

NIKE INC

FORM 8-K (Current report filing)

Filed 09/18/98 for the Period Ending 09/17/98

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 9/18/1998 For Period Ending 9/17/1998

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) March 18, 1998

NIKE, INC.

(Exact name of registrant as specified in its charter)

Oregon
(State of incorporation)

1-10635
(Commission File
Number)

93-0584541
(IRS Employer
Identification No.)

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 5. OTHER EVENTS

Commencing with these quarterly results, NIKE will be showing more detail by providing international revenues on a regional basis. To facilitate prior-year comparisons, the table below breaks out financial results by region for Fiscal Years 1997 and 1998:

Divisional Revenues	Q1 97	Q2 97	Q3 97	Q4 97	FY97	Q1 98	Q2 98	Q3 98	Q4 98	FY98
USA Region										
Footwear	1,001,593	814,861	980,369	956,749	3,753,572	1,056,032	787,635	800,410	854,607	3,498,684
Apparel	346,201	372,571	348,702	339,112	1,406,586	425,241	418,260	330,958	381,887	1,556,346
Equipment & Other	6,694	6,721	9,411	18,640	41,466	19,049	17,671	16,325	31,337	84,382
Total	1,354,488	1,194,153	1,338,482	1,314,501	5,201,624	1,500,322	1,223,566	1,147,693	1,267,831	5,139,412
Europe Region										
Footwear	304,769	241,888	371,530	278,929	1,197,116	384,051	245,550	329,017	307,998	1,266,616
Apparel	151,310	129,717	177,237	133,690	591,954	218,288	143,046	239,004	195,525	795,863
Equipment	0	0	0	696	696	7,466	7,886	3,259	14,961	33,572
Total	456,079	371,605	548,767	413,315	1,789,766	609,805	396,482	571,280	518,484	2,096,051
Asia Pacific Region										
Footwear	161,503	203,220	237,141	257,099	858,963	264,083	208,397	175,033	143,159	790,672
Apparel	56,608	102,868	92,310	130,988	382,774	102,982	151,732	98,236	100,449	453,399
Equipment	0	0	0	156	156	442	2,547	2,816	3,995	9,800
Total	218,111	306,088	329,451	388,243	1,241,893	367,507	362,676	276,085	247,603	1,253,871
Americas Region										
Footwear	82,266	72,121	80,393	100,116	334,896	121,487	91,213	91,385	98,951	403,036
Apparel	24,421	29,436	24,274	34,056	112,187	45,582	50,752	41,681	48,194	186,209
Equipment	0	0	0	2,097	2,097	3,290	1,277	1,113	4,131	9,811
Total	106,687	101,557	104,667	136,269	449,180	170,359	143,242	134,179	151,276	599,056
Total NIKE Brand Revenue	2,135,365	1,973,403	2,321,367	2,252,328	8,682,463	2,647,993	2,125,966	2,129,237	2,185,194	9,088,390
Other Brands	146,561	133,631	102,281	121,603	504,076	118,106	129,306	94,758	122,566	464,736
Total NIKE Inc. Revenues	2,281,926	2,107,034	2,423,648	2,373,931	9,186,539	2,766,099	2,255,272	2,223,995	2,307,760	9,553,126

On September 17, 1998, NIKE, Inc. issued the following press release regarding financial results for the first fiscal quarter ended August 31, 1998:

DRAFT 09/17/98 9:57 AM

FOR IMMEDIATE RELEASE

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NIKE REPORTS FIRST QUARTER 1999 EARNINGS; WORLDWIDE FUTURES ORDERS DECREASE 15 PERCENT; WORKFORCE REDUCTION SET FOR ASIA PACIFIC OPERATIONS

Highlights:

Revenues for the quarter decreased 9% to \$2.50 billion; Earnings per share \$0.56 versus \$0.85

Global footwear revenues down 19 percent; global apparel up 6 percent Worldwide Futures Orders decreased 15 percent; down 13 percent in constant dollars

Approximately 300 positions to be eliminated in Asia Pacific operations

Beaverton, OR (September 17, 1998) -- NIKE, Inc. (NYSE:NKE) today reported revenues and earnings for the Company's first quarter ended August 31, 1998. First quarter net income totaled \$163.8 million or \$0.56 per diluted share compared to \$253.1 million, or \$0.85 per diluted share. First quarter revenues were \$2.50 billion, down 9 percent from \$2.77 billion last year.

The Company also announced that it plans to eliminate approximately 300 positions throughout its Asia Pacific operations to better align its overall cost structure and organization with planned revenue levels. This represents a workforce reduction of approximately 15 percent in the region.*

Philip H. Knight, Chairman and CEO, said, "Our results were helped by lower than expected spending in the first quarter. While we expect that spending will reach more normal levels beginning in the second quarter of this year, we remain focused on effectively managing our cost structure going forward, as evidenced by the actions we announced today regarding our Asia Pacific operations. Our goal in this region is to

create a profitable business model in the near-term while building the appropriate infrastructure for long-term growth.*

Futures Orders

The Company reported worldwide futures orders for athletic footwear and apparel, scheduled for delivery between September 1998 and January 1999 total \$3.2 billion, 15 percent lower than such orders for the same period last year. Had the U.S. dollar remained constant at year-ago levels, worldwide futures orders would have decreased 13 percent.*

Looking at futures orders by region, the USA region was down 7 percent, Europe decreased 1 percent, Asia Pacific was down 56 percent and the Americas was down 24 percent. In constant dollars, futures orders for Europe decreased 4 percent, Asia Pacific decreased 45 percent and Americas was down 9 percent.*

Regional Highlights

USA

U.S. athletic footwear revenues declined 13 percent to \$917.4 million, compared to \$1,056.0 million in the same period last year. U.S. athletic apparel revenues declined 5 percent in the quarter to \$405.2 million. Despite the lower revenues, the reduced level of close-out revenues in footwear resulted in higher gross margins relative to the last few quarters. Mr. Knight noted, "In the U.S., the recent promotional nature in some segments of the athletic retail market is challenging perceptions about our industry's pricing paradigm. In this environment, our focus is on generating profitable growth for NIKE and our retail partners who remain committed to the athletic market."

Europe

European revenues in the quarter increased 12 percent to \$680.9 million. Had the dollar remained constant at year-ago levels, revenues would have increased 9 percent. France, Italy, Spain and Germany all posted strong double digit revenue increases in the quarter. Mr. Knight added, "While our futures orders indicate a continued slowdown in the rate of growth in Europe, our focus is on maintaining profitability in a slowing top-line environment through inventory management and cost containment."

Asia Pacific

Revenues in the Asia Pacific region declined 46 percent to \$199.1 million. In constant dollars, regional revenues decreased 35 percent. Revenues in Japan declined 53 percent and 45 percent in constant dollars.

Americas

Revenues in the Americas region declined 15 percent to \$144.9 million. Had the dollar remained constant, revenues would have decreased 10 percent.

Income Statement Review

In the first quarter, consolidated revenues decreased 9 percent and would have decreased 8 percent had the dollar remained constant. Other brand revenues, which include Bauer, Cole Haan-Registered Trademark-, Tetra Plastics and Sports Specialties, increased 12 percent to \$132.1 million. Gross margins in the quarter were 37.6 percent compared to 39.8 percent last year. Selling and administrative expenses were 26.1 percent of first quarter revenues, compared to 23.8 percent last year.

Balance Sheet Review

Cash and short-term investments decreased to \$167.8 in the first quarter. The current ratio as of August 31, 1998 was 2.2 to 1. Inventories totaled \$1.16 billion, a decrease of 17 percent compared to May 31, 1998, and down 10 percent from August 31, 1997. Total U.S. footwear inventory units ended the quarter down 35 percent compared to May 31, 1998, and down 29 percent from August 31, 1997.

Share Repurchase

As of August 31, 1998, the Company had purchased a total of 2,506,000 shares of NIKE's Class B Common Stock for approximately \$106 million in the open market in conjunction with the \$1 billion share repurchase program approved in December 1997. During the first quarter, the Company purchased a total of 1,265,000 shares for approximately \$52 million.

NIKE, Inc., based in Beaverton, Oregon, is the world's leading designer and marketer of authentic athletic footwear, apparel, equipment and accessories for a wide variety of sports and fitness activities. Wholly-owned NIKE subsidiaries include Bauer Inc., the world's leading manufacturer of hockey equipment; Cole Haan, which markets a line of high-quality men's and women's dress and casual shoes; and Sports Specialties Corporation, which markets a full line of licensed headwear. Total revenues for the trailing twelve months ending August 31, 1998, were \$9.3 billion.

* 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, which may vary significantly from quarter to quarter.

NIKE's earnings releases and other financial information are available on the Internet at NikeBiz.com.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED AUGUST 31, 1998**

(In millions, except per share data)

INCOME STATEMENT	8/31/98	QUARTER ENDING 8/31/97	% Chg
Revenues	\$2,504.8	\$2,766.1	-9%
Cost of Sales	1,562.6	1,665.5	-6%
Gross Profit	942.2	1,100.6	-14%
	37.6%	39.8%	
SG&A	652.6	658.9	-1%
	26.1%	23.8%	
Interest Expense	14.2	16.9	-16%
Other	4.6	13.2	-65%
Pre-tax Income	270.8	411.6	-34%
Income Taxes	107.0	158.5	-32%
	39.5%	38.5%	
Net Income	\$ 163.8	\$ 253.1	-35%
Diluted EPS	\$ 0.56	\$ 0.85	-34%
Basic EPS	\$ 0.57	\$ 0.87	-34%

Weighted Average Common Shares Outstanding:

Diluted	292.0	297.5
Basic	286.7	289.9
Dividend	\$0.12	\$0.10

BALANCE SHEET	8/31/98	8/31/97
ASSETS		
Cash & Investments	\$ 167.8	\$403.1
Accounts Receivable	1,755.0	1,992.4
Inventory	1,160.1	1,293.6
Deferred Taxes	158.2	129.4
Prepaid Expenses	168.0	184.3
Current Assets	3,409.1	4,002.8
Fixed Assets	1,879.3	1,513.5
Depreciation	702.1	541.2
Net Fixed Assets	1,177.2	972.3
Identifiable Intangible Assets and Goodwill	436.5	459.3
Other Assets	281.8	191.0
Total Assets	\$5,304.6	\$5,625.4

LIAB AND EQUITY		
Current Long-Term Debt	\$ 1.3	\$ 2.8
Payable to Banks	348.3	428.7
Accounts Payable	432.5	534.7
Accrued Liabilities	638.5	662.3
Income Taxes Payable	112.3	167.1
Current Liabilities	1,532.9	1,795.6
Long-term Debt	375.7	393.2
Def Inc Taxes & Oth Liab	46.6	50.8
Preferred Stock	0.3	0.3
Common Equity	3,349.1	3,385.5
Total Liab. & Equity	\$5,304.6	\$5,625.4

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QUARTER ENDING

Divisional Revenues	8/31/98	8/31/97	% Chg
=====			
USA Region			
Footwear	\$ 917.4	\$1,056.0	-13%
Apparel	405.2	425.2	-5%
Equipment	25.2	19.1	32%

Total	1,347.8	1,500.3	-10%
Europe Region			
Footwear	354.2	384.0	-8%
Apparel	310.8	218.3	42%
Equipment	15.9	7.5	112%

Total	680.9	609.8	12%
Asia Pacific Region			
Footwear	111.1	264.1	-58%
Apparel	82.0	103.0	-20%
Equipment	6.0	0.4	1400%

Total	199.1	367.5	-46%
Americas Region			
Footwear	97.8	121.5	-20%
Apparel	44.3	45.6	-3%
Equipment	2.8	3.3	-15%

Total	144.9	170.4	-15%
Total NIKE Brand Revenues	2,372.7	2,648.0	-10%
Other Brands	132.1	118.1	12%
Total NIKE Inc. Revenues	\$2,504.8	\$2,766.1	-9%

SIGNATURES

Pursuant to the requirements of the Securities and 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 17, 1998

By /s/ Robert E. Harold
Chief Financial Officer

End of Filing

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