

NIKE INC

FORM 10-Q (Quarterly Report)

Filed 10/15/96 for the Period Ending 08/31/96

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 10/15/1996 For Period Ending 8/31/1996

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 August 31, 1996 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 August 31, 1996 were:

Class A	50,990,185
Class B	93,019,323
	<hr/>
	144,009,508
	=====

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

NIKE, Inc.

CONDENSED CONSOLIDATED BALANCE SHEET

Aug. 31,	May 31,
1996	1996
<hr/>	<hr/>

(in thousands)

ASSETS

Current assets:		
Cash and equivalents	\$ 398,098	\$ 262,117
Accounts receivable	1,627,046	1,346,125
Inventories (Note 3)	909,414	931,151
Deferred income taxes	88,852	93,120
Prepaid expenses	120,298	94,427
	<hr/>	<hr/>
Total current assets	3,143,708	2,726,940
Property, plant and equipment	1,116,998	1,047,705
Less accumulated depreciation	425,420	404,246
	<hr/>	<hr/>
	691,578	643,459
Identifiable intangible assets and goodwill	469,332	474,812
Deferred income taxes and other assets	121,210	106,417
	<hr/>	<hr/>
	\$4,425,828	3,951,628
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Current portion of long-term debt	\$ 4,175	\$ 7,301
Notes payable	539,210	445,064
Accounts payable	416,600	455,034
Accrued liabilities	525,738	480,407
Income taxes payable	141,287	79,253
	<hr/>	<hr/>
Total current liabilities	1,627,010	1,467,059
Long-term debt	107,247	9,584
Deferred income taxes	1,764	1,883
Other liabilities	32,559	41,402
Commitments and contingencies (Note 4)	--	--
Redeemable Preferred Stock	300	300
Shareholders' equity:		
Common Stock at stated value (Note 2):		
Class A convertible-50,990 and 51,120 shares outstanding	152	153
Class B-93,019 and 92,509 shares outstanding	2,704	2,702
Capital in excess of stated value	170,712	154,833
Foreign currency translation adjustment	(7,190)	(16,501)
Retained earnings	2,490,570	2,290,213
	<hr/>	<hr/>
	2,656,948	2,431,400
	<hr/>	<hr/>
	\$4,425,828	\$3,951,628
	=====	=====

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
August 31,

<hr/>	<hr/>
1996	1995*
<hr/>	<hr/>

(in thousands, except per share data)

Revenues	\$2,281,926	\$1,700,020
	<hr/>	<hr/>

Costs and expenses:

Cost of sales	1,362,119	1,013,379
Selling and administrative	529,537	369,043
Interest	12,666	11,251
Other expense (income)	8,641	10,249
	<hr/>	<hr/>
	1,912,963	1,403,922
	<hr/>	<hr/>
Income before income taxes	368,963	296,098
Income taxes	142,900	114,000
	<hr/>	<hr/>
Net income	\$ 226,063	\$ 182,098
	=====	=====
Net income per common share(Note 2)	\$ 1.53	\$ 1.25
	=====	=====
Dividends declared per common share	\$.15	\$.125
	=====	=====
Average number of common and common equivalent shares (Note 2)	148,184	145,852
	=====	=====

*For comparable purposes with 1996, results for the three months ended August 31, 1995 have been adjusted to reflect the elimination of the one month lag in reporting by certain of the Company's international operations. See further discussion under Note 5.

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

NIKE, Inc.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Three Months Ended August 31,	
	1996	1995*
	<hr/>	<hr/>
	(in thousands)	
Cash provided (used) by operations:		
Net income	\$226,063	\$182,098
Income charges (credits) not affecting cash:		
Depreciation	27,012	20,185
Deferred income taxes and purchased tax benefits	5,984	199
Other	13,306	7,048
Changes in other working capital components	(250,952)	(86,391)
	<hr/>	<hr/>
Cash provided by operations	21,413	123,139
	<hr/>	<hr/>
Cash (used) provided by investing activities:		
Additions to property, plant and equipment	(74,260)	(55,986)
Disposals of property, plant and equipment	7,525	1,779
(Increase) decrease in other assets	(16,211)	1,631
(Decrease) in other liabilities	(9,651)	--
	<hr/>	<hr/>
Cash used by investing activities	(92,597)	(52,576)
	<hr/>	<hr/>
Cash provided (used) by financing activities:		
Additions to long-term debt	98,808	644
Reductions in long-term debt including current portion	(2,263)	(26,183)
Increase (decrease) in notes payable	78,983	(52,700)
Proceeds from exercise of options	9,381	7,637
Repurchase of stock	--	(18,756)
Dividends - common and preferred	(21,547)	(17,893)
	<hr/>	<hr/>

Cash provided (used) by financing activities	163,362	(107,251)
Effect of exchange rate changes on cash	799	(544)
Effect of May 1996 cash flow activity for certain subsidiaries (Note 5)	43,004	--
Net increase (decrease) in cash and equivalents	135,981	(37,232)
Cash and equivalents, May 31, 1996 and 1995	262,117	220,935
Cash and equivalents, August 31, 1996 and 1995	\$398,098 =====	\$183,703 =====

* For comparable purposes with 1996, results for the three months ended August 31, 1995 have been adjusted to reflect the elimination of the one month lag in reporting by certain of the Company's international operations. See further discussion under Note 5.

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 three (3) months ended August 31, 1996 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).

On October 30, 1995 the Company issued additional shares in connection with a two-for-one stock split effected in the form of a 100% stock dividend on outstanding Class A and Class B common stock. The per common share amounts in the Consolidated Financial Statements and accompanying notes have been adjusted to reflect this stock split.

In September of 1996, the Company's Board of Directors announced a two-for-one stock split in the form of a 100 percent stock dividend to be paid on October 23, 1996 to shareholders of record on October 11, 1996.

NOTE 3 - Inventories:

Inventories by major classification are as follows:

	Aug. 31, 1996	May 31, 1996
	_____	_____
	(in thousands)	
Finished goods	\$864,081	\$906,943
Work-in-process	40,419	20,002
Raw materials	4,914	4,206
	_____	_____
	\$909,414	\$931,151
	=====	=====

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 - Change in year-end of certain subsidiaries:

Prior to fiscal year 1997, certain of the Company's international operations reported their results of operations on a one month lag which allowed more time to compile results. The Company has taken steps to improve its internal reporting procedures that has allowed for more timely reporting of these operations. Beginning in the first quarter of fiscal year 1997, the one month lag was eliminated. As a result, the May 1996 loss from operations for these entities of \$4.1 million was recorded directly to retained earnings. The change affected the quarterly reporting periods for these operations and thus the income statement and cash flow statement have been presented to show comparable results for the quarter as if the change would have occurred in the prior year. The effect of the change is not material to the consolidated balance sheet and as a result the balance sheet as of May 31, 1996 has not been adjusted.

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

Operating Results

Net income increased 24% over the prior year's first quarter to \$226.1 million, or \$1.53 per share, from \$182.1 million, or \$1.25 per share. Revenues totaled \$2.28 billion, up 34% from \$1.70 billion in last year's first quarter, the first time that revenues exceeded \$2 billion in one quarter. This period also marks the eighth straight quarter of double digit increases in total revenues. Gross margin percentage remained consistent with the prior year's first quarter. Selling and administrative expenses were 23.2% of revenue compared to 21.7% in the prior year.

Revenues for the quarter increased \$581.9 million over the \$1.7 billion reported in the same period of the prior year. U.S. revenues increased \$380 million, or 39%. U.S. apparel increased 93% over last year's first quarter, the second consecutive quarter that U.S. apparel exceeded \$200 million in revenues and the first time revenues exceeded \$1 billion on a trailing twelve month basis. U.S. footwear increased \$210.5 million, or 26.6%, over last year due to a 24% increase in pairs sold and a 3% increase in average selling price. These increases were primarily due to men's basketball, up 48%, and women's business, up 38%. Golf increased 124%. For the quarter, international revenue increased \$202.8 million, or 35%, over last year. All regions showed double digit increases with Europe up 29%, Asia Pacific up 50% and the Americas region up 36%. The effect of exchange rates decreased the quarter's international revenues \$55 million, or 10%, compared to the prior year. Other brands, which includes Cole Haan (R), Tetra Plastics, Sports Specialties and Bauer Inc., decreased slightly, \$1.3 million, or 1%. The breakdown of revenues follows:

	Three months ended Aug. 31,		
	1996	1995(1)	% Change
	(in thousands)		
U.S. Footwear	\$1,002,103	\$ 791,568	27%
U.S. Apparel	352,385	182,483	93%
	-----	-----	---
Total United States	1,354,488	974,051	39%
International Footwear	548,538	427,032	28%
International Apparel	232,339	151,051	54%
	-----	-----	---
Total International	780,877	578,083	35%
Other Brands	146,561	147,886	(1)%
	-----	-----	---
Total Revenues	\$2,281,926	\$1,700,020	34%
	=====	=====	===

(1) For comparable purposes with 1996, results for the three months ended August 31, 1995 have been adjusted to reflect the elimination of the one month lag in reporting by certain of the Company's international operations. See further discussion under Note 5.

Consolidated gross margin percentage remained relatively flat at 40.3% for the quarter compared to 40.4% for last year's first quarter, due to continued strong demand for NIKE products worldwide combined with sound inventory management. The Company continues to place strong emphasis on inventory management, minimizing foreign exchange risk and production sourcing in order to maximize gross profit. Gross profit percentages for the remainder of fiscal year 1997 are expected to be affected by strong demand for NIKE products offset by continued increased levels of air freight to meet the delivery dates on increasing customer orders. The gross profit percentage for the full year is expected to approximate last fiscal year's percentage.*

Selling and administrative expenses increased \$160 million over the previous year's first quarter and increased as a percent of sales to 23.2%, compared to 21.7% in last year's first quarter. The majority of the increase in absolute dollars and percentage increases occurred in the U.S. and Europe due to planned marketing and advertising expenditures relating to the Olympics and the European soccer championships. It is expected

that selling and administrative expenses as a percentage of revenues for the fiscal year will approximate last year's level.*

Interest expense increased slightly over the prior year due to increased short term borrowings for increased operations. The Company's Japanese subsidiary entered into a new long-term debt arrangement, as further discussed below.

The Company's effective tax rate for the first quarter was 38.7% compared to 38.5% in the prior year's first quarter. The slight increase was due to higher tax on foreign earnings. The Company anticipates the tax rate for fiscal 1997 will remain at approximately 38.7%.*

Worldwide future and advance orders for NIKE Brand athletic footwear and apparel scheduled for delivery from September 1996 through January 1997 were approximately \$3.5 billion, 66% higher than such orders booked in the comparable period of the prior year.* These orders and the percentage growth in these orders are not necessarily indicative of the growth in revenues which the Company will experience for the subsequent periods. This is because the mix of advance futures and "at once" orders has shifted significantly toward futures orders as the NIKE brand became more established in all areas, specifically in the U.S. apparel business and in international regions. The mix of advance orders to "at once" orders will continue to vary as the U.S. apparel business and international operations continue to account for a greater percentage of total revenues and place a greater emphasis on futures programs.* Finally, exchange rates can cause differences in the comparisons.

As further explained in Note 5, prior to fiscal year 1997, certain of the Company's international operations reported their results of operations on a one month lag which allowed more time to compile results. The Company has taken steps to improve its internal reporting procedures that has allowed for more timely reporting of these operations. Beginning in the first quarter of fiscal year 1997, the one month lag was eliminated. The May 1996 loss from operations for these entities of \$4.1 million was recorded directly to retained earnings. The income statement and cash flow statement for the quarter ended August 31, 1995 have been presented as if these entities reported on a same month basis. There was no unusual activity in the month of May 1996 for the entities affected by the change to concurrent month reporting. The cash flow for the month was impacted mainly by changes in working capital components due to increased operations.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial position remains strong at August 31, 1996. Since May 31, 1996, total assets grew \$474 million to approximately \$4.4 billion and shareholder's equity increased \$226 million to nearly \$2.7 billion. Working capital increased \$257 million as a result of higher levels of cash and equivalents and accounts receivable offset by increased notes payable, accrued liabilities and income taxes payable. The Company's current ratio increased compared to May 31, 1996 from 1.86:1 to 1.93:1.

Since May 31, 1996, cash and equivalents increased \$136 million (52%) and accounts receivable increased \$281 million (21%) due to the high level of first quarter revenues compared to the same period in the prior year. Inventory levels decreased \$22 million from May 31, the most significant change coming from U.S. footwear which decreased \$47 million due to the large selling season.

Current liabilities increased \$160 million from May 31, 1996, with the most significant increases occurring in notes payable (\$94 million) and accrued liabilities (\$45 million) due to higher a level of operations and income taxes payable (\$62 million) due to timing of tax payments.

Additions to property, plant and equipment for the first quarter of fiscal 1997 were \$74 million with the most significant components related to the continued consolidation of European footwear warehouses, the expansion of NIKE Town retail locations and the expansion of warehouses in the U.S.

Long-term debt increased \$98 million from May 31, 1996. The increase was due almost entirely to the Company's Japanese subsidiary which borrowed 10.5 billion Japanese yen in a private placement with a maturity of June 26, 2011.

Dividends per share of common stock for the first quarter of fiscal 1997 was \$.15 per share compared to \$.125 per share for the first quarter of fiscal 1996.

In September of 1996, the Company's Board of Directors announced a two-for-one stock split in the form of a 100 percent stock dividend to be paid on October 23, 1996 to shareholders of record on October 11, 1996.

The Company's commercial paper program requires the support of committed and uncommitted lines of credit. There was \$88 million outstanding under this program at August 31, 1996. The Company has \$500 million available in committed unused lines of credit and, at August 31, 1996, no amounts were outstanding under this credit facility. NIKE's debt-to-equity ratio at August 31, 1996 was .7:1, compared to .6:1 at May 31, 1996.

Management believes that funds generated by operations, together with currently available resources and anticipated long-term debt arrangements, will continue to adequately finance anticipated fiscal 1997 expenditures.*

*The marked items are forward-looking statements that involve risks and uncertainties detailed from time to time in reports filed by NIKE with the S.E.C., including Forms 8-K, 10-Q, and 10-K.

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, 1996.

Item 4. Submission of Matters to a Vote of Security Holders

The Company's annual meeting of shareholders was held on September 16, 1996. The shareholders elected for the ensuing year all of management's nominees for the Board of Directors, ratified the appointment of Price Waterhouse LLP as independent accountants for fiscal 1997, and defeated the shareholder proposal regarding monitoring of Indonesian subcontractors. The voting results are as follows:

Election of Directors

	For	Withheld	Votes Cast	
			Broker	Non-Votes
Directors Elected by holders of Class A Common Stock:				
Ralph D. DeNunzio	50,333,571	-0-	-0-	
Richard K. Donahue	50,333,571	-0-	-0-	
Douglas G. Houser	50,333,571	-0-	-0-	
John E. Jaqua	50,333,571	-0-	-0-	
Philip H. Knight	50,333,571	-0-	-0-	
Kenichi Ohmae	50,333,571	-0-	-0-	
Ralph A. Pfeiffer, Jr.	50,333,571	-0-	-0-	
Charles W. Robinson	50,333,571	-0-	-0-	
A. Michael Spence	50,333,571	-0-	-0-	
John R. Thompson, Jr.	50,333,571	-0-	-0-	
Elected by holders of Class B Common Stock:				
William J. Bowerman	78,556,851	789,884	-0-	
Thomas E. Clarke	78,572,406	774,329	-0-	
Jill K. Conway	78,774,975	571,760	-0-	
Delbert J. Hayes	78,593,917	752,818	-0-	
	For	Against	Abstain	Broker Non-Votes
Proposal 2 - Ratification of Appointment of Accountants:				
Class A and Class B Common Stock Voting Together	129,533,063	56,649	90,594	-0-
Proposal 3 - Shareholder Proposal regarding subcontractors:				
Class A and Class B Common Stock Voting Together	3,642,906	111,258,271	5,849,783	8,929,346

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 Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1995).

3.2 Third Restated Bylaws, as amended (incorporated by reference from Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1995).

4.1 Restated Articles of Incorporation, as amended (see Exhibit 3.1).

4.2 Third Restated Bylaws, as amended (see Exhibit 3.2).

10.1 Credit Agreement dated as of September 15, 1995 among NIKE, Inc., Bank of America National Trust & Savings Association, individually and as Agent, and the other banks party thereto (incorporated by reference from the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1995).

10.2 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).*

10.3 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).

10.4 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).*

10.5 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).*

10.6 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).*

10.7 NIKE, Inc. Executive Performance Sharing Plan (incorporated by reference from the Company's definitive proxy statement filed in connection with its annual meeting of shareholders held on September 18, 1995).*

27 Financial Data Schedule.

* Management contract or compensatory plan or arrangement.

(b) The following report on Form 8-K was filed by the Company during the first quarter of fiscal 1997:

July 9, 1996	ITEM 5. OTHER EVENTS.	Press release announcing 4th quarter earnings
--------------	-----------------------	---

The following report on Form 8-K was filed by the Company after the first quarter of fiscal 1997, but before this Form 10-Q:

September 26, 1996	ITEM 5. OTHER EVENTS	Press release announcing 1st quarter earnings, stock split and 1996 financial statements restated to reflect the stock split.
--------------------	----------------------	---

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: *October 15, 1996*

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE AUGUST 31, 1996 FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	3 MOS
FISCAL YEAR END	MAY 31 1997
PERIOD END	AUG 31 1996
CASH	398,098
SECURITIES	0
RECEIVABLES	1,627,046
ALLOWANCES	53,822
INVENTORY	909,414
CURRENT ASSETS	3,143,708
PP&E	1,116,998
DEPRECIATION	425,420
TOTAL ASSETS	4,425,828
CURRENT LIABILITIES	1,627,010
BONDS	107,247
COMMON	2,856
PREFERRED MANDATORY	0
PREFERRED	300
OTHER SE	2,654,092
TOTAL LIABILITY AND EQUITY	4,425,828
SALES	2,281,926
TOTAL REVENUES	2,281,926
CGS	1,362,119
TOTAL COSTS	1,362,119
OTHER EXPENSES	534,480
LOSS PROVISION	3,698
INTEREST EXPENSE	12,666
INCOME PRETAX	368,963
INCOME TAX	142,900
INCOME CONTINUING	226,063
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	226,063
EPS PRIMARY	1.53
EPS DILUTED	1.53

End of Filing

Powered By **EDGAR**
Online

© 2005 | EDGAR Online, Inc.