REMARKS AS PREPARED FOR DELIVERY

Q3FY25 NIKE Inc. Conference Call

March 20, 2025

[OPERATOR]

Good afternoon, everyone. Welcome to NIKE, Inc.'s fiscal 2025 Third 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 2025 Third quarter results.

Joining us on today's call will be NIKE, Inc. President and CEO Elliott Hill, 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 Elliott Hill.

[ELLIOTT HILL]

Thank you, Paul. Good afternoon, everyone.

I'll start by saying I'm proud of the progress we made against the key actions we committed to 90 days ago. While we met the expectations we set we're not satisfied with our overall results. We can and will be better.

For the quarter, the big takeaway for me was clear when we lead with sport, we create impact for Nike.

We told inspiring athlete stories. We brought more energy to sport's biggest moments. And we introduced performance product across an integrated marketplace. We delivered something new to the consumer week-after-week and that's exactly the kind of sustained pace we need to strengthen our business.

Last quarter, I shared my initial observations and where we need to focus. The last 90 days only reinforced my early assessment of the areas that are most important.

Since our last call, I continued to meet with wholesale partners to discuss the distinct role each can play with Nike.

I also had an incredibly inspiring trip to visit factory partners and Nike teammates in Asia to see how we're executing in our supply chain with a focus on production for our new innovation.

Most importantly. I continued to spend meaningful time with our Nike teammates. We focused in two areas - strengthening our culture and committing to our top priorities.

In fact, right after my first call with all of you in December, we met with our teams and shared the 5 priority actions we outlined on the call – with a sharp focus on 5 Fields of Play, 3 key countries, and 5 key cities. We call these strategic priorities Win Now.

We have a clearer picture on our path forward. And despite the global macroeconomic uncertainty, I believe our priority actions will continue to drive progress.

The first action is to Ignite our Winning Culture. As I mentioned, our teams are building momentum. We're hustling and being opportunistic.

The next action is shaping our brand for distinction. This is about lining up the storytelling power of Nike to celebrate the passion and emotion of sport. In February, I attended the Super Bowl and the NBA All-Star Weekend to see, first-hand, the kind of impact we make when we line up all of our advantages towards one moment.

Our third action is to accelerate a complete product portfolio. We're fully committed to creating more breadth and depth, season-after-season. While we added innovation across our 5 key Fields of Play this quarter it's not enough to offset the continued headwinds of our classic franchises.

Elevate and grow the marketplace, the fourth action, is a balanced approach where we're supporting wholesale partners to drive healthy growth and returning Nike Direct to a premium destination. We're in the early stages of repositioning Nike digital and we're restoring our sales organization and go-to-market processes.

The final action, win on the ground, is where we celebrate local athletes, make cultural connections and support grassroots communities. A big reason for our running product success this quarter was the resources we put into building energy through the ground game.

Of all the priority actions, we knew we could move quickest on investing in our brand. You saw that in several defining moments this quarter.

I'll start with the Super Bowl in New Orleans. It of course starts with our close partnership with the NFL and our high-performance uniforms, cleats, and gloves that everyone sees on the field.

Our product visibility goes well beyond four quarters. From Jalen Hurts wearing his red-and-black "unbannable" Jordan 1 cleats during warm-ups to Kendrick's halftime show wearing Deion Sanders retros and Serena Williams and SZA wearing Chuck Taylors our 3 iconic brands were front and center.

We of course also debuted "So Win" our first Super Bowl ad in 27 years where we celebrated the winning mindset of the top athletes in the world.

We also showed up on-the-ground in New Orleans, to support flag-football with a sharp focus on girls and a commitment to increasing their participation in the game. We created pop-up retail spaces across the city with partners like Dick's, Sneaker Politics and Hibbett's and built Nike and Jordan houses to connect with athletes, influencers, partners, and wholesale retailers.

After the win, we followed it up with strong reactive campaigns. The Nike brand created "It's Good to be Green" for the Eagles win. And for Jalen's MVP, the Jordan Brand aired its first Super Bowl ad in its history – “Love Hurts.”

That is how we create impact and that is Nike being Nike.

We transitioned from one amazing weekend right into another for the NBA All-Star Weekend in the Bay Area. Our brands in one word dominated. On both sides of the Bay Nike, Jordan and Converse owned performance and the culture of the game, connecting with young athletes and fans through unique experiences:

Nike celebrated the future of basketball hosting games with top high school prep stars

at the Alameda Navy Yard, the Jordan Fam Fest celebrated the brand’s biggest moments for its 40^{th} anniversary with thousands of fans

and Converse unveiled the first signature shoe for Shai Gilgeous-Alexander – the Shai 001. Designed by Shai himself, as the new Creative Director for Converse Basketball his shoe will launch this Fall.

All told, Nike Inc. lit up the marketplace on the ground. Our Nike San Francisco flagship store had its best commercial day in ten years. And just down the street, we created energy and buzz with our wholesale partners, Foot Locker and Shoe Palace.

One thing that was great to see for the right product drops like the Nike Black Label collection Kobe Protros Jordan 1 Breds and Jordan 4 Cements the passion of sneaker culture is alive! I saw lines down the block all weekend.

An important part of our strategy moving forward will be to harness the full power of our portfolio of brands. We made significant progress in elevating the voices and distinct positions of our brands at the Super Bowl and All-Star Weekend.

Shifting to product, we’re beginning to drive a more diversified portfolio.

It will take time to reach the volume to replace the handful of classic franchises we over-indexed on.

But our approach is simple help consumers fall in love with something new from Nike. And that “something”, is not replacing one icon for another. It’s about building a supporting cast of multiple styles some that are gaining traction with men others with women segmenting and differentiating our wholesale partners across the integrated marketplace investing in the presentation of our products at point of sale digital and physical and having an intentional ground game in influential cities.

And we will lead with performance with a disciplined approach that balances product that’s seeding with product that’s scaling.

Running was the standout Field of Play for the quarter, growing mid-single digits. The Peg 41 is continuing to drive healthy volume in all geos. And two innovations that have just begun to seed are the Pegasus Premium and the Vomero 18.

The Peg Premium is Nike bringing something totally unique to the market a full, visible AIR Zoom unit that for the first time we sculpted to the foot, so it springs back for better energy return. It’s a great ride and a beautiful looking shoe.

Early, seed pairs nearly sold out across the North America marketplace and the Peg Premium will scale through Fall ’25.

This quarter we launched the Vomero 18 created for the everyday runner. We aligned the storytelling of the Vomero 18’s – BIG-foam & maximum-cushioning across over 1800 doors in the integrated marketplace RSG, Sporting Goods and Nike Direct the results have been outstanding.

We plan to build on the momentum and double the distribution of Vomero 18 by mid-

April, supported by a large-scale running campaign. You can expect new additions to the franchise to release in our next fiscal year.

In running, we're on the path to meeting our high standards of execution, end-to-end.

Turning to Sportswear, our largest icons in Nike and Jordan Streetwear are in different states of transition. With AF1, Dunk and Air Jordan 1, it's about right-sizing, not sun-setting. Each franchise will always have a place in our stable of products. They're timeless staples, with loyal fans.

Our best example of healthy diversification in sportswear footwear right now is our "look of running". The Vomero 5 doubled its revenue this quarter. Nike Shox has grown it's revenue by over ten times in the last three quarters. And while in the seeding stage recently re-released shoes like Air Super Fly and the LD-1000 are getting a lot of positive interest in the media and on social channels.

AIR MAX a brand in itself is a platform that consumers expect us to re-invent. This quarter we brought fresh energy with the new DN8, which is resonating well with consumers in Japan and Korea and a women's silhouette in the AIR MAX Muse. Look for another new innovation platform with AIR MAX in FY26.

Diversifying our sportswear apparel offense is equally important. We want to minimize our reliance on fleece and push the edges to build new businesses. And that doesn't have to fit neatly into the "sportswear" category, either.

This quarter's new 24.7 collection brings performance materials to high-style training apparel. The new "Impossibly Soft" and "Perfect Stretch" fabrics gave us the opportunity to tell a deep, technical apparel story. The first month of sales of 24.7 have exceeded our expectations and we're ramping up capacity to meet the demand.

We also made some noise with the announcement of a new brand this quarter, NikeSKIMS. Together, we identified a consumer need and are creating a new market of style-led product that sculpts and performs. Our first comprehensive collection launches next quarter in North America through both Nike and Skims Direct channels and we will scale globally over multiple seasons.

The apparel space is ripe for fresh thinking, and I've asked our team to keep innovating across the spectrum of performance and style and to seek out white space in the market to complement our brands and product portfolio.

Our responsibility is to grow the overall market and one of the most powerful ways we do that is through a relentless flow of coveted and innovative product through our powerful brands in both performance and sportswear for men, women and kids across footwear, apparel and accessories up and down price points. We're moving with focus and urgency to get back into a rhythm of delivering across all dimensions.

The final topic I'd like to discuss in detail is the integrated marketplace - where we create consumer-led experiences, across Nike Direct or wholesale partners physical or digital. In the almost 190 countries in which we do business, we have 40,000 points of distribution and a digital business with massive reach. Our footprint is an unbeatable competitive advantage.

That means that a lot of change is in motion, because we want to be great at all touch points. I'm playing an active role in this one, leveraging my years of experience and relationships in the marketplace.

Here's where we're going to prioritize.

First, I mentioned we're restoring our sales organization and go-to-market processes. Partnering with Nike must feel like a world-class experience. That means:

building growth plans together! Creating distinct consumer positions and consumer right assortments. Engaging way earlier in the process and asking for product feedback delivering our assortments at the right time, right place and right depth. Educating their teams on new innovations. Providing marketing support. And making certain their Nike presentation is premium, so we capitalize on every sale opportunity.

In Nike Direct, digital will feel the changes more quickly. We're already reducing promotional days and discounting at lower rates. In fact, comparing last year's January and February to this year's, Nike Digital in North America went from over 30 promotional days to zero. In our eco-system, the consumer is already seeing more elevated content and storytelling with a greater focus on our performance Fields of Play.

Now that I've had the opportunity to visit each geography, we're clear where we will focus to make an immediate impact. Through our Win Now strategic priorities, we'll start with three key countries the United States, China and the United Kingdom and 5 key cities New York, Los Angeles, London, Beijing and Shanghai.

We'll invest to make sure each has innovative and coveted product a loud and proud, locally-relevant brand voice a consumer-led and balanced integrated marketplace and passionate Nike teammates on the ground. Each country has unique dynamics and is in a different state of development.

China, specifically, is where we're being the most proactive in cleaning up the marketplace and we'll get back to inspiring the Chinese consumer in a more meaningful way.

To close, our consumers and partners felt a different pace from Nike this quarter. We're off to a solid start and where we are making progress in our 5 priority actions it's mostly through serving athletes through the lens of sport and performance. That's exactly where we want to be.

The bottom line is we are looking for opportunity on all fronts. Now, it's up to us to be consistent. Some of the bigger shifts I covered will take multiple seasons of excellent execution.

Our teams are moving with focus and urgency and are up to the challenge of writing the next great chapter for Nike. I'll pass it to Matt to provide initial thoughts on the building blocks to return to sustainable and profitable growth, and I'll be back to close out the call.

[MATT FRIEND]

Thanks Elliott, and hello to everyone on the call.

The team is moving fast to reignite brand momentum through sport and stabilize our business. Our third quarter financial results reflect the headwinds from the Win Now actions we identified for you last quarter.

Today, I will review our third quarter results and provide context on the progress we have made. Then I will share additional insight for how we expect our Win Now actions to shape our business performance over the near-term.

This quarter, revenues were down 9% on a reported basis and down 7% on a currency-neutral basis. The quarter benefited from strong holiday results in December, including a non-comp benefit from Cyber Monday, followed by double digit declines in January and February. Nike Direct was down 10%, with Nike Digital declining 15% and Nike Stores declining 2%. Wholesale was down 4%, largely due to declines in Greater China.

Gross margins declined 330 basis points to 41.5% on a reported basis, due to higher markdowns on Nike Direct, higher wholesale discounts, inventory obsolescence, and product cost and channel mix headwinds.

SG&A was down 8% on a reported basis as increased investments in brand marketing and sports marketing were more than offset by declines in operating overhead.

Our effective tax rate was 5.9% compared to 16.5% for the same period last year primarily due to a one-time tax benefit from US tax regulations related to foreign currency gains and losses. Earnings per share was $0.54.

Now, let me provide additional insight into our progress against our Win Now actions this quarter. Let's begin with our product portfolio.

Our performance business grew in the third quarter, led by improving brand and business momentum in Training and Running, with new product launches, strong sell-thru of innovation, and a more complete offense across price points in footwear and apparel. This momentum is encouraging since these sports represent our two largest performance businesses.

For Q3, this momentum was more than offset by declines in Nike sportswear and the Jordan brand, led by a double-digit decline in our classic footwear franchises. These franchises again decelerated faster than the overall business, with a more pronounced impact on Nike Digital. Turning to our marketplace.

Our teams have taken the initial steps to reposition Nike Digital as a full price business. We remained competitive and promotional in December finishing with strong holiday results. However, in January and February we significantly reduced days of promotion in North America and EMEA. This resulted in a several percentage point improvement in demand at full price.

With regards to wholesale, since Elliott has returned, we are working as closely with our partners as ever. We are creating confidence through the investments we are making in product engagement, commercial terms, and rebuilding the scale, talent and capabilities of our sales organization. Within our Fall order book in North America, EMEA and APLA, we see the declines in classic footwear franchises almost being offset by growth in performance dimensions of our portfolio, such as Running, Training and Basketball, as well as newness in Sportswear.

Next, let’s talk about the health of our Brands. Elliott mobilized our teams this quarter to go bigger and bolder in sports’ biggest moments. As a result, we supported several new product launches, across all three brands, and also delivered outsized brand impact with emotional storytelling in the air and on the ground in key cities and you felt it. To support this action, demand creation expenses grew high single digits versus the prior year.

Last, let’s discuss inventory. Inventory declined 2% versus the prior year, but as I said last quarter, inventory remains elevated across all Geographies, as we implemented our Win Now actions after inventory was purchased and in transit. While we are seeing some increases in customer cancellations, the larger driver of our inventory is the buys for Nike Direct. In addition, across the marketplace, we are beginning to see Air Force 1 inventory stabilize with current retail sales, while Air Jordan 1 and Dunk remain elevated with continued actions planned ahead.

With that, let me turn to our operating segments. I will focus my commentary on the progress we have made in each of our Geographies on our Win Now actions.
In North America, Q3 revenue declined 4%. Nike Direct declined 10%, with Nike Digital down 12%, and Nike Stores down 6%. Wholesale increased 3%, due primarily to favorable shipment timing and increased shipments to our value partners in the third quarter. EBIT declined 21% on a reported basis.

Throughout the quarter we delivered bold and inspiring storytelling in key sport moments as Elliott mentioned, which drove heat and energy for our brand. Training led performance growth this quarter and Running grew high single digits.

In Q3 we hosted dozens of key partners for product engagement and future growth planning, including a summit for partners serving core price points. We have taken initial steps to expand distribution to support our expanded core product offering, which is a meaningful market opportunity for Nike.

In EMEA, Q3 revenue declined 6%. Nike Direct declined 12%, with Nike Digital down 25%, and Nike Stores up 9%. Wholesale declined 3%. EBIT declined 35% on a reported basis.

In Q3, performance dimensions continued to build momentum, fueled by the Mercurial in global football and new product launches in Running. We celebrated Vini Jr.'s Best FIFA Men's player award with a short video 'Can't Stop the Dance' featuring the chrome Mercurial and we amplified the Pegasus Premium launch with a unique activation at the London Eye featuring Nike athletes.

In the marketplace, in addition to taking steps to reposition Nike Digital, we also started a journey with JD Sports, Sports Direct and Snipes to elevate our brand at physical retail with improved product positioning and visual merchandising.

In Greater China, Q3 revenue declined 15%. Nike Direct declined 11%, with Nike Digital down 20%, and Nike Stores down 6%. Wholesale declined 18%. EBIT declined 42% on a reported basis.

In Q3, traffic declined double-digits and retail sales underperformed our plan. While the macro environment is challenging, sport is growing in China, and we must accelerate our pace. The market continues to be promotional, especially in consumer moments and in the digital channel, and we are taking aggressive steps to clean-up the marketplace, with the priority being the health of our partners. These steps had a negative impact on our revenue and gross margin this quarter.

At the same time, our team is focused on creating brand distinction through sport and serving consumers with new innovation and hyperlocal product. We saw strong response to the Pegasus Premium and Vomero 18 in Running, and in Basketball, we launched the ‘Year of Mamba’, with strong growth in Kobe Protro. We continue to see locally designed Express Lane product resonate, with strong sell through of our Chinese New Year product.

The opportunity in Greater China continues to be significant for Nike, notwithstanding the highly competitive and fast-moving dynamics in this marketplace. Our brand remains strong, but our actions to energize the marketplace will take time.

In APLA, Q3 revenue declined 4%. Nike Direct declined 4%, with Nike Digital down 8%, and Nike Stores up 1%. Wholesale was down 4%. EBIT declined 27% on a reported basis.

While we saw mixed performance across territories in APLA, Japan and Latin America each returned to growth this quarter.

In Q3, we created energy on the ground in running communities. We launched the After Dark Tour with incredible response from female runners and executed disruptive race takeovers at the Hakone Ekiden in Japan, the Mumbai marathon, and the Thailand marathon. This fueled continued momentum in Running with growth across footwear and apparel.

Now let’s look forward. Elliott said earlier that we are even more confident that the five Win Now actions are the right moves to create better balance in our business and reignite brand momentum. So, as we begin to have greater clarity and confidence in the steps we are taking, I will provide some additional thoughts on our path forward over the next several quarters.

First, we are accelerating our product portfolio transition. We expect sport performance dimensions to lead our growth, with a relentless flow of newness across each field of play. We are focused on increasing the contribution of newness as a percentage of our seasonal assortment, including new models, new colors and new materials. At the same time, we are moving fast to right size the contribution of our classic footwear franchises. In regards to this transition, we are making progress: in the last quarter of this fiscal year, we expect our classic footwear franchises will be down by more than 10 points as a percent of our total footwear mix. We intend to drive this mix lower in Fiscal 26, with total units planned down double digits, with the most aggressive actions on the Dunk.

Second, we are repositioning Nike Digital within an integrated marketplace. To do this, we are reducing promotional days, reducing markdown rates, and shifting closeout liquidation to our Nike Factory stores. Due to these actions, and as we continue to reduce investment in paid media, we expect digital traffic to be down double digits in Fiscal 26. Gradually, we expect organic traffic to stabilize and grow, with new product launches and our increased brand marketing investment.

Third, we are cleaning up the marketplace. For Nike Digital, we are tightening our buys to support a full price business model. For Nike Factory Stores, we are increasing markdowns to drive velocity of higher volumes of closeout inventory. And for our wholesale partners, we are making investments in sales related returns, reducing forward supply, and providing higher wholesale discounts to liquidate aged inventory. We expect these actions will continue through the first half of Fiscal 2026.

Last, when we get back to a steady flow of new product at scale improve Brand engagement reposition our Nike Digital business to complement our wholesale partners and return to a healthy and clean marketplace we expect our wholesale business to return to growth.

Each of our Geographies have made varying levels of progress on each of these actions, and as a result, are working against different timelines. But when taken all together, these are the building blocks for Nike to return to sustainable, profitable growth.

Now, I’ll turn to fourth quarter guidance:

Our second half plan is in line with what we communicated last quarter, with some shifts occurring between Q3 and Q4. Looking ahead, we believe that the fourth quarter will reflect the largest impact from our Win Now actions, and that the headwinds to revenue and gross margin will begin to moderate from there.

We are also navigating through several external factors that create uncertainty in the current operating environment, including geopolitical dynamics, new tariffs, volatile foreign exchange rates, and tax regulations, as well as the impact of this uncertainty and other macro factors on consumer confidence. Our fourth quarter guidance includes our best assessment of these factors based on the data we have available today.

We expect Q4 revenues to be down in the mid-teens range, albeit at the low end. This includes several points of unfavorable shipment timing in North America, as well as two points of negative impact from foreign exchange headwinds.

We expect Q4 gross margins to be down approximately 400-500 basis points including restructuring charges during the same period last year. We have included the estimated impact from newly implemented tariffs on imports from China and Mexico.

We expect Q4 SG&A dollars to be up low to mid-single-digits including restructuring charges in the prior year. We will continue to tightly manage expenses while we increase investment to fuel our Win Now priorities, most notably, demand creation.

We expect other income and expense, including net interest income, to be $45 million to $55 million for Q4. And we expect the tax rate for the full year to be in the mid-teens range.

We are focused on what we can control, and for Nike at this moment, serving athletes with new product innovation and re-igniting brand momentum is what matters most. Our collective experience as well as the early signals we are seeing with consumers gives us confidence in the path ahead. With that, I'll turn it back over to Elliott.

[ELLIOTT HILL]

I'll close by taking a minute to talk about my teammates at Nike. Look, it's been a tough couple of years. We've been through a lot of change. What's encouraging is that in the 150 days since I've been back we've reclaimed our identity.

We know who we are Nike Inc. is a Sports Company. We inspire through iconic brands and create innovate products for all athletes.

It may seem like an obvious direction but we needed to say it out loud to reawaken the fire in our teams. And I've been unrelenting in that message.

One of the things that makes it special to work at Nike is we invite athletes, coaches and teams to our business meetings to spend time with our Nike teammates.

One conversation that stirred something up in me this quarter was with Coach Ryan Day coach of the National Champions the Ohio State Buckeyes.

He had an answer to a question that really connected with how I'm thinking about our team right now and the tone we're setting.

The question to him was, "How do you stay on the offense, what's the key to keeping your program moving forward?"

His answer was that Ohio State applies pressure constantly in all three phrases of the game no matter who he's playing.

Get vertical down the field on offense. Play suffocating man coverage, so no throw is easy. Go after punts and have his best athletes returning kicks.

He just painted this picture of a team that is relentlessly pushing and challenging being aggressive and making it uncomfortable to play against.

I love that attitude. And that's how I think about Nike, when we are at our best. Success for Nike has never been about protecting our turf:

We force others to play our game
We drive trends
We grow markets
We lead.

Coach Day made it clear that it takes complete buy-in to be a championship team.

That's exactly what we're asking of our teammates right now. To keep up the intensity. To move with focus and urgency. To have passion and take pride in all we do. And to win as a team.

With that, we'll turn it over for questions.

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