

# NIKE INC

## FORM 8-K (Current report filing)

Filed 03/21/06 for the Period Ending 03/21/06

Address	ONE BOWERMAN DR BEAVERTON, OR 97005-6453
Telephone	5036713173
CIK	0000320187
Symbol	NKE
SIC Code	3021 - Rubber and Plastics Footwear
Industry	Footwear
Sector	Consumer Cyclical
Fiscal Year	05/31

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, DC 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 21, 2006

**NIKE, INC.**

(Exact Name of Registrant as Specified in Charter)

Oregon	1-10635	93-0584541
_____	_____	_____
(State of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

One Bowerman Drive  
Beaverton, Oregon 97005-6453

(Address of Principal Executive Offices)

(503) 671-6453

(Registrant's telephone number, including area code)

**NO CHANGE**  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act

(17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

---

**Item 2.02 Results of Operations and Financial Condition**

Today NIKE, Inc. issued a press release disclosing financial results for the fiscal quarter ended February 28, 2006. The text of the release is furnished herewith as Exhibit 99.

(d) Exhibits.

**Item 9.01 Financial Statements and Exhibits**

The following exhibit is furnished with this Form 8-K:

99. Press Release dated March 21, 2006.

**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.**  
(Registrant)

*Date: March 21, 2006*

*/s/ Donald W. Blair*

\_\_\_\_\_  
*By: Donald W. Blair*  
*Chief Financial Officer*

**FOR IMMEDIATE RELEASE**

**MEDIA CONTACT: INVESTOR CONTACT:**

Alan Marks Pamela Catlett  
503.671.4235 503.671.4589

**NIKE REPORTS SECOND QUARTER EARNINGS PER SHARE OF \$1.24,  
UP 23 PERCENT FROM PRIOR YEAR**

Worldwide futures orders up 2.9 percent, up 5.4 percent excluding effects of foreign currency

Beaverton, OR (March 21, 2006) - NIKE, Inc. (NYSE:NKE) today reported record results for the third quarter ended February 28, 2006. Third quarter revenues increased nine percent to \$3.6 billion, compared to \$3.3 billion for the same period last year. Changes in currency exchange rates reduced revenue growth by three percentage points. Net income grew 19 percent to \$325.8 million, compared to \$273.4 million in the prior year. Diluted earnings per share grew 23 percent to \$1.24, versus \$1.01 last year.

"We're very pleased with the performance of the Nike brand and our Nike Inc. portfolio, both for the quarter and year to date," said Mark Parker, President and Chief Executive Officer, Nike, Inc. "The strength of our product pipeline, brand portfolio and global reach is enabling us to balance continued challenges in markets such as Western Europe and Japan with strong momentum in other key markets and regions. This, combined with our ability to manage expenses, enabled us to deliver on our long- term goal of sustainable, profitable growth." \*

**Futures Orders**

The Company reported worldwide futures orders for athletic footwear and apparel, scheduled for delivery from March 2006 through July 2006, totaling \$5.4 billion, 2.9 percent higher than such orders reported for the same period last year. Changes in currency exchange rates reduced this growth, as global futures orders grew by 5.4 percent excluding the impact of currency changes.\*

By region, futures orders for the U.S. increased six percent; Europe (which includes the Middle East and Africa) declined two percent; Asia Pacific grew five percent; and the Americas increased ten percent. Changes in currency exchange rates reduced the reported futures orders by five percentage points in Europe and by four percentage points in the Asia Pacific region. In the Americas region, two percentage points of the increase were due to changes in currency exchange rates.\*

**Regional Highlights**

**U.S.**

During the third quarter, U.S. revenues increased 14 percent to \$1.4 billion versus \$1.3 billion for the third quarter of fiscal 2005. U.S. athletic footwear revenues increased 18 percent to \$1.0 billion. Apparel revenues increased six percent to \$366.6 million. Equipment revenues declined three percent to \$70.3 million. U.S. pre-tax income improved ten percent to \$286.2 million.

**Europe**

Revenues for the European region declined five percent to \$980.1 million from \$1.0 billion for the same period last year. Changes in currency exchange rates reduced revenue growth by nine percentage points. Footwear revenues were \$563.8 million, down eight percent from \$615.3 million a year ago. Apparel revenues decreased by one percent to \$347.1 million and equipment revenues increased three percent to \$69.2 million. Pre-tax income declined five percent to \$208.7 million.

**Asia Pacific**

Third quarter revenues for the Asia Pacific region grew 13 percent to \$532.3 million compared to \$472.8 million a year ago. Changes in currency exchange rates reduced revenue growth by four percentage points. Footwear revenues were up 19 percent to \$284.1 million, apparel revenues increased six percent to \$199.0 million and equipment revenues grew six percent to \$49.2 million. Pre-tax income increased 19 percent to \$119.6 million.

**Americas**

Revenues in the Americas region increased 41 percent to \$203.1 million, an improvement from \$143.7 million in the third quarter of fiscal 2005. Changes in currency exchange rates contributed 11 percentage points to this growth rate. Footwear revenues were up 44 percent to \$143.7 million, apparel revenues increased 33 percent to \$44.4 million and equipment jumped 42 percent to \$15.0 million. Pre-tax income was up 69 percent to \$38.5 million.

**Other Businesses**

Third quarter Other business revenues, which include Converse Inc., NIKE Golf, NIKE Bauer Hockey Inc., Cole Haan, Hurley International LLC and Exeter Brands Group LLC, grew 17 percent to \$454.5 million from \$389.6 million last year. Pre-tax income was up 90 percent to \$43.6 million.

## Income Statement Review

Gross margins were 43.6 percent in the third quarter compared to 44.1 percent last year. Selling and administrative expenses were 30.1 percent of third quarter revenues, compared to 31.3 percent last year. The effective tax rate for the third quarter was 35.7 percent.

## Balance Sheet Review

At quarter end, global inventories stood at \$2.0 billion, an increase of 16 percent from February 28, 2005. Cash and short-term investments were \$2.0 billion at the end of the quarter, compared to \$1.6 billion last year.

## Share Repurchase

During the quarter, the Company purchased a total of 1,494,000 shares for approximately \$128 million in conjunction with the Company's four-year, \$1.5 billion share repurchase program that was approved by the Board of Directors in June 2004.

NIKE, Inc. based near Beaverton, Oregon is the world's leading designer, marketer and distributor of authentic athletic footwear, apparel, equipment and accessories for a wide variety of sports and fitness activities. Wholly owned Nike subsidiaries include Converse Inc., which designs, markets and distributes athletic footwear, apparel and accessories; NIKE Bauer Hockey Inc., a leading designer and distributor of hockey equipment; Cole Haan, a leading designer and marketer of luxury shoes, handbags, accessories and coats; Hurley International LLC, which designs, markets and distributes action sports and youth lifestyle footwear, apparel and accessories and Exeter Brands Group LLC, which designs and markets athletic footwear and apparel for the value retail channel.

NIKE's earnings releases and other financial information are available on the Internet at [www.NikeBiz.com/invest](http://www.NikeBiz.com/invest).

\* The marked paragraphs contain forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially. These risks and uncertainties are detailed from time to time in reports filed by NIKE with the S.E.C., including Forms 8-K, 10-Q, and 10-K. Some forward-looking statements in this release concern changes in futures orders that are not necessarily indicative of changes in total revenues for subsequent periods due to the mix of futures and "at once" orders, exchange rate fluctuations, order cancellations and discounts, which may vary significantly from quarter to quarter, and because a significant portion of the business does not report futures orders.

(Tables Follow)

NIKE, INC.  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED FEBRUARY 28, 2006

INCOME STATEMENT	QUARTER ENDING			YEAR-TO-DATE ENDING		
	02/28/2006	02/28/2005	%Chg	02/28/2006	02/28/2005	%Chg
Revenues	\$3,612.8	\$3,308.2	9%	\$10,949.5	\$10,018.3	9%
Cost of sales	2,038.7	1,849.4	10%	6,115.9	5,585.6	9%
Gross margin	1,574.1 43.6 %	1,458.8 44.1 %	8%	4,833.6 44.1 %	4,432.7 44.2 %	9%
Selling and administrative expense	1,086.6 30.1 %	1,035.7 31.3 %	5%	3,245.7 29.6 %	3,082.5 30.8 %	5%
Interest (income) expense, net	(8.4)	(0.1)	-	(20.5)	8.4	-
Other (income) expense, net	(10.7)	9.8	-	(22.0)	19.9	-
Income before income taxes	506.6	413.4	23%	1,630.4	1,321.9	23%
Income taxes	180.8	140.0	29%	571.2	459.8	24%
	35.7 %	33.9 %		35.0 %	34.8 %	
Net income	\$325.8	\$273.4	19%	\$ 1,059.2	\$862.1	23%
Diluted EPS	\$1.24	\$1.01	23%	\$4.00	\$3.18	26%
Basic EPS	\$1.26	\$1.04	21%	\$4.08	\$3.28	24%

Weighted Average Common Shares Outstanding:

Diluted	263.4	271.7	264.6	270.9
Basic	258.9	263.3	259.6	263.1

Dividends declared	=====	=====	=====	=====
	\$0.31	\$0.25	\$0.87	\$0.70
	=====	=====	=====	=====

NIKE, INC.				
BALANCE SHEET*			02/28/2006	02/28/2005
=====	=====	=====	=====	=====
ASSETS				
Current assets:				
Cash and equivalents			\$1,472.1	\$1,222.5
Short-term investments			535.0	418.3
Accounts receivable, net			2,351.6	2,304.9
Inventories			2,034.2	1,746.8
Deferred income taxes			115.0	170.5
Prepaid expenses and other				
current assets			536.8	355.5
Total Current Assets			7,044.7	6,218.5
Property, plant and equipment			3,283.2	3,302.9
Less accumulated depreciation			1,684.8	1,679.7
Property, plant and equipment, net			1,598.4	1,623.2
Identifiable intangible assets, net			406.2	403.2
Goodwill			135.3	135.4
Deferred income taxes and other assets			333.6	291.6
			-----	-----
Total Assets			\$9,518.2	\$8,671.9
			=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Current portion of long-term debt			\$254.7	\$6.4
Notes payable			79.3	101.3
Accounts payable			785.8	630.8
Accrued liabilities			1,128.9	1,164.6
Income taxes payable			55.5	182.7
Total Current Liabilities			2,304.2	2,085.8
Long-term debt			411.3	691.4
Deferred income taxes and other liabilities			540.8	467.3
Redeemable preferred stock			0.3	0.3
Shareholders' equity			6,261.6	5,427.1
			-----	-----
Total Liabilities and Shareholders' Equity			\$9,518.2	\$8,671.9
			=====	=====

\*Certain prior year amounts have been reclassified to conform to fiscal year 2006 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

NIKE, INC						
Divisional Revenues		QUARTER ENDING		YEAR-TO-DATE ENDING		
		02/28/2006	02/28/2005	%Chg	02/28/2006	02/28/2005
		02/28/2006	02/28/2005	%Chg	02/28/2006	02/28/2005
=====	=====	=====	=====	=====	=====	=====
U.S. Region						
Footwear		\$1,005.9	\$849.6	18%	\$2,838.5	\$2,451.0
Apparel		366.6	345.8	6%	1,195.9	1,121.8
Equipment		70.3	72.8	-3%	224.4	229.1
Total		1,442.8	1,268.2	14%	4,258.8	3,801.9
		-----	-----	-----	-----	-----
EMEA Region						
Footwear		563.8	615.3	-8%	1,782.1	1,810.4
Apparel		347.1	351.3	-1%	1,161.9	1,131.0
Equipment		69.2	67.3	3%	231.0	211.5
Total		980.1	1,033.9	-5%	3,175.0	3,152.9
		-----	-----	-----	-----	-----
Asia Pacific Region						
Footwear		284.1	237.9	19%	766.9	693.1
Apparel		199.0	188.3	6%	590.1	544.9
Equipment		49.2	46.6	6%	138.2	124.3
Total		532.3	472.8	13%	1,495.2	1,362.3
		-----	-----	-----	-----	-----
Americas Region						
Footwear		143.7	99.6	44%	478.7	344.2
Apparel		44.4	33.5	33%	140.5	115.9

Equipment	15.0	10.6	42%	49.7	34.6	44%
	-----	-----		-----	-----	
Total	203.1	143.7	41%	668.9	494.7	35%
	3,158.3	2,918.6	8%	9,597.9	8,811.8	9%
Other	454.5	389.6	17%	1,351.6	1,206.5	12%
Total NIKE, Inc. revenues	\$3,612.8	\$3,308.2	9%	\$10,949.5	\$10,018.3	9%

NIKE, INC

Pre-tax Income <sup>1, *</sup>	QUARTER ENDING			YEAR-TO-DATE ENDING		
	02/28/2006	02/28/2005	%Chg	02/28/2006	02/28/2005	%Chg
=====	=====	=====	=====	=====	=====	=====
USA Region	\$ 286.2	\$ 260.1	10%	\$ 897.1	\$ 815.5	10%
EMEA Region	208.7	219.3	-5%	733.1	663.3	11%
Asia Pacific Region	119.6	100.4	19%	326.2	275.8	18%
Americas Region	38.5	22.8	69%	140.5	87.5	61%
Other	43.6	23.0	90%	106.6	84.0	27%
Corporate <sup>2</sup>	(190.0)	(212.2)	10%	(573.1)	(604.2)	5%
Total Pre-tax Income <sup>1</sup>	\$ 506.6	\$ 413.4	23%	\$1,630.4	\$1,321.9	23%
=====	=====	=====	=====	=====	=====	=====

1 The Company evaluates performance of individual operating segments based on pre-tax income. Total pre-tax income equals Income before income taxes as shown on the Consolidated Income Statement.

2 "Corporate" represents items necessary to reconcile to total pre-tax income, which includes corporate costs that are not allocated to the operating segments for management reporting and intercompany eliminations for specific items in the Consolidated Income Statement.

\* Certain prior year amounts have been reclassified to conform to fiscal year 2006 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.