

Edgar Filing: NIKE INC - Form 8-K

NIKE INC
Form 8-K
September 20, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 20, 2004

NIKE, INC.

(Exact Name of Registrant as Specified in Charter)

| | | |
|-----------------------------|-----------------------------|---|
| <u>Oregon</u> | <u>1-10635</u> | <u>93-0584541</u> |
| (State of Incorporation) | (Commission File Number) | (I.R.S. Employer Identification No.) |

One Bowerman Drive
Beaverton, Oregon 97005-6453

(Address of Principal Executive Offices)

(503) 671-6453

(Registrant's telephone number, including area code)

Item 2.02 Results of Operations and Financial Condition

Today NIKE, Inc. issued a press release disclosing financial results for the fiscal quarter ended August 31, 2004. The text of the release is furnished herewith as Exhibit 99.

(c) Exhibits.

Item 9.01 Financial Statements and Exhibits

The following exhibit is furnished with this Form 8-K:

99. Press Release dated September 20, 2004

Edgar Filing: NIKE INC - Form 8-K

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 hereunto duly authorized.

NIKE, Inc.
(Registrant)

Date: September 20, 2004

By: Donald W. Blair
Chief Financial Officer

Exhibit 99

FOR IMMEDIATE RELEASE

INVESTOR CONTACT:
Pamela Catlett
503.671.4589

MEDIA CONTACT:
Joani Komlos
503.671.2013

NIKE REPORTS FIRST QUARTER EARNINGS
PER SHARE UP 23 PERCENT;
WORLDWIDE FUTURES ORDERS INCREASE 9.9 PERCENT

Highlights:

- First quarter earnings per diluted share increased 23 percent to \$1.21 versus \$0.98 per diluted share a year ago
- Revenues for the quarter increased 18 percent to \$3.6 billion
- Record gross margin reported at 44.5 percent, a 150 basis point increase versus last year
- Worldwide futures orders increased 9.9 percent

Beaverton, OR (September 20, 2004) -- NIKE, Inc. (NYSE:NKE) today reported revenues and earnings for the Company's first quarter ended August 31, 2004. First quarter revenues increased 18 percent to \$3.6 billion, versus \$3.0 billion for the same period last year. First quarter net income totaled \$326.8 million, or \$1.21 per diluted share, compared to \$261.2 million, or \$0.98 per diluted share in the prior year.

"We're off to a great start," said Philip H. Knight, Chairman and CEO. "Our first quarter revenues reached record levels driven by strong results around the world and across all our brands. These results reflect both the strength of our brands and our ability to execute across our portfolio of businesses."*

Knight added, "Nike's consistent performance has been the result of the quality of our management team and our commitment to delivering value to shareholders over the long-term."*

Futures Orders

The Company reported worldwide futures orders for athletic footwear and apparel, scheduled for delivery from September 2004 through January 2005, totaling \$4.3 billion, 9.9 percent higher than such orders reported for the same period last year. Approximately 0.7 percent of this growth was due to changes in currency exchange rates.*

Edgar Filing: NIKE INC - Form 8-K

By region, futures orders for the U.S. were up 11 percent; Europe increased six percent; Asia Pacific grew 17 percent; and the Americas increased six percent. In Europe, three points of the increase were due to currency exchange rates. Currency exchange reduced the growth in Asia Pacific and the Americas by approximately 0.5 points and five points, respectively.*

Knight continued, "The strong growth in futures is further evidence of the strength of our brand and product lines around the world. Growing consumer demand for Nike products was particularly evident in our U.S. region, where our futures growth reached the highest level in more than seven years."*

Regional Highlights

U.S.

During the first quarter, U.S. revenues increased 12 percent to \$1.4 billion versus \$1.2 billion for the first quarter of fiscal 2004. U.S. athletic footwear revenues increased 12 percent to \$921.4 million. Apparel revenues increased 13 percent to \$391.3 million. Equipment revenues increased 11 percent to \$89.0 million.

Europe

Revenues for the European region (which includes the Middle East and Africa) grew 14 percent to \$1.2 billion, up from \$1.0 billion for the same period last year. Five points of this growth were the result of changes in currency exchange rates. Footwear revenues increased 12 percent to \$663.3 million, apparel revenues increased 20 percent to \$409.7 million and equipment revenues increased seven percent to \$84.9 million.

Asia Pacific

Revenues in the Asia Pacific region grew 17 percent to \$406.0 million compared to \$348.0 million a year ago. Five points of this growth were the result of changes in currency exchange rates. Footwear revenues were up eight percent to \$218.6 million, apparel revenues increased 31 percent to \$148.8 million and equipment grew 21 percent to \$38.6 million.

Americas

Revenues in the Americas region increased seven percent to \$161.7 million, an improvement from \$151.1 million in the first quarter of fiscal 2004. Currency exchange rates resulted in a three percentage point decrease in this growth rate. Footwear revenues were up 12 percent to \$114.8 million, apparel revenues decreased eight percent to \$35.5 million and equipment improved 19 percent to \$11.4 million.

Other Revenues

Other revenues, which include Converse Inc., NIKE Golf, Bauer NIKE Hockey Inc., Cole Haan, Hurley International LLC and Exeter Brands Group LLC, grew 64 percent to \$434.5 million from \$265.2 million last year.

Edgar Filing: NIKE INC - Form 8-K

Beginning this quarter, the "Other Revenues" category also includes results for Exeter Brands, a wholly-owned Nike subsidiary formed to provide products for the value channel. Exeter Brands includes the Starter business acquired by the Company on August 11, 2004.

Income Statement Review

Gross margins were 44.5 percent compared to 43.0 percent last year. Selling and administrative expenses were 30.1 percent of first quarter revenues, compared to 28.7 percent last year. The effective tax rate for the first quarter was 35.4 percent.

Balance Sheet Review

At quarter end, global inventories stood at \$1.6 billion, an increase of 11 percent from August 31, 2003. Cash and short-term investments were \$1.3 billion at the end of the quarter, compared to \$997.8 million last year.

Share Repurchase

During the quarter, the Company purchased a total of 2,142,600 shares for approximately \$155.2 million in conjunction with the Company's four-year, \$1.5 billion share repurchase program that was approved by the Board of Directors in June 2004.

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, a leading designer and marketer of luxury shoes, handbags, accessories and coats; Hurley International LLC, which designs, markets and distributes action sports and youth lifestyle footwear, apparel and accessories and Exeter Brands Group LLC, which designs and markets athletic footwear and apparel for the value retail channel.

* 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.

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.

(Tables Follow)

Edgar Filing: NIKE INC - Form 8-K

NIKE, INC. CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED AUGUST 31, 2004
(In millions, except per share data)

| INCOME STATEMENT* | QUARTER ENDING | | %Chg |
|---|----------------|------------|------|
| | 08/31/2004 | 08/31/2003 | |
| Revenues | \$3,561.8 | \$3,024.9 | 18% |
| Cost of Sales | 1,976.0 | 1,723.4 | 15% |
| Gross Profit | 1,585.8 | 1,301.5 | 22% |
| % of revenue | 44.5 % | 43.0 % | |
| SG&A | 1,073.6 | 869.6 | 23% |
| % of revenue | 30.1 % | 28.7 % | |
| Interest Expense | 4.8 | 7.5 | -36% |
| Other | 1.9 | 23.8 | -92% |
| Income before income taxes | 505.5 | 400.6 | 26% |
| Income Taxes | 178.7 | 139.4 | 28% |
| | 35.4 % | 34.8 % | |
| Net Income | \$326.8 | \$261.2 | 25% |
| Diluted EPS | \$1.21 | \$0.98 | 23% |
| Basic EPS | \$1.24 | \$0.99 | 25% |
| Weighted Average Common Shares Outstanding: | | | |
| Diluted | 269.8 | 267.2 | |
| Basic | 262.7 | 262.9 | |
| Dividend | \$0.20 | \$0.14 | |

| NIKE, Inc. BALANCE SHEET* | 08/31/2004 | 08/31/2003 |
|------------------------------|------------|------------|
| ASSETS | | |
| Cash & Investments | \$932.1 | \$997.8 |
| Short-term Investments | 365.4 | - |
| Accounts Receivable | 2,175.7 | 2,055.0 |
| Inventory | 1,645.8 | 1,480.5 |
| Deferred Taxes | 137.9 | 175.1 |
| Prepaid Expenses | 364.2 | 326.9 |
| Current Assets | 5,621.1 | 5,035.3 |
| Fixed Assets | 3,177.0 | 2,957.0 |

Edgar Filing: NIKE INC - Form 8-K

| | | |
|-------------------------|---------|---------|
| Depreciation | 1,598.2 | 1,393.1 |
| Net Fixed Assets | 1,578.8 | 1,563.9 |
| Identifiable Intangible | | |
| Assets and Goodwill | 545.1 | 183.6 |
| Other Assets | 307.9 | 222.9 |

| | | |
|--------------|-----------|-----------|
| Total Assets | \$8,052.9 | \$7,005.7 |
|--------------|-----------|-----------|

| | | |
|--------------------------|---------|---------|
| LIAB AND EQUITY | | |
| Current Long-Term Debt | \$ 6.1 | \$205.6 |
| Payable to Banks | 97.8 | 237.6 |
| Accounts Payable | 688.8 | 520.1 |
| Accrued Liabilities | 914.9 | 843.2 |
| Income Taxes Payable | 200.3 | 175.2 |
| Current Liabilities | 1,097.9 | 1,981.7 |
| Long-term Debt | 692.4 | 532.3 |
| Def Inc Taxes & Oth Liab | 430.2 | 274.3 |
| Preferred Stock | 0.3 | 0.3 |
| Common Equity | 5,022.1 | 4,217.1 |

| | | |
|----------------------|-----------|-----------|
| Total Liab. & Equity | \$8,052.9 | \$7,005.7 |
|----------------------|-----------|-----------|

*Certain prior year amounts have been reclassified to conform to fiscal year 2005 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

| NIKE, INC Divisional Revenues* | QUARTER ENDING | | |
|-----------------------------------|----------------|------------|------|
| | 08/31/2004 | 08/31/2003 | %Chg |
| ===== | | | |
| USA Region | | | |
| Footwear | \$921.4 | \$822.4 | 12% |
| Apparel | 391.3 | 346.5 | 13% |
| Equipment and other | 89.0 | 80.1 | 11% |
| Total | 1,401.7 | 1,249.0 | 12% |
| EMEA Region | | | |
| Footwear | 663.3 | 590.0 | 12% |
| Apparel | 409.7 | 341.9 | 20% |
| Equipment and other | 84.9 | 79.7 | 7% |
| Total | 1,157.9 | 1,011.6 | 14% |
| Asia Pacific Region | | | |
| Footwear | 218.6 | 202.8 | 8% |
| Apparel | 148.8 | 113.3 | 31% |
| Equipment and other | 38.6 | 31.9 | 21% |
| Total | 406.0 | 348.0 | 17% |
| Americas Region | | | |
| Footwear | 114.8 | 102.9 | 12% |

Edgar Filing: NIKE INC - Form 8-K

| | | | |
|--------------------------|-----------|-----------|-----|
| Apparel | 35.5 | 38.6 | -8% |
| Equipment and other | 11.4 | 9.6 | 19% |
| | ----- | | |
| Total | 161.7 | 151.1 | 7% |
| | 3,127.3 | 2,759.7 | 13% |
| Other | 434.5 | 265.2 | 64% |
| Total NIKE Inc. Revenues | \$3,561.8 | \$3,024.9 | 18% |

| NIKE, INC Pre-tax Income1 * | QUARTER ENDING | | |
|--------------------------------|----------------|------------|-------|
| | 08/31/2004 | 08/31/2003 | %Chg |
| ===== | ===== | ===== | ===== |
| USA Region | \$ 321.9 | \$ 293.4 | 10% |
| EMEA Region | 246.4 | 202.8 | 21% |
| Asia Pacific Region | 63.4 | 76.4 | -17% |
| Americas Region | 20.7 | 24.3 | -15% |
| Other | 40.3 | (4.3) | N/A |
| Corporate2 | (187.2) | (192.0) | 3% |
| | ----- | | |
| Total Pre-tax Income1 | \$ 505.5 | \$ 400.6 | 26% |

1 The Company evaluates performance of individual operating segments based on pre-tax income. Total pre-tax income equals Income before income taxes as shown on the Consolidated Income Statement.

2 "Corporate" represents items necessary to reconcile to total pre-tax income, which includes corporate costs that are not allocated to the operating segments for management reporting and intercompany eliminations for specific items in the Consolidated Income Statement.