# Edgar Filing: NIKE INC - Form 8-K 

NIKE INC
Form 8-K
March 18, 2004

registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

> NIKE, Inc.
> (Registrant)

Date: March 18, 2004
/s/ Donald W. Blair
By: Donald W. Blair
Chief Financial Officer

Exhibit 99

## FOR IMMEDIATE RELEASE

| INVESTOR CONTACT: | MEDIA CONTACT: |
| :--- | :--- |
| Pamela Catlett | Joani Komlos |
| 503.671 .4589 | 503.671 .2013 |

NIKE REPORTS THIRD QUARTER EARNINGS PER SHARE UP 57 PERCENT;
WORLDWIDE FUTURES ORDERS INCREASE 9.9 PERCENT

Highlights:

- Third quarter earnings increased 57 percent to $\$ 0.74$ per diluted share versus $\$ 0.47$ per diluted share in the prior year quarter
- Revenues for the quarter grew 21 percent to $\$ 2.9$ billion
- Gross margins improved 140 basis points to 42.1 percent
- Worldwide futures orders increased 9.9 percent

Beaverton, OR (March XX, 2004) -- NIKE, Inc. (NYSE:NKE) today reported financial results for the Company's third quarter ended February 29, 2004. Third quarter revenues increased 21 percent to $\$ 2.9$ billion, versus $\$ 2.4$ billion for the same period last year. Third quarter net income totaled $\$ 200.3$ million, or $\$ 0.74$ per diluted share, compared to $\$ 124.7$ million, or $\$ 0.47$ per diluted share, in the prior year.

Philip H. Knight, Chairman and Chief Executive Officer said, "It was another great quarter for Nike. Top and bottom line results were again driven by healthy consumer demand for innovative products and the strength of Nike's diverse portfolio of businesses. For the first nine months of the year, Nike's revenue has grown 14 percent and earnings per share* are up 29 percent. As we look ahead, we are optimistic about the significant long-term growth opportunities for our company."**

Futures Orders

The Company reported worldwide futures orders for athletic footwear and apparel scheduled for delivery from March 2004 through July 2004, of $\$ 4.7$ billion, 9.9 percent higher than such orders reported for the same period last year. Approximately four points of this growth were due to changes in currency exchange rates.

By region, futures orders for the USA were up 4.5 percent; Europe grew by 11 percent; Asia Pacific increased 23 percent; and the Americas increased 11 percent. In Europe, eight points of the increase were due to changes in currency exchange rates. Currency exchange rate movements contributed approximately five points and two points, respectively, to
futures growth in the Asia Pacific and Americas regions.

Knight continued, "Growing consumer demand for Nike footwear and apparel in our international markets helped drive the 9.9 percent increase in worldwide futures. Additionally, we are pleased by the continued strength of our U.S. business, which recorded its strongest futures orders growth in eight quarters."**

Regional Highlights

USA

During the third quarter, U.S. revenues increased four percent to \$1.17 billion versus $\$ 1.13$ billion for the third quarter of 2003. U.S. athletic footwear revenues increased one percent to $\$ 772.8$ million. Apparel revenues increased seven percent to $\$ 329.3$ million. Equipment revenues increased 13 percent to $\$ 67.4$ million.

## Europe

Revenues for the European region (which includes the Middle East and Africa) grew 36 percent to $\$ 880.0$ million, up from $\$ 645.8$ million for the same period last year. Twenty-one points of this growth were the result of changes in currency exchange rates. Footwear revenues increased 48 percent to $\$ 537.7$ million, apparel revenues increased 19 percent to $\$ 284.1$ million and equipment revenues increased 34 percent to $\$ 58.2$ million.

## Asia Pacific


#### Abstract

Revenues in the Asia Pacific region grew 21 percent to $\$ 402.4$ million compared to $\$ 331.6$ million a year ago. Ten points of this growth were the result of changes in currency exchange rates. Footwear revenues were up 15 percent to $\$ 214.2$ million; apparel revenues increased 30 percent to $\$ 150.1$ million and equipment grew 26 percent to $\$ 38.1$ million.


## Americas


#### Abstract

Revenues in the Americas region increased 26 percent to $\$ 135.0$ million, an improvement from $\$ 107.4$ million in the third quarter of 2003 . This growth rate reflected an 11 point increase due to changes in currency exchange rates. Footwear revenues were up 29 percent to $\$ 89.2$ million, apparel revenues increased 21 percent to $\$ 36.0$ million and equipment improved 15 percent to $\$ 9.8$ million.


Other Revenues

Other revenues, which include Nike Golf, Converse, Inc., Bauer Nike Hockey Inc., Cole Haan (registered), and Hurley International LLC, grew 68 percent to $\$ 317.1$ million from $\$ 188.2$ million last year. The acquisition of Converse accounted for 39 percentage points of this increase.

Income Statement Review

Gross margins were 42.1 percent compared to 40.7 percent last year. Selling and administrative expenses were 30.7 percent of third quarter revenues, compared to 31.6 percent last year. The effective tax rate for the third quarter was 34.8 percent.

Balance Sheet Review

At quarter end, global inventories stood at $\$ 1.7$ billion, a 10 percent increase from February 28, 2003. Cash and short-term investments were $\$ 914.7$ million at the end of the quarter, compared to $\$ 443.2$ million last year.

## Share Repurchase

During the quarter, the Company purchased a total of 754,900 shares for approximately $\$ 53.6$ million in conjunction with the Company's second four-year, \$1 billion share repurchase program that was approved by the Board of Directors in June 2000.

NIKE, Inc. based in Beaverton, Oregon is the world's leading designer, marketer and distributor of authentic athletic footwear, apparel, equipment and accessories for a wide variety of sports and fitness activities. Wholly owned Nike subsidiaries include Converse Inc., which designs, markets and distributes athletic footwear, apparel and accessories; Bauer NIKE Hockey Inc., a leading designer and distributor of hockey equipment; Cole Haan (registered), which designs, markets, and distributes fine dress and casual shoes and accessories; and Hurley International LLC, which designs, markets and distributes action sports and youth lifestyle footwear, apparel and accessories.

NIKE's earnings releases and other financial information are available on the Internet at www.NikeBiz.com/invest. This quarter, Nikebiz will feature expanded information and relevant highlights of product and key initiatives for the reporting period.

* The marked reference to earnings indicates earnings per diluted share before prior year accounting change.
** 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.
(Tables Follow)

```
NIKE, INC. CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED FEBRUARY 29, 2004
(In millions, except per share data)
```

| INCOME | QUARTER |  | ENDING |  | YEAR TO DATE ENDING |  |
| :--- | :---: | :---: | :---: | :---: | :---: | :---: |
| STATEMENT* | $02 / 29 / 2004$ | $02 / 28 / 2003$ | $\%$ Chg | $02 / 29 / 2004$ | $02 / 28 / 2003$ | $\%$ Chg |
| $=======================================================$ | $============================$ |  |  |  |  |  |
| Revenues | $\$ 2,904.0$ | $\$ 2,400.9$ | $21 \%$ | $\$ 8,766.0$ | $\$ 7,711.9$ | $14 \%$ |
| Cost of Sales | $1,682.1$ | $1,424.9$ | $18 \%$ | $5,043.0$ | $4,568.7$ | $10 \%$ |
| Gross Profit | $1,221.9$ | 976.0 | $25 \%$ | $3,723.0$ | $3,143.2$ | $18 \%$ |
| $\%$ of revenue | $42.1 \%$ | $40.7 \%$ |  | $42.5 \%$ | $40.8 \%$ |  |



Weighted Average Common Shares Outstanding:

| Diluted | 271.1 | 266.7 | 269.3 |
| :--- | :--- | :--- | :--- |

*Certain prior year amounts have been reclassified to conform to fiscal year 2004 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

NIKE, Inc.
BALANCE SHEET* 02/29/2004 02/28/2003

ASSETS
Cash \& Investments \$914.7 \$443.2
Accounts Receivable 2,033.9 1,952.4

Inventory
Deferred Taxes
Prepaid Expenses Current Assets

Fixed Assets
Depreciation Net Fixed Assets Identifiable Intangible Assets and Goodwill
Other Assets

Total Assets

| $1,667.6$ | $1,519.2$ |
| ---: | ---: |
| 218.5 | 190.8 |
| 364.9 | 244.4 |
| $5,199.6$ | $4,350.0$ |
|  |  |
| $3,162.8$ | $2,906.2$ |
| $1,551.4$ | $1,291.1$ |
| $1,611.4$ | $1,615.1$ |
|  |  |
| 500.7 | 183.9 |
| 292.6 | 255.0 |

LIAB AND EQUITY
Current Long-Term Debt
Payable to Banks
Accounts Payable Accrued Liabilities Income Taxes Payable

Current Liabilities

Long-term Debt
Def Inc Taxes \& Oth Liab
Preferred Stock
Common Equity

Total Liab. \& Equity

| $\$ 6.2$ | $\$ 205.6$ |
| ---: | ---: |
| 165.2 | 216.6 |
| 567.0 | 467.5 |
| $1,048.3$ | 913.2 |
| 157.9 | 55.3 |
| $1,944.6$ | $1,858.2$ |
|  |  |
| 694.3 | 542.8 |
| 401.9 | 167.5 |
| 0.3 | 0.3 |
| $4,563.2$ | $3,835.2$ |

## $\$ 7,604.3 \quad \$ 6,404.0$

$========================$

$\$ 7,604.3 \quad \$ 6,404.0$

| NIKE, INC <br> Divisional Revenues* | QUARTER ENDING |  |  | $\begin{array}{r} \text { YEAR T } \\ 2 / 29 / 2004 \end{array}$ | $\begin{aligned} & \text { ATE ENDII } \\ & \text { /28/2003 } \end{aligned}$ | $\% \mathrm{Chg}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| USA Region |  |  |  |  |  |  |
| Footwear | \$772.8 | \$761.4 | 1\% | \$2,219.2 | \$2,222.5 | 0\% |
| Apparel | 329.3 | 307.1 | 7\% | 1,074.1 | 1,005.3 | 7\% |
| Equipment and other | 67.4 | 59.4 | 13\% | 215.7 | 215.3 | 0\% |
| Total | 1,169.5 | 1,127.9 | 4\% | 3,509.0 | 3,443.1 | $2 \%$ |
| EMEA Region |  |  |  |  |  |  |
| Footwear | 537.7 | 363.1 | 48\% | 1,600.2 | 1,292.5 | 24\% |
| Apparel | 284.1 | 239.4 | 19\% | 950.9 | 845.1 | 13\% |
| Equipment and other | 58.2 | 43.3 | $34 \%$ | 191.3 | 158.8 | 20\% |
| Total | 880.0 | 645.8 | 36\% | 2,742.4 | 2,296.4 | 19\% |
| Asia Pacific Region |  |  |  |  |  |  |
| Footwear | 214.2 | 185.8 | 15\% | 622.6 | 536.3 | 16\% |
| Apparel | 150.1 | 115.6 | 30\% | 437.9 | 365.6 | 20\% |
| Equipment and other | 38.1 | 30.2 | 26\% | 102.9 | 87.9 | 17\% |
| Total | 402.4 | 331.6 | 21\% | 1,163.4 | 989.8 | 18\% |

Edgar Filing: NIKE INC - Form 8-K

| Footwear | 89.2 | 69.1 | $29 \%$ | 296.0 | 245.1 | $21 \%$ |
| :--- | ---: | ---: | ---: | ---: | ---: | ---: |
| Apparel | 36.0 | 29.8 | $21 \%$ | 117.3 | 108.9 | $8 \%$ |
| Equipment and other | 9.8 | 8.5 | $15 \%$ | 31.5 | 29.2 | $8 \%$ |
| Total | 135.0 | 107.4 | $26 \%$ | 444.8 | 383.2 | $16 \%$ |
|  | $2,586.9$ | $2,212.7$ | $17 \%$ | $7,859.6$ | $7,112.5$ | $11 \%$ |
|  |  | 317.1 | 188.2 | $68 \%$ | 906.4 | 599.4 |
| Other Brands |  |  |  |  | $51 \%$ |  |
| Total NIKE Inc. Revenues | $\$ 2,904.0$ | $\$ 2,400.9$ | $21 \%$ | $\$ 8,766.0$ | $\$ 7,711.9$ | $14 \%$ |

