase of all of the 20,470,991 outstanding shares at a price of US\$19.98 (Can.\$27.50) cash per share, for an aggregate purchase price of US\$409 million including estimated acquisition related costs. The purchase of shares includes out-standing stock options for which a receivable has been recorded to reflect the estimated cash receipts of approximately US\$13 million due Canstar upon exercise of the stock options.

The acquisition has been accounted for under the purchase method and, accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed based on their estimated fair values. The excess of the purchase price above the fair value of the identifiable tangible and intangible assets has been assigned to goodwill and is being amortized over 40 years.

For purposes of the pro forma balance sheet, allocation of the purchase price resulted in:

(a) Accounts receivable and inventories were recorded at their net book values which reasonably approximated fair value.

(b) Other assets not representing future economic benefit were written off.

(c) Property, plant and equipment were recorded at fair values as determined by preliminary independent appraisals, with consideration given to the continued use by the Company.

(d) Recording debt and liabilities assumed at net book carrying values which reasonably approximates present value. The Company did not require additional debt obligations for the purpose of consummating the transaction.

(e) Accrual of contingent and other liabilities primarily related to legal and other matters.

(f) Record fair value of intangible assets with estimated economic lives ranging from 10 to 40 years. Intangible assets include a trained work force, patents and technologies, tradenames and trademarks.

(g) Recording goodwill of approximately \$100 million representing the excess of cost over values assigned to the acquired assets less liabilities assumed and recorded.

Pro Forma Combined Statement of Income (Unaudited) for the Six Months Ended November 30, 1994

	NIKE	Canstar	Total (1) Adjustments	Combined Totals
Revenues	2,224,101	109,802	0	2,333,903
Costs and expenses:				
Cost of sales	1,340,478	70,883	470 (2)	1,411,831
Selling & administrative	561,167	21,581	(500) (4)	582,248
Interest	8,698	2,818	8,149 (5)	19,665
Other expense (income)	832	281	5,200 (3)	6,313
	<u>1,911,175</u>	<u>95,563</u>	<u>13,319</u>	<u>2,020,057</u>
Income before income taxes	312,926	14,239	(13,319)	313,846
Income Taxes	122,000	5,599	(5,268) (6)	122,331
	<u>190,926</u>	<u>8,640</u>	<u>(8,051)</u>	<u>191,515</u>
	=====	=====	=====	=====
Net income per common share	2.59			2.60
	=====			=====
Average number of common and common equivalent shares (7)	73,798			73,798
	=====			=====

See footnotes to Pro Forma Combined Statement of Income

Pro Forma Combined Statement of Income (Unaudited) For the Year Ended May 31, 1994

[/TABLE]
[CAPTION]

	NIKE	Canstar	Total (1) Adjustments	Combined Pro Forma Financials
[S]	[C]	[C]	[C]	[C]
Revenues	3,789,668	176,877	0	3,966,545
Costs and expenses:				
Cost of sales	2,301,423	116,385	940 (2)	2,418,748
Selling and administrative	974,099	34,637	(1,000) (4)	1,007,736
Interest	15,282	5,002	14,320 (5)	34,604
Other expense (income)	8,270	651	10,400 (3)	19,321
	<u>3,299,074</u>	<u>156,675</u>	<u>24,660</u>	<u>3,480,409</u>
Income before income taxes	490,594	20,202	(24,660)	486,136
Income Taxes	191,800	9,111	(10,717) (6)	190,194
	<u>298,794</u>	<u>11,091</u>	<u>(13,943)</u>	<u>295,942</u>
Extraordinary item		1,493	(1,493) (1)	0
	<u>298,794</u>	<u>12,584</u>	<u>(15,436)</u>	<u>295,942</u>
	=====	=====	=====	=====
Net income per common share	3.96			3.92
	=====			=====
Average number of common and common equivalent shares (7)	75,456			75,456

See footnotes to Pro Forma Combined Statement of Income.

[TABLE]

Footnotes to Pro Forma Combined Statements of Income (Unaudited)

- (1) To exclude the impact of the extraordinary non-recurring item recognized by Canstar during the twelve month period in accordance with pro forma requirements.
- (2) To include estimated incremental depreciation of the fair value of acquired property, plant and equipment on a straight line basis over the estimated economic lives of the underlying fixed assets ranging from 3 to 40 years.
- (3) To amortize the estimated fair value of goodwill and other intangible assets acquired over economic lives ranging from 10 to 40 years.
- (4) To recognize a minimum level of savings anticipated by the synergies resulting from the combination of the two companies.
- (5) To recognize interest foregone on cash used to purchase Canstar. The interest rate used was the weighted average interest rate for domestic investments during the respective periods.
- (6) Estimated income tax effect for the pro forma adjustments.
- (7) Earnings per share from continuing operation presented both on a historical and pro forma basis were computed using NIKE historical weighted average shares outstanding for the respective periods as no common shares nor convertible securities were issued or exchanged in connection with this transaction.

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. An Oregon Corporation

By: */s/ Robert S. Falcone*

Dated: April 24, 1995

*Vice President, Chief
Financial Officer*

End of Filing

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