

NIKE INC

FORM 10-Q (Quarterly Report)

Filed 01/16/96 for the Period Ending 11/30/95

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 1/16/1996 For Period Ending 11/30/1995

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 November 30, 1995 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 November 30, 1995 were:

Class A 51,339,669

Class B 91,900,596

143,240,265
=====

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

NIKE, Inc.

CONDENSED CONSOLIDATED BALANCE SHEET

Nov. 30, 1995 May 31, 1995
_____ _____

(in thousands)

ASSETS

Current assets:		
Cash and equivalents	\$ 204,826	\$ 216,071
Accounts receivable	1,184,844	1,053,237
Inventories (Note 3)	710,848	629,742
Deferred income taxes	78,760	72,657
Prepaid expenses	97,436	74,221
	<hr/>	<hr/>
Total current assets	2,276,714	2,045,928
	<hr/>	<hr/>
Property, plant and equipment	964,364	891,213
Less accumulated depreciation	363,875	336,334
	<hr/>	<hr/>
	600,489	554,879
	<hr/>	<hr/>
Identifiable intangible assets and goodwill	485,725	495,907
Other assets	48,485	46,031
	<hr/>	<hr/>
	\$3,411,413	\$3,142,745
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 2,762	\$ 31,943
Notes payable	443,047	397,100
Accounts payable	277,217	297,656
Accrued liabilities	394,805	345,224
Income taxes payable	30,043	35,612
	<hr/>	<hr/>
Total current liabilities	1,147,874	1,107,535
Long-term debt	13,728	10,565
Non-current deferred income taxes	17,454	17,789
Other long-term liabilities	34,415	41,867
Commitments and contingencies (Note 4)	-	-
Redeemable Preferred Stock	300	300
Shareholders' equity:		
Common Stock at stated value (Note 2):		
Class A convertible-51,340 and		
51,790 shares outstanding	153	155
Class B-91,900 and 91,100 shares		
outstanding	2,701	2,698
Capital in excess of stated value	141,394	122,436
Foreign currency translation		
adjustment	(9,705)	1,585
Retained earnings	2,063,099	1,837,815
	<hr/>	<hr/>
	2,197,642	1,964,689
	<hr/>	<hr/>
	\$3,411,413	\$3,142,745
	=====	=====

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 November 30,		Six Months Ended November 30,	
	1995	1994	1995	1994
	<hr/>	<hr/>	<hr/>	<hr/>
	(in thousands, except per share data)			
Revenues	\$1,443,027	\$1,053,746	\$3,057,676	\$2,224,101
	<hr/>	<hr/>	<hr/>	<hr/>

Costs and expenses:				
Cost of sales	875,446	640,031	1,842,968	1,340,478
Selling and administrative	358,583	268,873	718,108	561,167
Interest	7,984	3,941	19,361	8,698
Other expense (income)	8,798	1,662	17,142	832
	<u>1,250,811</u>	<u>914,507</u>	<u>2,597,579</u>	<u>1,911,175</u>
Income before income taxes	192,216	139,239	460,097	312,926
Income taxes	74,000	54,300	177,100	122,000
Net income	\$ 118,216 =====	\$ 84,939 =====	\$ 282,997 =====	\$ 190,926 =====
Net income per common share(Note 2)	\$ 0.80 =====	\$ 0.58 =====	\$ 1.93 =====	\$ 1.29 =====
Dividends declared per common share	\$ 0.15 =====	\$ 0.13 =====	\$ 0.28 =====	\$ 0.23 =====
Average number of common and common equivalent shares (Note 2)	146,994 =====	146,738 =====	146,420 =====	147,596 =====

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

NIKE, Inc.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six Months Ended November 30,	
	1995	1994
	(in thousands)	
Cash provided (used) by operations:		
Net income	\$282,997	\$190,926
Income charges (credits) not affecting cash:		
Depreciation	40,977	31,079
Deferred income taxes and purchased tax benefits	(7,388)	(698)
Other non-current liabilities	(7,452)	3,410
Other	18,147	5,111
Changes in other working capital components	(215,964)	(44,477)
Cash provided by operations	<u>111,317</u>	<u>185,351</u>
Cash provided (used) by investing activities:		
Acquisition of business:		
Net assets acquired	--	(10,264)
Goodwill and other intangibles acquired	--	(10,347)
Additions to property, plant and equipment	(94,730)	(59,961)
Disposals of property, plant and equipment	3,053	5,811
Increase in other assets	(2,786)	(4,952)
Cash used by investing activities	<u>(94,463)</u>	<u>(79,713)</u>
Cash (used) provided by financing activities:		
Additions to long-term debt	1,012	1,019
Reductions in long-term debt including current portion	(27,118)	(4,549)
Increase in notes payable	45,947	484
Proceeds from exercise of options	12,710	1,810
Repurchase of stock	(18,756)	(59,995)
Dividends paid - common and preferred	(35,800)	(29,295)

Cash used by financing activities	(22,005)	(90,526)
	_____	_____
Effect of exchange rate changes on cash	(6,094)	12,177
	_____	_____
Net (decrease) increase in cash and equivalents	(11,245)	27,289
Cash and equivalents, May 31, 1995 and 1994	216,071	518,816
	_____	_____
Cash and equivalents, November 30, 1995 and 1994	\$204,826	\$546,105
	=====	=====

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 and six months ended November 30, 1995 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 effected a two-for-one split of the outstanding Class A and Class B Common Stock in the form of a 100% stock dividend. The applicable outstanding shares and net income per common share figures for previous periods have been restated to reflect this change.

NOTE 3 - Inventories:

Inventories by major classification are as follows:

	Nov. 30, 1995	May 31, 1995
	_____	_____
	(in thousands)	
Finished goods	\$686,725	\$618,521
Work-in-process	21,701	9,064
Raw materials	2,422	2,157
	_____	_____
	\$710,848	\$629,742
	=====	=====

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.

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

Operating Results

Net income increased 39.2% and 48.2% for the second quarter ended and six months ended November 30, 1995, respectively, over the prior year's comparable periods. Net income for the quarter and six months ended November 30, 1995 totaled \$118.2 million, or \$0.80 per share, and

\$283.0 million, or \$1.93, respectively, compared with \$84.9, or \$0.58 per share, and \$190.9, or \$1.29 per share, for the same periods last year. For the quarter ended November 30, 1995, as compared to the prior year revenues increased 37% to a record \$1.443 billion, gross margin percentage remained flat at 39.3%, and selling and administrative expenses was reduced 0.7 percentage points as a percentage of revenues, to 24.8%. This was the Company's seventh consecutive quarter of record revenues and fifth consecutive quarter of record net income, compared to the same period of the prior year.

Revenues for the quarter increased \$389.3 million over the \$1.054 billion reported in the same period of the prior year, reflecting increases in nearly all categories of both footwear and apparel in the U.S. and internationally. U.S. revenues increased \$180.9 million, or 33%, lead by apparel which increased \$97.9 million, or 100%, to \$195.8 million compared with the second quarter last year. U.S. footwear increased \$83 million, or 18%, to \$538.5 million, resulting from a 12% increase in pairs shipped and a 6% increase in average selling price. Revenues from international (non-U.S.) operations increased \$133.3 million, or 30%, to \$573.3 million, composed of 29% and 34% increases in international footwear and apparel revenues, respectively. Comparisons of units and average selling price is not as meaningful to apparel due to the significant variation of apparel product mix. Other brands, which includes Cole Haan (R), Tetra Plastics, Sports Specialties and Canstar Sports, increased \$75.0 million. \$67.0 million of this increase relates to Canstar Sports, which was acquired in the third quarter of the prior fiscal year. The breakdown of revenues follows:

	Three Months Ended November 30,			Six Months Ended November 30,		
	1995	1994	% Change	1995	1994	% Change
	(in thousands)					
U.S. Footwear	\$ 538,497	\$ 455,459	18%	\$1,330,065	\$1,110,601	20%
U.S. Apparel	195,795	97,884	100	378,278	192,619	96
Total United States	734,292	553,343	33	1,708,343	1,303,220	31
International Footwear	394,712	306,828	29	761,390	583,290	31
International Apparel	178,615	133,184	34	304,649	218,318	40
Total International	573,327	440,012	30	1,066,039	801,608	33
Other Brands	135,408	60,391	124	283,294	119,273	138
Total Revenues	\$1,443,027	\$1,053,746	37%	\$3,057,676	\$2,224,101	37%

Consolidated gross margin percentage remained flat at 39.3% and 39.7% for the quarter and six months ended November 30, 1995, respectively, compared with the same periods last year. Strong demand for NIKE products worldwide combined with sound inventory management resulted in continued stable margins. 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 remaining six months of fiscal year 1996 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.

Selling and administrative expenses increased \$89.7 million and \$156.9 million for the quarter and six months ended November 30, 1995, respectively, compared with same periods last year. For the quarter, U.S. NIKE brand operations accounted for the majority of the increase, up \$57 million, primarily in planned marketing and advertising expenses. International expenses increased \$20 million for the quarter over last year, with \$4 million due to the effect of exchange rate fluctuations. Canstar Sports added \$11 million of expenses. The Company expects to continue to invest in growth opportunities and to increase marketing expenses in order to ensure the successful sell-through of the unprecedented volume of customer orders discussed below. As a result, the Company expects that selling and administrative expenses as a percentage of revenues for the remaining six months of the this fiscal year will increase to levels consistent with the prior year.

Interest expense increased \$4.0 million and \$10.7 million for the quarter and six months ended November 30, 1995, respectively, compared with the same periods last year. The increase is due to increased short term borrowings in the U.S. and international operations needed to fund current operations. In the prior year, cash and equivalents were higher through November 30, as available cash was subsequently used to fund the third quarter acquisition of Canstar Sports. Other expense increased \$7.1 million and \$16.3 million for the quarter and six months ended November 30, 1995, respectively, compared with the same periods last year. The increase is primarily due to increased goodwill amortization resulting from the acquisition of Canstar Sports, and decreased interest income from lower available cash.

The Company's effective tax rate for both the quarter and six months ended November 30, 1995 was 38.5%, compared to 39.0% in both of the prior year's comparable periods. The Company anticipates that the tax rate will remain at 38.5% for fiscal year 1996.

Worldwide orders for NIKE Brand athletic footwear and apparel scheduled for delivery from December 1995 through April 1996 are approximately \$2.7 billion, 34% higher than such orders booked in the comparable period of the prior year. These orders are not necessarily indicative of total revenues over that period because the mix of advance orders and "at once" shipments may vary significantly from quarter to

quarter and year to year. Additionally, as international operations continue to account for a greater percentage of total revenues and place greater emphasis on futures orders, this mix again may vary. Finally, exchange rates can cause differences in the comparisons.

Liquidity and Capital Resources

The Company's financial position remains strong, with working capital rising \$190 million since May 31, 1995. In addition, the working capital ratio increased from 1.8:1 at May 31, 1995 to 2.0:1 at November 30, 1995.

Cash and equivalents decreased \$11.2 million from May 31, 1995. Cash provided by operations was reduced by changes in other working capital components discussed below. Other significant uses of cash included additions to property, plant and equipment, reductions in long-term debt and dividends paid. The most significant source of cash was from an increase in notes payable.

The decrease in cash due to other working capital components was due primarily to increases in accounts receivable and inventories, offset by increases in accrued liabilities. The increase in accounts receivable of \$131.6 million was due to sales growth in both October and November over last fiscal year's final two months. Overall inventories increased \$81.1 million in conjunction with levels of operations. U.S. footwear, U.S. apparel and international footwear and apparel inventories have increased \$20.8 million, \$18.5 million and \$30.1 million, respectively. Increases in accrued liabilities are a result of the increased levels of the Company's operations, most significantly, international operations.

The additions to property, plant and equipment were composed of normal operational spending, the continued consolidation of European footwear warehouses, expansion of NIKE Town retail locations and acquisition of land adjacent to the world headquarters.

The Company also utilized cash to retire long-term debt acquired in the purchase of Canstar Sports.

Notes payable increased in order to fund the high level of operations.

During the quarter, the Company announced a 20% increase in the quarterly cash dividend to \$0.15 per share from the previous \$0.125 per share.

For the six months ended November 30, 1995, the Company has purchased 200,000 shares of its own stock under the stock repurchase program announced in July 1993, bringing the total number of shares purchased in the program to approximately 5,149,000. There were no purchases during the second quarter.

The debt to equity ratio at November 30, 1995 was .6:1 compared to .6:1 at May 31, 1995 and .4:1 at November 30, 1994. Management believes that funds generated by operations, together with currently available resources, will adequately finance anticipated fiscal 1996 expenditures. At November 30, 1995, the Company had \$500 million available in committed unused lines of credit.

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, 1995.

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 first 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 first 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 Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the 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 reports on Form 8-K were filed by the Company during the first quarter of fiscal 1996:

Form 8-K

September 18, 1995	ITEM 5. OTHER EVENTS.	Press release announcing first quarter earnings.
November 17, 1995	ITEM 5. OTHER EVENTS.	Press release announcing \$.15 per share dividend.

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:

Robert S. Falcone Vice President, Chief Financial Officer

DATED: January 12, 1996

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE NOVEMBER 30, 1995 FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	6 MOS
FISCAL YEAR END	MAY 31 1996
PERIOD END	NOV 30 1995
CASH	204,826
SECURITIES	0
RECEIVABLES	1,184,844
ALLOWANCES	36,566
INVENTORY	710,848
CURRENT ASSETS	2,276,714
PP&E	964,364
DEPRECIATION	363,875
TOTAL ASSETS	3,411,413
CURRENT LIABILITIES	1,147,874
BONDS	13,728
COMMON	2,854
PREFERRED MANDATORY	0
PREFERRED	300
OTHER SE	2,194,788
TOTAL LIABILITY AND EQUITY	3,411,413
SALES	3,057,676
TOTAL REVENUES	3,057,676
CGS	1,842,968
TOTAL COSTS	1,842,968
OTHER EXPENSES	725,901
LOSS PROVISION	9,349
INTEREST EXPENSE	19,361
INCOME PRETAX	460,097
INCOME TAX	177,100
INCOME CONTINUING	282,997
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	282,997
EPS PRIMARY	1.93
EPS DILUTED	1.93

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