

# NIKE INC

## FORM 8-K (Current report filing)

Filed 09/22/11 for the Period Ending 09/22/11

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

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UNITED STATES  
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):

September 22, 2011



**NIKE, Inc.**

(Exact name of registrant as specified in charter)

OREGON

(State or other jurisdiction  
of incorporation)

1-10635

(Commission  
File Number)

93-0584541

(IRS Employer  
Identification No.)

ONE BOWERMAN DRIVE  
BEAVERTON, OR

(Address of principal executive offices)

97005-6453

(Zip Code)

Registrant's telephone number, including area code:

(503)671-6453

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 the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02 Results of Operations and Financial Condition**

Today NIKE, Inc. issued a press release disclosing financial results for the fiscal quarter ended August 31, 2011. The text of the release is furnished herewith as Exhibit 99.1.

**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits.

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

99.1 Press Release dated September 22, 2011.

**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: September 22, 2011

By: /s/ Donald W. Blair

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Donald W. Blair  
Chief Financial Officer





Investor Contact :

Kelley Hall  
(503) 532-3793

Media Contact :

Kellie Leonard  
(503) 671-6171

## NIKE, INC. REPORTS FISCAL 2012 FIRST QUARTER RESULTS

- Revenues up 18 percent to \$6.1 billion, up 11 percent excluding currency changes
- Diluted earnings per share up 19 percent to \$1.36
- Worldwide futures orders up 16 percent, 13 percent growth excluding currency changes
- Inventories up 41 percent

**BEAVERTON, Ore., Sept. 22, 2011** – NIKE, Inc. (NYSE:NKE) today reported financial results for its fiscal 2012 first quarter ended August 31, 2011. Diluted earnings per share and revenue represented new records as a strong demand for NIKE, Inc. brands, SG&A expense leverage, tax efficiencies and a lower average share count offset the impact of a lower gross margin.

“We’re off to a strong start in fiscal year 2012. We have a powerful and diverse portfolio of brands and businesses, and we’re focused on leveraging them to drive growth and create value for our shareholders,” said Mark Parker, President and CEO, NIKE, Inc. “It pays to be prudent in times like these. It’s also essential that we remain on the offense, creating opportunities. We do that by connecting with consumers, designing innovative products and delivering amazing experiences. That’s how we continue to lead this company and the industry into the future.”\*

### First Quarter Income Statement Review

- **Revenues** for NIKE, Inc. increased 18 percent to \$6.1 billion, up 11 percent on a currency-neutral basis. Excluding the impacts of changes in foreign currency, NIKE Brand revenues rose 12 percent with growth in every geography except Western Europe, which was flat due to the negative impact from changes in the timing of shipments and comparisons to last year’s strong World Cup related sales. By category, revenues were up on a currency neutral basis in all key categories except Football (Soccer), which had a challenging prior year comparison given the World Cup last year. Revenues for our Other Businesses increased 10 percent including 2 percentage points of benefit from changes in currency exchange rates, as growth in Converse, Cole Haan and NIKE Golf offset lower revenues at Hurley and Umbro.
- **Gross margin** declined 270 basis points to 44.3 percent mainly due to higher product costs and a higher mix of off-price revenues sold at a lower margin than the prior year. These factors more than offset the positive impact of growing sales in our Direct to Consumer operations, select pricing actions and the benefits of ongoing product cost reduction initiatives.
- **Selling and administrative expenses** grew at a slower rate than revenue, up 9 percent to \$1.8 billion. Demand creation expenses increased 2 percent to \$692 million driven by marketing support for key product initiatives and investments in retail product presentation for wholesale accounts. Operating overhead expenses increased 14 percent to \$1.1 billion due to additional investments made in our wholesale and Direct to Consumer businesses.
- **Other expense, net** was \$18 million, comprised largely of foreign exchange losses, primarily from currency hedges. For the quarter, we estimate the year-over-year change in foreign currency related losses included in other expense, net combined with the impact of changes in foreign currency exchange rates on the translation of foreign currency-denominated profits increased pretax income by approximately \$32 million.
- **The effective tax rate** was 24.3 percent compared to 26.0 percent for the same period last year, an improvement due primarily to a reduction in the effective tax rate on operations outside the United States.
- **Net income** increased 15 percent to \$645 million and **diluted earnings per share** increased 19 percent to \$1.36 reflecting a 3 percent

decline in the weighted average diluted common shares outstanding.

### **August 31, 2011 Balance Sheet Review**

- **Inventories** for NIKE, Inc. were \$3.1 billion, up 41 percent from August 31, 2010. Inventories were higher compared to a year ago due to higher average unit product cost, growth in total units and changes in currency exchange rates. NIKE Brand unit inventories were higher as a result of strong demand and elevated product deliveries as manufacturing partners have expanded production capacity to more closely align with demand. Also contributing to the growth in NIKE Brand units were strategic pre-builds for key seasonal items with longer production lead times and growth in our Direct to Consumer business. Relative to revenues and futures, current unit inventories are broadly consistent with the levels we reported prior to the 2009 – 2010 economic downturn.
- **Cash and short-term investments** were \$3.7 billion, lower than last year as higher working capital investments reduced free cash flow from operations, while share repurchases, dividend payments and long-term debt payments also increased year-on-year.

### **Share Repurchases**

During the first quarter, we repurchased a total of 7.7 million shares for approximately \$649 million as part of our four-year, \$5 billion share repurchase program, approved by the Board of Directors in September 2008. As of the end of the first quarter, we have purchased a total of 38.0 million shares for approximately \$3.0 billion under this program.

### **Futures Orders**

As of the end of the quarter worldwide futures orders for NIKE Brand athletic footwear and apparel, scheduled for delivery from September 2011 through January 2012, totaled \$8.5 billion, 16 percent higher than orders reported for the same period last year. Excluding currency changes, reported orders would have increased 13 percent.\*

### **Conference Call**

NIKE management will host a conference call beginning at approximately 2:00 p.m. PT on September 22, 2011, to review first quarter results. The conference call will be broadcast live over the Internet and can be accessed at [www.nikebiz.com/investors](http://www.nikebiz.com/investors). For those unable to listen to the live broadcast, an archived version will be available at the same location through 9:00 p.m. PT, September 29, 2011.

### **About NIKE, Inc.**

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 Cole Haan, which designs, markets and distributes luxury shoes, handbags, accessories and coats; Converse Inc., which designs, markets and distributes athletic footwear, apparel and accessories; Hurley International LLC, which designs, markets and distributes action sports and youth lifestyle footwear, apparel and accessories; and Umbro International Limited, which designs, distributes and licenses athletic and casual footwear, apparel and equipment, primarily for global football (soccer). For more information, NIKE's earnings releases and other financial information are available on the Internet at [www.nikebiz.com/investors](http://www.nikebiz.com/investors).

\* *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.*

(Additional Tables Follow)

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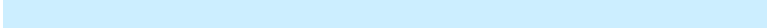
**NIKE, Inc.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED AUGUST 31, 2011**  
(In millions, except per share data)

INCOME STATEMENT	QUARTER ENDED		% Chg
	08/31/2011	08/31/2010	
Revenues	\$ 6,081	\$ 5,175	18 %
Cost of sales	3,388	2,741	24 %
Gross margin	2,693	2,434	11 %
	<b>44.3 %</b>	<b>47.0 %</b>	
Demand creation expense	692	679	2 %
Operating overhead expense	1,131	994	14 %
Total selling and administrative expense	1,823	1,673	9 %
	<b>30.0 %</b>	<b>32.3 %</b>	
Other expense, net	18	7	-
Interest (income), net	-	(1)	-
Income before income taxes	852	755	13 %
Income taxes	207	196	6 %
	<b>24.3 %</b>	<b>26.0 %</b>	
Net income	<u>\$ 645</u>	<u>\$ 559</u>	15 %
Diluted EPS	\$ 1.36	\$ 1.14	19 %
Basic EPS	\$ 1.39	\$ 1.17	19 %
<b>Weighted Average Common Shares Outstanding:</b>			
Diluted	474.3	488.6	
Basic	465.0	479.6	
Dividends declared	<u>\$ 0.31</u>	<u>\$ 0.27</u>	

## NIKE, Inc.

<b>BALANCE SHEET</b>	<b>08/31/2011</b>	<b>08/31/2010</b>	<b>% Change</b>
<b>(In millions)</b>			
<i>ASSETS</i>			
Current assets:			
Cash and equivalents	\$ 1,608	\$ 2,010	-
Short-term investments	2,092	2,678	22%
Accounts receivable, net	3,279	2,791	17%
Inventories	3,107	2,210	41%
Deferred income taxes	315	259	22%
Prepaid expenses and other current assets	638	583	9%
<b>Total current assets</b>	<b>11,039</b>	<b>10,531</b>	<b>5%</b>
Property, plant and equipment	5,034	4,535	11%
Less accumulated depreciation	2,868	2,560	12%
Property, plant and equipment, net	2,166	1,975	10%
Identifiable intangible assets, net	536	470	14%
Goodwill	204	192	6%
Deferred income taxes and other assets	858	883	-3%
<b>Total assets</b>	<b>\$ 14,803</b>	<b>\$ 14,051</b>	<b>5%</b>
<i>LIABILITIES AND SHAREHOLDERS' EQUITY</i>			
Current liabilities:			
Current portion of long-term debt	\$ 116	\$ 132	-
Notes payable	164	109	50%
Accounts payable	1,421	1,101	29%
Accrued liabilities	1,968	1,696	16%
Income taxes payable	91	104	-
<b>Total current liabilities</b>	<b>3,760</b>	<b>3,142</b>	<b>20%</b>
Long-term debt	238	342	30%
Deferred income taxes and other liabilities	906	907	0%
Redeemable preferred stock	-	-	-
Shareholders' equity	9,899	9,660	2%

<b>Total liabilities and shareholders' equity</b>	<u>\$ 14,803</u>	<u>\$ 14,051</u>	5%
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**NIKE, Inc.**

DIVISIONAL REVENUES <sup>1</sup>	QUARTER ENDED		% Change	% Change Excluding Currency Changes <sup>2</sup>
	08/31/2011	08/31/2010		
(In millions)				
<b>North America</b>				
Footwear	\$ 1,443	\$ 1,289	12%	12%
Apparel	632	515	23%	22%
Equipment	125	99	26%	25%
Total	2,200	1,903	16%	15%
<b>Western Europe</b>				
Footwear	731	632	16%	1%
Apparel	407	369	10%	-3%
Equipment	81	65	25%	7%
Total	1,219	1,066	14%	0%
<b>Central and Eastern Europe</b>				
Footwear	180	149	21%	11%
Apparel	123	95	29%	20%
Equipment	31	25	24%	14%
Total	334	269	24%	14%
<b>Greater China</b>				
Footwear	314	246	28%	21%
Apparel	177	182	-3%	-8%
Equipment	37	32	16%	8%
Total	528	460	15%	9%
<b>Japan</b>				
Footwear	103	86	20%	7%
Apparel	70	60	17%	5%
Equipment	18	17	6%	-5%
Total	191	163	17%	5%
<b>Emerging Markets</b>				
Footwear	567	404	40%	29%
Apparel	182	149	22%	12%
Equipment	50	38	32%	21%
Total	799	591	35%	24%
<b>Global Brand Divisions <sup>3</sup></b>				
	42	31	35%	24%
<b>Total NIKE Brand</b>				
	5,313	4,483	19%	12%
<b>Other Businesses <sup>4</sup></b>				
	762	694	10%	8%
<b>Corporate <sup>5</sup></b>				
	6	(2)	-	-
<b>Total NIKE, Inc. Revenues</b>				
	\$ 6,081	\$ 5,175	18%	11%

**Total NIKE**

<b>Brand</b>						
Footwear	\$	3,338	\$	2,806	19%	13%
Apparel		1,591		1,370	16%	9%
Equipment		342		276	24%	15%
Global Brand Divisions <sup>3</sup>		42		31	35%	24%

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<sup>1</sup> Certain prior year amounts have been reclassified to conform to fiscal year 2012 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

<sup>2</sup> Fiscal 2012 results have been restated using fiscal 2011 exchange rates for the comparative period to enhance the visibility of the underlying business trends excluding the impact of foreign currency exchange rate fluctuations.

<sup>3</sup> Global Brand Divisions primarily represent NIKE Brand licensing businesses that are not part of a geographic operating segment.

<sup>4</sup> Other businesses represent activities of Cole Haan, Converse, Hurley, NIKE Golf and Umbro.

<sup>5</sup> Corporate revenues primarily consist of foreign currency revenue-related hedge gains and losses generated by entities within the NIKE Brand geographic operating segments and Other Businesses through our centrally managed foreign exchange risk management program.

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**NIKE, Inc.**

<b>EARNINGS BEFORE INTEREST AND TAXES</b> <sup>1,2</sup>	<b>QUARTER ENDED</b>		<b>%</b>
	<b>08/31/2011</b>	<b>08/31/2010</b>	<b>Chg</b>
	<b>(In millions)</b>		
North America	\$ 534	\$ 443	21%
Western Europe	223	283	21%
Central and Eastern Europe	70	70	0%
Greater China	171	164	4%
Japan	34	27	26%
Emerging Markets	190	124	53%
Global Brand Divisions <sup>3</sup>	<u>(261)</u>	<u>(245)</u>	-7%
<b>Total NIKE Brand</b>	<b>961</b>	<b>866</b>	<b>11%</b>
			-
Other Businesses <sup>4</sup>	86	109	21%
Corporate <sup>5</sup>	<u>(195)</u>	<u>(221)</u>	12%
<b>Total earnings before interest and taxes <sup>1,2</sup></b>	<b><u>\$ 852</u></b>	<b><u>\$ 754</u></b>	<b>13%</b>

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<sup>1</sup> The Company evaluates performance of individual operating segments based on earnings before interest and taxes (also commonly referred to as "EBIT"), which represents net income before interest (income), net and income taxes.

<sup>2</sup> Certain prior year amounts have been reclassified to conform to fiscal year 2012 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

<sup>3</sup> Global Brand Divisions primarily represent NIKE Brand licensing businesses that are not part of a geographic operating segment and general and administrative expenses that are centrally managed for the NIKE Brand

<sup>4</sup> Other businesses represent activities of Cole Haan, Converse, Hurley, NIKE Golf and Umbro.

<sup>5</sup> Corporate consists of unallocated general and administrative expenses, which includes expenses associated with centrally managed departments, depreciation and amortization related to the Company's corporate headquarters, unallocated insurance and benefit programs, certain foreign currency gains and losses, including certain hedge gains and losses generated from our centrally managed foreign exchange risk management program, corporate eliminations and other items

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**NIKE, Inc.**

<b>NIKE BRAND REPORTED FUTURES GROWTH BY GEOGRAPHY <sup>1</sup></b>	<b>Reported Futures Orders</b>	<b>Excluding Currency Changes <sup>2</sup></b>
North America	16%	15%
Western Europe	9%	3%
Central & Eastern Europe	17%	17%
Greater China	27%	22%
Japan	-10%	-10%
Emerging Markets	22%	21%
<b>Total NIKE Brand Reported Futures</b>	16%	13%

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<sup>1</sup> Futures orders by geography and in total for NIKE Brand athletic footwear and apparel scheduled for delivery from September 2011 through January 2012.

The reported futures and advance orders growth is not necessarily indicative of our expectation of revenue growth during this period. This is due to year-over-year changes in shipment timing and because the mix of orders can shift between advance/futures and at-once orders and the fulfillment of certain orders may fall outside of the schedule noted above. In addition, exchange rate fluctuations as well as differing levels of order cancellations and discounts can cause differences in the comparisons between advance/futures orders and actual revenues. Moreover, a significant portion of our revenue is not derived from futures and advance orders, including at-once and close-out sales of NIKE Brand footwear and apparel, sales of NIKE Brand equipment, sales from certain of our Direct to Consumer operations, and sales from our Other Businesses.

<sup>2</sup> Reported futures restated using prior year exchange rates to enhance the visibility of the underlying business trends excluding the impact of foreign currency exchange rate fluctuations.

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