

NIKE INC
Form 10-Q
April 04, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended February 28, 2017

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-10635

NIKE, Inc.

(Exact name of registrant as specified in its charter)

OREGON 93-0584541
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) 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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Shares of Common Stock outstanding as of March 31, 2017 were:

Class A 329,245,752

Class B 1,321,520,800

1,650,766,552

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PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

NIKE, Inc. Unaudited Condensed Consolidated Balance Sheets

(In millions)	February 28, 2017	May 31, 2016
ASSETS		
Current assets:		
Cash and equivalents	\$ 4,021	\$3,138
Short-term investments	2,139	2,319
Accounts receivable, net	3,752	3,241
Inventories	4,932	4,838
Prepaid expenses and other current assets	1,361	1,489
Total current assets	16,205	15,025
Property, plant and equipment, net	3,793	3,520
Identifiable intangible assets, net	283	281
Goodwill	139	131
Deferred income taxes and other assets	2,732	2,422
TOTAL ASSETS	\$ 23,152	\$21,379
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 6	\$44
Notes payable	23	1
Accounts payable	1,938	2,191
Accrued liabilities	3,228	3,037
Income taxes payable	76	85
Total current liabilities	5,271	5,358
Long-term debt	3,472	1,993
Deferred income taxes and other liabilities	1,687	1,770
Commitments and contingencies		
Redeemable preferred stock	—	—
Shareholders' equity:		
Common stock at stated value:		
Class A convertible — 329 and 353 shares outstanding	—	—
Class B — 1,323 and 1,329 shares outstanding	3	3
Capital in excess of stated value	8,395	7,786
Accumulated other comprehensive income	229	318
Retained earnings	4,095	4,151
Total shareholders' equity	12,722	12,258
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 23,152	\$21,379

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

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NIKE, Inc. Unaudited Condensed Consolidated Statements of Income

(In millions, except per share data)	Three Months Ended		Nine Months Ended	
	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016
Revenues	\$8,432	\$ 8,032	\$25,673	\$ 24,132
Cost of sales	4,682	4,343	14,184	12,947
Gross profit	3,750	3,689	11,489	11,185
Demand creation expense	749	804	2,552	2,405
Operating overhead expense	1,747	1,762	5,346	5,298
Total selling and administrative expense	2,496	2,566	7,898	7,703
Interest expense (income), net	19	5	41	14
Other (income) expense, net	(88)	(17)	(168)	(82)
Income before income taxes	1,323	1,135	3,718	3,550
Income tax expense	182	185	486	636
NET INCOME	\$1,141	\$ 950	\$3,232	\$ 2,914
Earnings per common share:				
Basic	\$0.69	\$ 0.56	\$1.95	\$ 1.71
Diluted	\$0.68	\$ 0.55	\$1.91	\$ 1.67
Dividends declared per common share	\$0.18	\$ 0.16	\$0.52	\$ 0.46

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

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NIKE, Inc.
 Unaudited
 Condensed
 Consolidated
 Statements of
 Comprehensive
 Income

(In millions)	Three Months Ended		Nine Months Ended	
	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016
Net income	\$1,141	\$ 950	\$3,232	\$ 2,914
Other comprehensive income (loss), net of tax:				
Change in net foreign currency translation adjustment	12	(111)	1	(221)
Change in net gains (losses) on cash flow hedges	(175)	(350)	(92)	(389)
Change in net gains (losses) on other	(7)	(1)	2	9
Total other comprehensive income (loss), net of tax	(170)	(462)	(89)	(601)
TOTAL COMPREHENSIVE INCOME	\$971	\$ 488	\$3,143	\$ 2,313

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

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NIKE, Inc. Unaudited Condensed Consolidated Statements of Cash Flows

(In millions)	Nine Months Ended	
	February 28, 2017	February 29, 2016
Cash provided by operations:		
Net income	\$3,232	\$ 2,914
Income charges (credits) not affecting cash:		
Depreciation	521	481
Deferred income taxes	(199)	(6)
Stock-based compensation	162	176
Amortization and other	7	18
Net foreign currency adjustments	(90)	192
Changes in certain working capital components and other assets and liabilities:		
(Increase) in accounts receivable	(546)	(124)
(Increase) in inventories	(157)	(359)
(Increase) in prepaid expenses and other current assets	(152)	(149)
(Decrease) in accounts payable, accrued liabilities and income taxes payable	(27)	(1,231)
Cash provided by operations	2,751	1,912
Cash used by investing activities:		
Purchases of short-term investments	(4,029)	(3,759)
Maturities of short-term investments	2,433	2,021
Sales of short-term investments	1,905	1,939
Investments in reverse repurchase agreements	—	150
Additions to property, plant and equipment	(776)	(901)
Disposals of property, plant and equipment	13	9
Other investing activities	(34)	(3)
Cash used by investing activities	(488)	(544)
Cash used by financing activities:		
Net proceeds from long-term debt issuance	1,482	981
Long-term debt payments, including current portion	(43)	(104)
Increase (decrease) in notes payable	24	(68)
Payments on capital lease obligations	(14)	(5)
Proceeds from exercise of stock options and other stock issuances	339	370
Excess tax benefits from share-based payment arrangements	125	231
Repurchase of common stock	(2,429)	(2,698)
Dividends — common and preferred	(834)	(752)
Cash used by financing activities	(1,350)	(2,045)
Effect of exchange rate changes on cash and equivalents	(30)	(131)
Net increase (decrease) in cash and equivalents	883	(808)
Cash and equivalents, beginning of period	3,138	3,852
CASH AND EQUIVALENTS, END OF PERIOD	\$4,021	\$ 3,044
Supplemental disclosure of cash flow information:		
Non-cash additions to property, plant and equipment	\$248	\$ 100
Dividends declared and not paid		