

NIKE INC

FORM 10-Q (Quarterly Report)

Filed 04/16/01 for the Period Ending 02/28/01

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 4/16/2001 For Period Ending 2/28/2001

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 February 28, 2001 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 February 28, 2001 were:

Class A	99,148,499
Class B	172,049,290

	271,197,789
	=====

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

NIKE, Inc.

CONDENSED CONSOLIDATED BALANCE SHEET

Feb. 28,	May 31,
2001	2000

(in millions)	

ASSETS

Current assets:		
Cash and equivalents	\$ 185.9	\$ 254.3
Accounts receivable	1,669.7	1,567.2
Inventories (Note 4)	1,505.4	1,446.0
Deferred income taxes	112.7	111.5
Income taxes receivable	-	2.2
Prepaid expenses	187.1	215.2
	<hr/>	<hr/>
Total current assets	3,660.8	3,596.4
Property, plant and equipment		
Less accumulated depreciation	2,537.0	2,393.8
	915.4	810.4
	<hr/>	<hr/>
	1,621.6	1,583.4
Identifiable intangible assets and goodwill		
Deferred income taxes and other assets	400.6	410.9
	283.2	266.2
	<hr/>	<hr/>
	\$5,966.2	\$5,856.9
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Current portion of long-term debt	\$ -	\$ 50.1
Notes payable	879.4	924.2
Accounts payable	482.6	543.8
Accrued liabilities	486.1	621.9
Income taxes payable	96.9	-
	<hr/>	<hr/>
Total current liabilities	1,945.0	2,140.0
Long-term debt		
Deferred income taxes and other liabilities	452.9	470.3
Commitments and contingencies (Note 6)	112.3	110.3
Redeemable preferred stock	--	--
Shareholders' equity:	0.3	0.3
Common stock at stated value:		
Class A convertible-99.1 and 99.2 shares outstanding	0.2	0.2
Class B-172.0 and 170.4 shares outstanding	2.6	2.6
Capital in excess of stated value	428.9	369.0
Unearned stock compensation	(12.5)	(11.7)
Accumulated other comprehensive income	(123.4)	(111.1)
Retained earnings	3,159.9	2,887.0
	<hr/>	<hr/>
Total shareholders' equity	3,455.7	3,136.0
	<hr/>	<hr/>
	\$5,966.2	\$5,856.9
	=====	=====

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 February 28 and 29,		Year to Date Ending February 28 and 29,	
	2001	2000	2001	2000
	<hr/>	<hr/>	<hr/>	<hr/>
	(in millions, except per share data)			
Revenues	\$2,170.1	\$2,161.6	\$7,005.5	\$6,722.4
Costs and expenses:				
Cost of sales	1,341.5	1,286.4	4,238.1	4,059.0
Selling and administrative	660.2	632.4	2,034.4	1,883.8

Interest	14.0	13.9	46.1	30.6
Other (income) expense	6.2	(0.2)	19.7	23.5
	<u>2,021.9</u>	<u>1,932.5</u>	<u>6,338.3</u>	<u>5,996.9</u>
Income before income taxes	148.2	229.1	667.2	725.5
Income taxes	50.8	83.8	240.2	272.4
Net income	<u>\$ 97.4</u>	<u>\$ 145.3</u>	<u>\$ 427.0</u>	<u>\$ 453.1</u>
Basic earnings per common share (Note 3)	<u>\$ 0.36</u>	<u>\$ 0.53</u>	<u>\$ 1.58</u>	<u>\$ 1.63</u>
Diluted earnings per common share (Note 3)	<u>\$ 0.35</u>	<u>\$ 0.52</u>	<u>\$ 1.56</u>	<u>\$ 1.61</u>
Dividends declared per common share	<u>\$ 0.12</u>	<u>\$ 0.12</u>	<u>\$ 0.36</u>	<u>\$ 0.36</u>

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

NIKE, Inc.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Nine Months Ended February 28 and 29,	
	2001	2000
	(in millions)	
Cash provided (used) by operations:		
Net income	\$ 427.0	\$ 453.1
Income charges (credits) not affecting cash:		
Depreciation	144.6	138.3
Deferred income taxes	(1.3)	(3.5)
Amortization and other	22.4	29.1
Changes in other working capital components	(264.7)	(179.3)
	<u>328.0</u>	<u>437.7</u>
Cash provided (used) by investing activities:		
Additions to property, plant and equipment	(227.5)	(329.6)
Disposals of property, plant and equipment	7.7	16.3
Increase in other assets	(32.6)	(40.8)
Increase in other liabilities	6.5	5.3
	<u>(245.9)</u>	<u>(348.8)</u>
Cash provided (used) by financing activities:		
Reductions in long-term debt including current portion	(50.4)	(1.6)
(Decrease)increase in notes payable	(44.8)	383.6
Proceeds from exercise of options	53.9	29.5
Repurchase of stock	(39.0)	(483.7)
Dividends on common stock	(97.2)	(100.5)
	<u>(177.5)</u>	<u>(172.7)</u>
Effect of exchange rate changes on cash	27.0	45.1
Net decrease in cash and equivalents	(68.4)	(38.7)
Cash and equivalents, May 31, 2000 and 1999	<u>254.3</u>	<u>198.1</u>

Cash and equivalents, February 28 and 29, 2001 and 2000	\$ 185.9 =====	\$159.4 =====
Non-cash investing and financing activity:		
Assumption of long-term debt to acquire property, plant, and equipment	\$ - =====	\$108.9 =====

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 nine (9) months ended February 28, 2001 are not necessarily indicative of results to be expected for the entire year.

Certain prior year amounts have been reclassified to conform to fiscal year 2001 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

NOTE 2 - Comprehensive Income:

Comprehensive income, net of taxes, is as follows:

	Three Months Ended February 28 and 29,		Nine Months Ended February 28 and 29,	
	2001	2000	2001	2000
	_____	_____	_____	_____
	(in millions)			
Net Income	\$ 97.4	\$145.3	\$427.0	\$453.1
Change in Cumulative Translation Adjustment	19.7	(6.3)	(8.5)	(21.8)
Change in Unrealized Gain/Loss in Securities	(1.5)	7.6	(3.8)	7.6
	_____	_____	_____	_____
Total Comprehensive Income	\$115.6 =====	\$146.6 =====	\$414.7 =====	\$438.9 =====

NOTE 3 - Earnings per common share:

The following represents a reconciliation from basic earnings per share to diluted earnings per share. Options to purchase 9.1 million and 5.5 million shares of common stock were outstanding at February 28, 2001 and February 29, 2000, respectively but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of common shares and, therefore, the effect would be antidilutive.

	Three Months Ended February 28 and 29,		Nine Months Ended February 28 and 29,	
	2001	2000	2001	2000
	_____	_____	_____	_____
	(in millions, except per share data)			
Determination of shares:				
Average common shares outstanding	270.9	274.1	270.2	277.6

Assumed conversion of dilutive stock options and awards	3.7	2.8	3.7	3.6
Diluted average common shares outstanding	274.6	276.9	273.9	281.2
Basic earnings per common share	\$ 0.36	\$ 0.53	\$1.58	\$1.63
Diluted earnings per common share	\$ 0.35	\$ 0.52	\$1.56	\$1.61

NOTE 4 - Inventories:

Inventories by major classification are as follows:

	Feb. 28, 2001	May 31, 2000
	(in millions)	
Finished goods	\$1,478.1	\$1,416.6
Work-in-progress	16.8	17.3
Raw materials	10.5	12.1
	\$1,505.4	\$1,446.0

NOTE 5 - Operating Segments:

The Company's major operating segments are defined by geographic regions for subsidiaries participating in NIKE Brand sales activity. Other Brands as shown below represent activity for Cole-Haas Holdings, Inc., Bauer NIKE Hockey, Inc., and NIKE IHM, Inc. and are considered immaterial for individual disclosure. In prior years, the Company's operations in Africa were included in the Americas region, but effective June 1, 2000, these operations are included in the EMEA (Europe, Middle East, and Africa) region. Africa information and certain other prior year segment information has been reclassified to conform with current year presentation. Where applicable, "Corporate" represents items necessary to reconcile to the consolidated financial statements which generally include corporate activity and corporate eliminations. The segments are evidence of the structure of the enterprise's internal organization. Each NIKE Brand geographic segment operates predominantly in one industry: the design, production, marketing and selling of sports and fitness footwear, apparel, and equipment.

Net revenues as shown below represent sales to external customers for each segment. Intercompany revenues have been eliminated and are immaterial for separate disclosure. The Company evaluates performance of individual operating segments based on Contribution Profit before Corporate Allocations, Interest Expense and Income Taxes. On a consolidated basis, this amount represents Income Before Taxes less Interest Expense as shown in the Consolidated Statement of Income. Other reconciling items for Contribution Profit represent corporate costs that are not allocated to the operating segments for management reporting and intercompany eliminations for specific income statement items.

Accounts receivable, inventory, and fixed assets for operating segments are regularly reviewed and therefore provided:

	Three Months Ended February 28 and 29,		Nine Months Ended February 28 and 29,	
	2001	2000	2001	2000
Net Revenue				
USA	\$1,088.7	\$1,161.1	\$3,571.6	\$3,571.4
EMEA	609.9	571.0	1,897.5	1,801.9
ASIA PACIFIC	275.0	254.0	807.6	687.6
AMERICAS	109.4	97.6	407.1	357.8
OTHER BRANDS	87.1	77.9	321.7	303.7
	\$2,170.1	\$2,161.6	\$7,005.5	\$6,722.4
Contribution Profit				
USA	\$ 185.8	\$ 231.6	\$ 682.9	\$ 698.1
EMEA	95.0	116.2	314.9	333.7
ASIA PACIFIC	51.3	38.2	160.4	106.7
AMERICAS	6.3	8.1	65.5	49.4
OTHER BRANDS	(2.5)	16.4	31.5	56.2

CORPORATE	(173.7)	(167.5)	(541.9)	(488.0)
	\$ 162.2	\$ 243.0	\$ 713.3	\$ 756.1
	=====	=====	=====	=====
	Feb. 28,	May 31,		
	2001	2000		
	-----	-----		
Accounts Receivable, net				
USA	\$ 645.5	\$ 564.8		
EMEA	605.3	529.9		
ASIA PACIFIC	150.7	200.8		
AMERICAS	131.6	123.0		
OTHER BRANDS	107.6	121.0		
CORPORATE	29.0	27.7		
	-----	-----		
	\$1,669.7	\$1,567.2		
	=====	=====		
Inventories, net				
USA	\$ 721.5	\$ 736.5		
EMEA	370.7	357.4		
ASIA PACIFIC	153.8	115.9		
AMERICAS	71.0	65.5		
OTHER BRANDS	156.5	141.4		
CORPORATE	31.9	29.3		
	-----	-----		
	\$1,505.4	\$1,446.0		
	=====	=====		
Property, Plant and Equipment, net				
USA	\$ 267.4	\$ 271.6		
EMEA	221.8	240.4		
ASIA PACIFIC	416.6	426.4		
AMERICAS	15.9	18.2		
OTHER BRANDS	111.9	114.4		
CORPORATE	588.0	512.4		
	-----	-----		
	\$1,621.6	\$1,583.4		
	=====	=====		

NOTE 6 - Commitments and contingencies:

At February 28, 2001, the Company had letters of credit outstanding totaling \$601.6 million. These letters of credit were issued for the purchase of inventory.

There have been no other significant subsequent developments relating to the commitments and contingencies reported on the Company's most recent Form 10-K.

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

Operating Results

Net income for the third quarter of fiscal year 2001 was \$97.4 million, a 33% decrease from fiscal year 2000 third quarter earnings of \$145.3 million. Revenues were essentially flat with the prior year, gross margin declined 5%, and selling and administrative expenses increased 4%. Revenue and gross margin were affected by lower demand in the U.S. footwear business, supply chain disruptions, and the weakness of the euro against the U.S. dollar, factors which are discussed further below.

Fiscal year-to-date net income was \$427.0 million, a 6% decrease from the prior year. Although year-to-date revenues were 4% above the year-ago period, gross margin declined as a percentage of revenue while selling and administrative expense and interest expense increased 8% and 51%, respectively.

Quarterly diluted earnings per share decreased 33% to \$0.35, and year-to-date diluted earnings per share decreased 3% to \$1.56. The percentage decline in year-to-date earnings per share was lower than the decline in year-to-date net income due to share repurchases in the fourth quarter of fiscal year 2000 and the first three quarters of fiscal year 2001, which reduced the number of shares outstanding.

Consolidated revenues were essentially flat for the quarter and grew 4% on a year-to-date basis. Had foreign exchange rates remained constant with the prior year, revenues would have grown 4% in the quarter and 8% in the year-to-date period. The lower real dollar growth rates primarily reflected the effect of the continued strength of the U.S. dollar against the euro.

U.S. NIKE brand revenues, which represented 52% of total Nike brand revenues for the quarter, decreased 6% in the quarter and were flat for

the year-to-date period, reflecting lower footwear revenues. Lower demand, particularly in the mid-range price segment, and supply chain disruptions resulting from the implementation of a new global demand and supply planning system, drove the decrease in footwear revenues. The supply chain disruptions resulted in product excesses as well as product shortages and late deliveries in the third quarter. We expect that these disruptions will continue to affect revenues through the first half of fiscal year 2002 as we continue to liquidate excess inventories created by the supply chain disruptions.

While U.S. footwear revenues decreased, both U.S. apparel and U.S. equipment revenues increased during the quarter, by 11% and 50%, respectively. On a year-to-date basis, U.S. apparel improved by 7% and U.S. equipment improved by 56%, reflecting increased demand in both of these businesses.

International revenues represented 48% of NIKE brand revenues in the third quarter, and increased 8% as compared to the third quarter of fiscal year 2000. International revenues improved 9% on a year-to-date basis. In constant dollars, international revenues increased 17% for the quarter and 19% for the year-to-date period. Third quarter revenues grew in all three international regions, EMEA (Europe, the Middle East, and Africa), Asia Pacific, and the Americas (Canada, Mexico, Central and South America) and in each NIKE brand business unit-footwear, apparel, and equipment.

In EMEA, quarterly revenues increased 18% in constant dollars, reflecting footwear revenue growth of 17%, apparel revenue growth of 18%, and equipment revenue growth of 18%. Reported revenues for the quarter and year-to-date period grew 7% and 5%, respectively. In Asia Pacific, third quarter revenues grew 16% in constant dollars, reflecting footwear revenue growth of 13%, apparel revenue growth of 17%, and equipment revenue growth of 35%. Reported revenues for the quarter and year-to-date period increased 8% and 17%, respectively. In the Americas region, quarterly revenues increased 15% in constant dollars; footwear revenues grew 9%, apparel revenues grew 17%, and equipment revenues grew 158%. Reported revenues for the quarter and year-to-date period increased 12% and 14%, respectively.

Compared to fiscal year 2000, revenue from non-Nike brands (including Bauer NIKE Hockey and Cole Haan) increased 12% for the quarter and 6% for the year-to-date period.

The breakdown of revenues follows:

	Three Months Ended February 28 and 29,			Year to Date Ending February 28 and 29,		
	2001	2000	% change	2001	2000	% change
(in millions)						
U.S.A. REGION						
FOOTWEAR	\$734.3	\$858.9	-15%	\$2,374.3	\$2,522.8	-6%
APPAREL	278.9	251.8	11%	951.4	890.8	7%
EQUIPMENT AND OTHER	75.5	50.4	50%	245.9	157.8	56%
TOTAL U.S.A.	1,088.7	1,161.1	-6%	3,571.6	3,571.4	0%
EMEA REGION						
FOOTWEAR	334.8	313.3	7%	1,012.0	944.6	7%
APPAREL	235.0	219.4	7%	749.7	729.2	3%
EQUIPMENT AND OTHER	40.1	38.3	5%	135.8	128.1	6%
TOTAL EMEA	609.9	571.0	7%	1,897.5	1,801.9	5%
ASIA PACIFIC REGION						
FOOTWEAR	159.4	151.1	5%	464.7	404.2	15%
APPAREL	87.5	80.5	9%	268.1	226.2	19%
EQUIPMENT AND OTHER	28.1	22.4	25%	74.8	57.2	31%
TOTAL ASIA PACIFIC	275.0	254.0	8%	807.6	687.6	17%
AMERICAS REGION						
FOOTWEAR	70.0	65.8	6%	272.3	247.8	10%
APPAREL	33.7	29.5	14%	115.9	101.8	14%
EQUIPMENT AND OTHER	5.7	2.3	148%	18.9	8.2	130%
TOTAL AMERICAS	109.4	97.6	12%	407.1	357.8	14%
TOTAL NIKE BRAND	2,083.0	2,083.7	0%	6,683.8	6,418.7	4%
OTHER BRANDS	87.1	77.9	12%	321.7	303.7	6%

TOTAL REVENUES

\$2,170.1
=====\$2,161.6
=====

0%

\$7,005.5
=====\$6,722.4
=====

4%

The gross margin percentage for the third quarter of fiscal year 2001 was 38.2% compared to 40.5% in the third quarter of fiscal year 2000. Factors contributing to the lower gross margin percentage were as follows:

- 1) A higher mix of close-out sales as well as lower pricing margins achieved on close-outs, primarily in footwear. The higher mix of close-outs and lower close-out pricing margins were due in part to the supply chain disruptions discussed above, which resulted in excess inventory that we are currently liquidating.
- 2) Higher fixed design, production, and distribution costs per each unit sold, due to lower than expected revenues during the period.
- 3) The effect of the change in foreign exchange rates, most notably the weakening of the euro against the U.S. dollar.

For the year-to-date period, the gross margin percentage was 39.5% in the current year versus 39.6% in the prior year. This decrease reflected the third quarter factors above, offset by year-to-date improvements in apparel margins due to fewer apparel close-outs and higher apparel net pricing margins. Currently, prices for leather, a significant raw material for our footwear business, are rising due in part to European cattle diseases. If these prices continue to rise, fiscal year 2002 gross margins may be negatively affected.

Selling and administrative expenses were 30.4% of third quarter revenues, compared to 29.3% in fiscal year 2000. Year-to-date selling and administrative expenses were 29.0% of revenues compared to 28.0% in the prior year. Marketing and operational initiatives drove the higher level of selling and administrative costs in the quarter. Significant marketing initiatives in the quarter included new sponsorships of European soccer clubs as well as advertising related to the launch of our new Shox product and our women's initiative. Operational initiatives included continued expansion of Nike- owned retail outlets, the development of e-commerce applications, and investments in systems and processes supporting our worldwide supply chain. In addition to these factors, selling and administrative expenses for the year-to-date period also reflected increased marketing activity relating to the 2000 Summer Olympics and the 2000 European Soccer Championships in the first and second quarters of the fiscal year.

Current year third quarter interest expense of \$14.0 million was consistent with fiscal year 2000 third quarter expense of \$13.9 million. However, on a year-to-date basis, fiscal year 2001 interest expense increased 51% over fiscal year 2000, from \$30.6 million to \$46.1 million. Higher average levels of debt in the first three quarters of 2001 compared to the first three quarters of 2000 created the additional expense. We increased debt during the second half of fiscal 2000, primarily to finance inventory previously financed by Nissho Iwai American Corporation, fund capital expenditures, and repurchase stock. See the Liquidity and Capital Resources discussion following for more information on debt balances.

Included in other income/expense are interest income, profit sharing expense, foreign currency conversion gains and losses, goodwill amortization, and various nonrecurring charges. Other income/expense was a net expense of \$6.2 million in the third quarter of fiscal year 2001 versus net income of \$0.2 million in the third quarter of fiscal year 2000. The additional expense was due to various nonrecurring charges in the current fiscal year, none of which were individually significant. Year-to-date, other income/expense was a net expense of \$19.7 million in the current year versus net expense of \$23.5 million in the comparable period of the prior year. Foreign exchange gains resulting from hedging and translation of assets and liabilities drove the reduction of the net expense in the current year-to-date period.

In the third quarter, we adjusted our year-to-date tax rate to 36.0%, consistent with our estimate of our full year effective tax rate. The current year-to-date rate compares to a rate of 37.5% for the comparable year-ago period, and reflects increased utilization of tax loss carryforwards of certain foreign operations, additional benefits due to increased amounts of research tax credits, and lower taxes on a portion of foreign earnings that have been permanently invested offshore. Our effective tax rate for the third quarter was 34.3% compared to 36.6% in the prior year, reflecting the adjustment.

Futures Orders

Worldwide futures and advance orders for NIKE brand athletic footwear and apparel scheduled for delivery from March through July 2001 totaled \$3.8 billion, essentially flat as compared with the same period last year. On a constant dollar basis, worldwide futures and advance orders for this period were 3% higher in the current year than in the prior year. These orders and the relative change in these orders between years are not necessarily indicative of the change in revenues that we will experience for subsequent periods. This is due to potential shifts in the mix of advance orders in relation to at-once orders, and varying cancellation rates. Foreign currency exchange rate fluctuations can also cause differences in the comparisons.

Euro Conversion

On January 1, 1999, eleven of the fifteen member countries of the European Union established permanent, fixed conversion rates between their existing currencies and the European Union's new common currency, the euro. During the transition period ending December 31, 2001, public and private parties may pay for goods and services using either the euro or the participating country's legacy currency. Beginning January 1, 2002, euro denominated bills and coins will be issued; the legacy currencies will be completely withdrawn from circulation on June 30, 2002.

We have had a dedicated project team working on the euro transition strategy since January 1998. We have made modifications to information technology systems supporting marketing, order management, purchasing, invoicing, payroll, and cash management functions, in order to make

them euro compliant. All major systems have been converted and are euro compliant, well ahead of the end of the transitional period.

We believe the introduction of the euro may create a move towards a greater level of wholesale price harmonization, although differing country costs and value added tax rates will continue to result in price differences at the retail level. Over the past year and a half, we have been actively working to assess and, where necessary, adjust pricing practices to operate effectively in this new environment.

The costs of adapting our systems and practices to the implementation of the euro were generally related to the modification of existing systems and totaled approximately \$8 million. These costs were expensed as incurred, primarily in fiscal year 2000. NIKE believes that the conversion to the euro will not have a material impact on our financial condition or results of operations.

Recently Issued Accounting Standard

Effective June 1, 2001, we will adopt Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" (FAS 133).

As required upon adoption of FAS 133, we will record a one-time transition adjustment in the first quarter of fiscal year 2002 on both our income statement and balance sheet. The transition adjustment on the income statement will primarily represent the acceleration of option premium cost recognition as compared to current practice. FAS 133 requires that option premium costs be expensed over the life of the option while our current practice is to expense these costs over the period the underlying exposure affects earnings. The transition adjustment on the balance sheet will represent the initial recognition of the fair values of hedge derivatives outstanding on the adoption date and any realized gains or losses on effective hedges for which the underlying exposure has not yet affected earnings. We expect to apply cash flow hedge accounting as permitted by FAS 133. Accordingly, the offset to recognizing the initial fair value of outstanding hedge derivatives and realized hedge gains and losses will be recorded to other comprehensive income.

Since the transition adjustment to our balance sheet will be based on both future fair values and future transactions, it is not possible to estimate the amount of this transition adjustment on our balance sheet. We are able, however, to make an estimate of the transition adjustment to the income statement based on derivative transactions that we have entered into through February 28, 2001. Under our current accounting practice, these costs would have been expensed throughout fiscal year 2002. We estimate this transition adjustment to be a charge to net income in the first quarter of fiscal year 2002 of approximately \$0.10 per share. The actual transition adjustment will depend on future transactions that may occur between February 28, 2001 and May 31, 2001, as well as changes in market rates between these two dates. In addition, under FAS 133, some premium costs of options entered into in fiscal year 2002, but intended to hedge fiscal year 2003 transactions, will be charged to expense in fiscal year 2002. Under our current accounting practice, these costs would have been charged to expense in fiscal year 2003.

Liquidity and Capital Resources

Cash provided by operations for the nine-month period ended February 28, 2001 was \$328.0 million, which was a decrease of \$109.7 million from the same period last year. Year-to-date net income decreased \$26.1 million compared to last year, while our investment in operating working capital increased by \$85.4 million (\$264.7 million for the nine months ended February 28, 2001 versus \$179.3 million for the nine-month period ended February 29, 2000).

Total cash used by investing activities during the current year-to-date period was \$245.9 million, \$102.9 million less than for the prior year period. A significant portion of this total expenditure was for computer equipment and software, driven by our supply chain initiative; investments in new retail outlets; the continued expansion of our world headquarters; and the continued development of new distribution facilities in Japan.

Net cash used by financing activities for the nine months ended February 28, 2001 was \$177.5 million. This amount included uses of cash for dividends to shareholders, a reduction of short-term debt, payment of a maturing note payable, and stock repurchases. These uses of cash were partially offset by proceeds from employee stock option exercises.

We believe that cash flow generated by operations, together with access to external sources of funds, will be adequate to meet our anticipated capital needs. We maintain significant short and long-term lines of credit with banks, which, along with cash on hand, provide adequate operating liquidity. Liquidity is also provided by our commercial paper program, under which there was \$745.6 million outstanding at February 28, 2001.

In the third quarter of fiscal year 2001, we purchased a total of 0.5 million shares of NIKE's Class B common stock for \$19.5 million. These purchases were made under a four-year, \$1 billion share repurchase program authorized by our Board of Directors at the beginning the current fiscal year. Funding for repurchases has, and is expected to continue to come primarily from operating cash flow. The timing and the amount of shares purchased will be dictated by working capital needs and stock market conditions.

Dividends per share of common stock for the third quarter of fiscal year 2001 remained at \$0.12 per share, the same level as the previous year.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes to the disclosure made in the Annual Report on Form 10-K for the fiscal year ended May 31, 2000 regarding this matter.

Special Note Regarding Forward-Looking Statements and Analyst Reports

Certain written and oral statements made or incorporated by reference from time to time by NIKE or its representatives in this report, other reports, filings with the Securities and Exchange Commission, press releases, conferences, or otherwise, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 ("the Act"). Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate, or imply future results, performance, or achievements, and may contain the words "believe," "anticipate," "expect," "estimate," "project," "will be," "will continue," "will result," or words or phrases of similar meaning. Forward-looking statements involve risks and uncertainties which may cause actual results to differ materially from the forward-looking statements.

The 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, and include, among others, the following: international, national and local general economic and market conditions; the size and growth of the overall athletic footwear, apparel, and equipment markets; intense competition among designers, marketers, distributors and sellers of athletic footwear, apparel, and equipment for consumers and endorsers; demographic changes; changes in consumer preferences; popularity of particular designs, categories of products, and sports; seasonal and geographic demand for NIKE products; the size, timing and mix of purchases of NIKE's products; fluctuations and difficulty in forecasting operating results, including, without limitation, the fact that advance "futures" orders may not be indicative of future revenues due to the changing mix of futures and at-once orders; the ability of NIKE to sustain, manage or forecast its growth and inventories; new product development and introduction; the ability to secure and protect trademarks, patents, and other intellectual property; performance and reliability of products; customer service; adverse publicity; the loss of significant customers or suppliers; dependence on distributors; business disruptions; increased costs of freight and transportation to meet delivery deadlines; changes in business strategy or development plans; general risks associated with doing business outside the United States, including, without limitation, import duties, tariffs, quotas and political and economic instability; changes in government regulations; liability and other claims asserted against NIKE; the ability to attract and retain qualified personnel; and other factors referenced or incorporated by reference in this report and other reports.

The risks included here are not exhaustive. Other sections of this report may include additional factors which could adversely impact NIKE's business and financial performance. Moreover, NIKE operates in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on NIKE's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Investors should also be aware that while NIKE does, from time to time, communicate with securities analysts, it is against NIKE's policy to disclose to them any material non-public information or other confidential commercial information. Accordingly, shareholders should not assume that NIKE agrees with any statement or report issued by any analyst irrespective of the content of the statement or report. Furthermore, NIKE has a policy against issuing or confirming financial forecasts or projections issued by others. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not the responsibility of NIKE.

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, 2000.

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).

4.3 Form of Indenture between the Company and The First National Bank of Chicago, as Trustee (incorporated by reference from Exhibit 4.01 to Amendment No. 1 to Registration Statement No. 333-15953 filed by the Company on November 26, 1996).

10.1 Credit Agreement dated as of November 17, 2000 among NIKE, Inc., Bank of America, N.A., individually and as Agent, and the other banks party thereto (incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2000).*

10.2 Form of non-employee director Stock Option Agreement (incorporated by reference from Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2000).*

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 18, 2000).*

10.6 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, 2000).*

10.7 NIKE, Inc. Long-Term Incentive Plan (incorporated by reference from the Company's definitive proxy statement filed in connection with its annual meeting of shareholders held on September 22, 1997).*

10.8 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).*

12.1 Computation of Ratio of Earnings to Charges.

* Management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K:

Reports on Form 8-K filed during the fiscal quarter ending February 28, 2001: February 27, 2001 Item 5. Other Events. Press release regarding 3rd quarter earnings.

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/ Donald W. Blair

Donald W. Blair
Chief Financial Officer

DATED: April 16, 2001

NIKE, INC.
COMPUTATION OF RATIO OF EARNINGS TO CHARGES

	Nine Months Ended February 28 and 29,	
	2001	2000
	(in millions)	
Net income	\$427.0	\$453.1
Income taxes	240.2	272.4
	-----	-----
Income before income taxes	667.2	725.5
	-----	-----
Add fixed charges		
Interest expense (A)	53.0	32.3
Interest component of leases (B)	37.4	36.1
	-----	-----
Total fixed charges	90.4	68.4
	-----	-----
Earnings before income taxes and fixed charges (C)	\$750.7	\$792.2
	=====	=====
Ratio of earnings to total fixed charges	8.30	11.58
	=====	=====

(A) Interest expense includes both expensed and capitalized. (B) Interest component of leases includes one-third of rental expense, which approximates the interest component of operating leases.

(C) Earnings before income taxes and fixed charges is exclusive of capitalized interest.

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