

REMARKS AS PREPARED FOR DELIVERY
Q4FY24 NIKE Inc. Conference Call
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[OPERATOR]

Good afternoon, everyone. Welcome to NIKE, Inc.'s fiscal 2024 Fourth quarter conference call. For those who want to reference today's press release you'll find it at investors.nike.com. Leading today's call is Paul Trussell, VP of Corporate Finance and Treasurer.

Now I would like to turn the call over to Paul Trussell.

[PAUL TRUSSELL]

Thank you, operator.

Hello everyone and thank you for joining us today to discuss NIKE, Inc.'s fiscal 2024 Fourth quarter results.

Joining us on today's call will be NIKE, Inc. President and CEO John Donahoe, and our CFO, Matt Friend.

Before we begin, let me remind you that participants on this call will make forward-looking statements based on current expectations and those statements are subject to certain risks and uncertainties that could cause actual results to differ materially. These risks and uncertainties are detailed in NIKE's reports filed with the SEC.

In addition, participants may discuss non-GAAP financial measures and non-public financial and statistical information. Please refer to NIKE's earnings press release or NIKE's website, investors.nike.com, for comparable GAAP measures and quantitative reconciliations. All growth comparisons on the call today are presented on a year-over-over basis and are currency-neutral, unless otherwise noted.

We will start with prepared remarks, and then open up for questions. We would like to allow as many of you to ask questions as possible in our allotted time. So, we would appreciate you limiting your initial question to one. Thanks for your cooperation on this.

I'll now turn the call over to NIKE, Inc. President and CEO John Donahoe.

[JOHN DONAHOE]

Thank you, Paul, and hello to everyone on today's call.

I want to start by briefly commenting on our financial results. For full year FY24, Revenue growth was up approximately 1% on a currency neutral basis and Earnings Per Share grew 15%.

Q4 Revenue was flat. For the quarter, we saw strong gains within performance product. However, this was more than offset by declines in Lifestyle. These declines had a pronounced impact on our Digital results.

These factors when combined with increased macro uncertainty and worsening foreign exchange have caused us to reduce our guidance for FY25.

Matt will provide more detail on our results and outlook later in the call.

While FY25 will be a transition year for our business, we continue to make real progress

on our comeback. Over the past year, we've highlighted the strategic shifts we're taking as a company, including leadership and organization changes, kick-starting a multi-year innovation cycle, and creating capacity to invest in consumer-facing activities.

And as I mentioned in last quarter's call, we're making a series of adjustments to position us to compete and win. We're sharpening our focus on sport, accelerating our pace and scaling of newness and innovation, driving bigger, bolder storytelling, and elevating the entire marketplace to fuel brand distinction and be in the path of the consumer.

This is our playbook and we're seeing momentum build in all four areas, particularly on the performance side of our product portfolio, which I'll walk through today. We have work to do, but we are on it. Our teams are moving with energy and urgency against the opportunity we see in front of us.

As we've discussed over the past couple quarters, we've been accelerating our innovation pipeline, including pulling forward several innovations, some more than a year. We're moving aggressively to reestablish our innovation edge.

We began with a focus on Performance, as Nike always does. And the early results from newness and innovation are encouraging. Performance grew double digits in the quarter, with growth in many of our key sports.

As we've kicked off our multiyear innovation cycle, one of our key priorities has been increasing our speed to the consumer. We believe accelerating our pace and consistency of innovation will allow us to deliver impact season after season.

As you know, for years Nike has had Express Lane, which enables short lead time replenishment and hyperlocal design.

We will continue to leverage Express Lane, but over the past year we have also built a

new way of working across the entire product creation process. We call this Speed Lane, and it's part of a broader company-wide effort to move faster and be more responsive to the consumer.

For example, through Speed Lane we're leveraging our Bowerman Footwear Lab to accelerate design. We're leveraging advanced digital tools to quicken development. We're leveraging key manufacturing partners to speed up product testing and production.

We've already accelerated half a dozen models through this new capability. In the second half of the fiscal year, you'll start to see new innovations come out of Speed Lane, including exciting new franchises across Fitness and Lifestyle.

Now, as I mentioned, our sharpened focus around newness and innovation starts with Performance and we are seeing the impact across key sports. Let me give a few brief examples across three: Basketball, Fitness and Running.

First, Basketball, which was up double-digits in Q4 across Men's, Women's, Kids and Jordan. This was driven by new innovation, from the GT Cut to Kobe's new footwear and apparel, to the Sabrina 1, which in and of itself has taken two points of share across the entire U.S. basketball market, including both Men's and Women's.

We recently announced Sabrina's next shoe, as well as A'ja Wilson's signature franchise. And we announced the signing of Caitlin Clark to a roster of athletes that was already the game's best. All this energy will continue to fuel the rapid growth of our Women's Basketball business, as excitement around the WNBA soars to historic highs amidst an expanding fan base. And of course, this month's Jayson vs Luka NBA Finals match-up marked the first time Jordan signature athletes met on basketball's pinnacle stage. We celebrated Jayson's title with one of Jordan Brand's biggest marketing efforts ever.

Next, let's look at our Fitness business. Fitness represents one of the largest market share opportunities we see as a company, particularly for our female consumer. We've made intentional decisions to make meaningful investments in Fitness and these actions are paying off. Over the past quarter, we saw broad-based growth for Fitness, led by double-digit growth in apparel.

For example, statement leggings, a key focus for us, were up high double-digits in Q4, led by innovations we introduced over the past few quarters in Universa, Zenvy and Go.

Women's Fitness footwear also had a strong quarter, driven by Motiva and the latest version of Free Metcon, which came out last summer. Free Metcon is now Nike's No. 1 women's fitness shoe, having expanded from the gym to the street.

Third, let's look at Road Running, which remains a competitive battlefield. But we are playing to win. In past calls, we've discussed that we're now aligned, resourced and taking this challenge head-on with confidence. We've been hustling to accelerate our Running innovations and amplify our ground game.

In Q4, while our overall Running business was impacted by our proactive actions to manage the Pegasus portfolio transition, we're pleased that recent new releases in Vomero, Invincible, Infinity, and Structure all grew high double-digits over the quarter. We're making it easier for consumers to discover these styles by simplifying our Running construct at retail, as we highlight our best-in-class cushioning technologies.

Now as you know, a few weeks ago, we launched the Pegasus 41 – a new chapter for Nike's biggest performance franchise. Peg 41 pairs Zoom Air with full-length ReactX foam for a ride that's more comfortable, durable and responsive than ever. It's received very strong reviews by industry experts.

We supported the 41 with our full playbook, backed by Nike's most comprehensive Running campaign in years, which will last for several seasons. It was also fueled by

our refreshed ground game. This included neighborhood activations to drive consumer trialing at scale and building energy across the full marketplace including Nike Direct, our strategic partners and our performance authenticators, such as Running Specialty doors.

This energy drove Peg 41 to a strong start, led by better-than-expected sell-through in both wholesale and Nike Direct.

Our full running journey for FY25 goes beyond the Peg 41 launch. We'll be adding seasonal dimensions for Peg in Holiday, before introducing additional exciting innovations in the second half of the year, including Pegasus Premium and Vomero 18. We're already seeing a strong wholesale order book for Running across the next few seasons, as we continue to take meaningful strides to assert our leadership in this key sport.

Now, let's talk about Lifestyle, where we're focused on building a more diversified Lifestyle footwear portfolio to complement the industry's three largest franchises.

We're excited about our pipeline of new lifestyle product. A key example was last quarter's introduction of Dynamic Air, our newest breakthrough innovation platform. We launched the Air Max DN globally, and within just a few months, DN has become a Top 10 Lifestyle franchise in our Men's business and is resonating particularly well with sneaker-engaged consumers in major cities.

And importantly, Dynamic Air is an innovation platform. We're already working on the next two iterations of Dynamic Air, and we will continue to build on this platform to customize Air cushioning to create unique consumer benefits.

Another component of fueling a more diversified Lifestyle footwear portfolio is taking advantage of Nike's unmatched vault.

One example is retro running. We saw an opportunity in the marketplace for retro and moved quickly and nimbly to fill it with our Y2K portfolio. And consumers are responding. We experienced significant quarter-over-quarter retail sales growth for Y2K and now expect to nearly triple our retro running business by the end of FY25, compared with the start of FY24.

Now, while we are growing new Lifestyle offerings, we are also accelerating planned reductions for our three largest franchises. This will have a meaningful near-term impact on our overall Lifestyle growth rate. While we have work to do, we are very focused on scaling the newness to offset this planned reduction. And we're excited about the pipeline, with exciting footwear concepts coming in the second half of FY25.

Finally, the Paris Olympics offers us a pinnacle moment to communicate our vision of sport to the world. This is led by breakthrough innovation and announced by a brand campaign that you won't be able to miss.

We recently unveiled our Air for Athletes innovation at our Nike on Air event in Paris. We can't wait to bring all this Olympics product to life across the Games and in more than 8,000 doors worldwide. And throughout, our brand storytelling will be bold and clear, with sport and athletes at the very center of it all, from brand voice to retail activations.

This summer we will cut through the clutter to create powerful energy for the Nike brand. We're back doing what we do best: creating impactful storytelling and ultimately, brand distinction in sport.

In the end, we're taking our challenges head-on, and we're regaining our edge. Thanks to the heart and hustle of our global team, we are aggressively asserting the future of Nike. With passion, clarity and grit, we're driving this business forward. We're excited about the opportunity in front of us, and we're eager to prove what Nike can do.

With that, I'll turn the call over to Matt.

[MATT FRIEND]

Thanks John, and hello to everyone on the call.

For Nike, Fiscal 24 was a pivotal year to get back on the offense in sport with consumers, led by an urgency to accelerate our pace of innovation and scale newness across our product line. Today, our playbook is in motion; our teams are focused and hustling to deliver; and we are seeing positive signals from consumers and retail partners across the world.

That said, this quarter we have been navigating several headwinds, which we now expect to have a more pronounced impact on Fiscal 25.

Although the next few quarters will be challenging, we are confident that we are repositioning Nike to be more competitive, with a more balanced portfolio to drive sustainable, profitable long-term growth.

Let me provide some deeper insights into the fourth quarter and the implications we see as we look forward, before reviewing our financial results and our outlook.

First, after double-digit growth over the past several years, our Lifestyle business declined in Q4 across Men's, Women's, and Jordan, more than offsetting strong growth in our sport Performance business.

Second, Nike Digital declined 10% in the quarter. Although our digital business has grown at an approximately 26% CAGR since Fiscal 19, we missed our Q4 plan on softer traffic, higher promotions, and lower sales of certain classic footwear franchises. More specifically, these franchises underperformed our overall digital business in the quarter, especially in April and May, and continuing into early June. This is even as they continue to drive retail sales growth at high full-price realization in multi-brand retail.

Third, we experienced meaningful shifts in consumer traffic in key markets – particularly in Greater China, where brick-and-mortar traffic declined as much as double-digits versus prior year. We also continue to see uneven trends in EMEA and other markets around the world.

Last, foreign exchange headwinds worsened, creating an additional one-point headwind on revenue in the quarter.

In the midst of these dynamics, our goals to return to strong growth remain the same: read and react to the consumer, maximize full-price sales across all channels, protect long-term franchise health, prioritize a healthy pull market, and create marketplace capacity for new products and new stories coming in Fiscal 25.

Therefore, despite continued marketplace demand, we are advancing our timelines to tighten total supply of certain classic footwear franchises – at different paces, across different channels, around the world. In particular, we are aggressively adjusting our forward-looking plans for these franchises on Nike Digital, where they have their highest share of business.

All told, we expect these actions to create several points of short-term headwinds on revenue in Fiscal 25.

However, our past experience gives us confidence that proactively rebalancing our portfolio will strengthen our competitive position, and fuel brand momentum as we take the consumer somewhere new. Let me share a few recent examples.

Back in Fiscal 18, we recalibrated the supply of select Jordan Brand franchises – resetting our launch business and bringing more dimension to our portfolio. Over the subsequent quarters, we turned the page from double-digit declines in the Brand to the start of multiple consecutive years of strong double-digit growth.

And earlier this year, we moved quickly to reshape our lifestyle footwear portfolio in Japan and Korea – two of our most trend-forward markets, where our teams read and reacted to consumer signals. We reduced supply of some classic franchises, while scaling and creating new energy around other models in our vault. In the fourth quarter, we regained our #1 position in Korea in women's lifestyle footwear, and extended our lead in Japan, with new momentum heading into

Fiscal 25.

Now, as we accelerate our pace of newness and innovation, the early response from consumers and partners are reinforcing our optimism in Nike's path forward.

First, a sharper focus on sport is creating impact. This quarter, performance grew across Men's, Women's, Kids, and Jordan; across all channels and geographies; and we expect to build on that momentum, leading with performance in Fiscal 25. We are seeing favorable indicators in key focus areas – including strong double-digit growth in order books with North America running specialty partners in Holiday 24 and Spring 25.

In lifestyle, fresh releases are resonating positively with consumers. For instance, new executions around retro running and "field" franchises such as Cortez, Killshot, and the Field General are driving strong retail sales growth, as we prepare to scale these franchises in Fiscal 25.

Our teams are also attacking opportunities across price points, including a refreshed line-up of new footwear products below \$100. Building on this quarter's double-digit growth, we plan to scale new performance and lifestyle models in Spring 25.

Added up, we expect the business contribution from new products to more than double from the start of Fiscal 24 to where we end the year in Fiscal 25.

Last, we are managing expenses tightly through this product cycle transition, while re-allocating resources to maximize consumer impact.

This is enabled by our save to invest initiative, which is creating investment capacity to fuel our next phase of growth. At the end of Fiscal 24, we have unlocked savings from initiatives up and down our value chain – from reducing small parcel fulfillment costs; to consolidating suppliers; optimizing technology spend; and restructuring our organization to streamline layers and support functions.

In turn, we are re-investing nearly one billion dollars in consumer-facing activities in Fiscal 25, which we expect to accelerate our return to strong growth. This includes ramping up our ground game offense in running and key cities; increasing resources in design, product creation and merchandising for key sport dimensions; deepening our sports marketing portfolio; elevating our brand distinction in physical retail; and driving bigger, bolder brand campaigns, starting with EC24 and the Paris Olympics.

Now, let me turn to our NIKE, Inc. fourth-quarter results.

In Q4, NIKE, Inc. revenue was down 2% on a reported basis and flat on a currency-neutral basis.

Nike Direct was down 7%. Nike Stores were down 2%, and Nike Digital was down 10%. Wholesale grew 8%.

Gross margins expanded 110 basis points to 44.7% on a reported basis, primarily due to strategic pricing actions, lower ocean freight rates, and improved supply chain efficiency, partially offset by lower margins in Nike Direct, unfavorable channel mix, and net foreign exchange impact.

SG&A was down 7% on a reported basis, as increased investment in demand creation was more than offset by reductions in operational overhead. This includes impact from approximately \$40 million in restructuring charges.

Our effective tax rate was 13.1%, compared to 17.3% for the same period last year, due to changes in earnings mix, partially offset by decreased benefits from one-time items such as stock-based compensation.

Diluted earnings per share was \$0.99, up 50% versus prior year. This includes non-material impact from restructuring charges.

For the full year, revenue was flat on a reported basis and up 1% on a currency-neutral basis. Diluted earnings per share grew 15%. Cash flow from operations was \$7.4 billion, up 27% versus the prior year, on significant improvements in working capital.

Inventory declined 11% versus the prior year, with continued improvement in days in inventory.

Now, let me turn to the operating segments.

In North America, Q4 revenue declined 1%. Nike Direct was down 9%, with Nike Digital down 11% and Nike Stores down 5%. Wholesale grew 6%, due to accelerated shipping timing from Q1 of Fiscal 25. And EBIT grew 5% on a reported basis.

This quarter, we saw softer traffic in our factory stores, highlighting increasing pressure being felt by the value consumer. That said, we saw a number of bright spots as well – including strong growth in Basketball, Fitness and Kids, offset by declines in Lifestyle and Jordan.

Kids led our results in the geography, with performance dimensions up strong double-digits. In Women's fitness, we gained market share in footwear. In Men's and Women's running, Fall footwear bookings are up double-digits, led by Pegasus 41.

In EMEA, Q4 revenue grew 1%. Nike Direct was down 8%, as Nike Stores grew 1% and Nike Digital declined 14%. Wholesale grew 7%. EBIT grew 2% on a reported basis.

In a cautious macro environment, we are seeing performance innovation drive strong sell-thru. This is partially offset by overall declines in Lifestyle – with new product releases working well.

Global football grew double-digits across Mens and Kids. In Women's fitness, we drove strong momentum in footwear and new apparel releases, such as our refreshed Nike Pro line. In lifestyle, our retro running franchises continue to scale, and our Air Max Dn launch drove energy with a full-marketplace takeover.

In Greater China, Q4 revenue grew 7%, including several points of contribution from TMall's earlier start to the 6.18 shopping holiday. Excluding this timing benefit, we fell short of our plan, with traffic softness persisting across all marketplace channels.

Nike Direct declined 2%, with Nike Stores down 6% and Nike Digital up 8%. Wholesale grew 15%. EBIT grew 4% on a reported basis, with continued impact from foreign exchange.

Our Kids business set the pace in the geography this quarter, led by running and basketball. Within Men's and Women's Lifestyle, retro running styles and our latest Express Lane releases drove positive consumer response. And in Men's and Women's running, retail sales for our new releases – Structure, Vomero, and Invincible – grew double-digits.

The marketplace remains highly promotional, and we continue to manage both Nike and partner inventory carefully. While our outlook for the near term has softened, we remain confident in Nike's competitive position in China in the long-term.

In APLA, Q4 revenue grew 4%. Nike Direct declined 3%, with Nike Stores up 11% and Nike Digital down 12%. Wholesale grew 9%. And EBIT grew 4% on a reported basis.

Mexico and Southeast Asia and India led our growth in the geography.

And across APLA, we drove strong momentum in performance, with Men's basketball, Men's global football, and Women's fitness up double-digits. Jordan Brand drove energy with Streetball activations in Tokyo and Manila, and market share gains in basketball footwear.

Now, let me turn to our Fiscal 25 financial outlook.

We are managing a product cycle transition, with complexity amplified by shifting channel mix dynamics. A comeback at this scale takes time. With this in mind, we have considered a number of factors and scenarios in revising our outlook for Fiscal 25. Most importantly, this includes timelines and pacing to manage marketplace supply of our classic footwear franchises... lower Nike Digital growth, especially in the first half of the year, due to lower traffic on fewer launches, planned declines of classic footwear franchises given Q4 trends, as well as reduced promotional activity... increased macro uncertainty, particularly in Greater China, with uneven consumer trends continuing in EMEA and other markets around the world... and sell-in to wholesale partners, as we scale product innovation and newness across the marketplace and finalize second-half order books.

Taking all of this into consideration, we now expect Fiscal 25 reported revenue to be down mid-single-digits, with the first half down high single-digits. Foreign exchange headwinds have also

worsened and will now have a one-point translational impact on Revenue in Fiscal 25.

Turning to gross margin, we expect full-year expansion of approximately 10 to 30 basis points on a reported basis. This reflects benefits from strategic pricing actions and lower product input costs, partially offset by supply chain deleverage, channel mix shifts, and net foreign exchange impact.

We expect full-year SG&A growth to be up slightly versus the prior year, as we increase investment in demand creation to ignite brand momentum and maximize reach and impact, while holding operating overhead largely flat.

Other income and expense, including net interest income, is expected to be approximately \$250 million to 300 million for the year.

We expect our full-year effective tax rate to be in the high-teens range.

Now, turning to our first quarter:

We expect first-quarter revenue to be down approximately 10%. This reflects more aggressive actions in managing our classic footwear franchises; continuing challenges on Nike Digital; muted wholesale order books, with newness not yet at scale; a softer outlook in Greater China; and a number of quarter-specific timing factors.

We expect first-quarter gross margins to be in line with the full year.

We expect first-quarter SG&A to be up mid-single-digits, as we hold operating overhead flat while investing in key brand moments, including EC24 and the Paris Olympics Games.

For Nike, inspiration starts with the athletes we serve. Their dreams motivate us to create the most innovative product in sport and tell stories that reach millions of people around the world. Above all, they remind us of the hard work and the hustle that is required to win.

Before I close, I'd like to thank our Nike teammates, whose passion and drive are the fuel for our comeback. The heart, the focus, and the collaboration that I am seeing from our teams today are my greatest reasons for confidence as we move forward.

With that, let's open up the call for questions.

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