NIKE, Inc. Annual Shareholder Meeting Transcript
September 19, 2013

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PRESENTATION

Philip Knight, NIKE, Inc., Chairman of the Board of Directors: Will the meeting please come to order? I'm Phil Knight, and it's my great pleasure to welcome you to Nike's 33rd annual shareholders meeting. It's a great day for a shareholder's meeting. Stock is an all-time high, had a trade today at 70. It – earnings are at all-time high, and two weeks ago, we got put into the Dow Jones industrial averages, one of 30 companies representing all stocks. So, our timing for this meeting is quite good.

I will first of all introduce the members of the Board of Directors, which, as I've said on many occasions, I think is doing a sensational job for you. In the back, in the far back is Beth Comstock, who is the executive vice president of General Electric, which, by the way, is the only company that's been in the Dow Jones industrial average for the whole 100 years of the average. Next to her, John Lechleiter who's CEO and president of Eli Lilly. Next to him, Jonathan Rodgers, who was the founder and president of TV1, and formally president of CBS TV stations.

Next to him, Tim Cook, who's president and CEO of Apple. Next to him, Mark Parker, the president and CEO of NIKE, who's doing a pretty fair job. In the far right, on the – on the front row, John Thompson, the hall of fame basketball coach from Georgetown. Next to him is – is that Orin Smith? Orin Smith who's a former president and CEO of Starbucks.

Next to him is Doug Houser, the senior partner and – law firm of Bullivant & Houser. Next to him is Phyllis Wise, who is chancellor of the University of Illinois. And next to her is Alan Graf, who is chief financial officer of Federal Express. John Connors, who was former chief financial officer of Microsoft, was unable to be here. He is in the south of France with his wife, celebrating their 25th wedding anniversary. He originally said that his wife should really enjoy coming to the Nike shareholders meeting, but she didn't see it quite the same way.

Also, we have in the audience, representatives of PricewaterhouseCoopers, our auditors. We have Steve Barr and Trevor Tyacke, if you'd just wave. And we have Tim McDonough of Computershare, who will serve as the inspector of elections.

The agenda for this meeting will be first to consider the four matters to be voted on by the shareholders. Second, Mark Parker will report on the state of the business. And finally, the officers will answer questions from the shareholders. You should have received a card on which you can write your questions. The question cards will be collected shortly, and at the end of the meeting, we will answer as many questions as time permits.

The results of the balloting will be announced shortly after voting. John Coburn is the secretary of Nike. John, was the notice of this meeting duly and properly given, and is a quorum present?

John Coburn, NIKE, Inc., Corporate Secretary: Yes, Phil. The notices were mailed in accordance with the bylaws on August 8, 2013. A quorum of both class A and class B common stock is present today. There are present, in person or by proxy 99.5 percent of the total outstanding class A shares entitled to vote at this meeting, and 83.8 percent of the total outstanding class B shares entitled to vote at this meeting, which, in both cases, is more than the required majority needed for a quorum

Philip Knight, NIKE, Inc., Chairman of the Board of Directors: Thank you, John. Since a quorum is present, I declare this annual meeting of the shareholders of Nike, Incorporated, duly convened. We will dispense with the reading of the minutes for the last annual meeting, and proceed to the matters to be voted on.

There are four matters to be voted on at this annual meeting, each of which is described in your proxy statement. One, the election of directors. Two, an advisory vote to approve executive compensation. Three, ratification of the appointment of PricewaterhouseCoopers as Nike's independent auditors for the current fiscal year. And four, a shareholder proposal regarding political contributions disclosure. I would like to ask the secretary to present the Board of Directors' recommendations to the shareholders at this time.

John Coburn, NIKE, Inc., Corporate Secretary: The first matter we will vote on is the election of directors. The Board's nominees for election by class A shares are Elizabeth J. Comstock, John G. Connors, Timothy D. Cook, Douglas G. Houser, Philip H. Knight, Mark G. Parker, Jonathan A. Rodgers, Orin C. Smith, and John R. Thompson, Jr. The Board's nominees for election by class B shares are Alan B. Graf, Jr., Jonathan C. – or, John C. Lechleiter, Phyllis M. Wise. I move that these nominees be elected to the Board of Directors.

Philip Knight, NIKE, Inc., Chairman of the Board of Directors: Is there a second?

Unidentified Speaker: Second.

Philip Knight, NIKE, Inc., Chairman of the Board of Directors: The Company has not received notice of any other nominations as are required by the by-laws, therefore I declare the nominations closed.

John Coburn, NIKE, Inc., Corporate Secretary: The second matter to be voted on is an advisory vote on executive compensation. I move that the compensation of the named executive officers as described in the proxy statement be approved.

Philip Knight, NIKE, Inc., Chairman of the Board of Directors: Is there a second?

Unidentified Speaker: Second.

John Coburn, NIKE, Inc., Corporate Secretary: The final matter we will vote on is a shareholder proposal regarding political contributions disclosure. Is the proponent or its representative here to present the proposal?

Bruce Herbert, Investor Voice: I am, indeed. Thank you. Good morning. My name is Bruce Herbert, of Investor Voice from Seattle, and I am here to move proposal number four on page 37 of the proxy. And I am representing the state of North Carolina, which owns in excess of 587,000 shares of Nike common stock.

And the proposal is in relation to much-needed accountability and transparency in regard to our company's political spending. While it can be said that Nike has taken a few tentative steps in this area, behind the scenes, it has vigorously lobbied with the securities and exchange commission to block today's vote and to strike this proposal from the proxy, claiming that the company had already substantially implemented its request.

However, the SEC, correctly, in our view, ruled that NIKE's current policies really do not match the integrity of practice represented by this proposal. In a broader context, the national CPA-Zicklin Index ranks companies on political disclosure and accountability, and NIKE scores just 28 out of a possible 100. Our company can do better than this. We know it can do better than this, because it has done better than this, at many times in the past on a variety of different issues. So, our people are too proud, and our leadership is really too robust to allow this deplorable state of affairs to continue.

Now, what is this really all about? The rules of the game changed fundamentally a few years ago, in ways that now allow companies to spend, directly and indirectly, unlimited amounts of shareholder dollars to influence federal elections. In fact, outside groups, many using corporate dollars, spent almost $1.3 billion in the 2012 election cycle.

Now, it's one thing to spend money, but it's quite something else for that money to be spent secretly. And here's how it works. Trade associations and so-called social welfare organizations are used to hide controversial political activity by channeling a company's payments, but without any disclosure whatsoever of who the real corporate patron is. This system of secret front groups is neither accountable, nor is it fair. It certainly is not democratic.

And there are four reasons that this matters. One, it matters because political spending can create liabilities, both legal liabilities as well as reputational ones, for a company that does not track or monitor or report on these activities. It matters because it could be wasteful. It can become more of a management perk that advances individuals' own self-interest, rather than a thoughtful use of shareholder money.

It matters because by not disclosing, the NIKE Board cannot fulfill its fiduciary duty to ensure that shareholders are being – shareholder dollars are being used in the best long-term interest of shareholders. And fourthly, it matters because in a democratic form of capitalism, it works best when activities take place in the light of day, where the playing field is level for all, and where the participants in the electoral process are known to all.

So that is why we stand here today, for our second year, to ask NIKE to take the steps necessary to become a leader in doing – and in doing so, to serve its own long-term best interest. Therefore, please join me and the state of North Carolina in voting for this common sense, good corporate governance proposal. Thank you.

Philip Knight, NIKE, Inc., Chairman of the Board of Directors: Is there a second?

Unidentified Speaker: Second.

Philip Knight, NIKE, Inc., Chairman of the Board of Directors: Does anyone need a ballot? Any shareholder who wants a ballot should raise his or her hand, and the ushers will provide a ballot. It is not necessary to ask for a ballot if you have already sent in your proxy. If you have previously sent in your proxy, please do not execute a separate ballot unless you mark your ballot to show that a proxy was previously submitted, and that you choose to revoke your proxy. There are separate ballots for class A and class b shareholders. If any of you have any questions written on your cards, please also pass them to the aisle, and the ushers will collect them at this time.

I now declare the polls closed. The inspector of elections will now tally all votes on the measures, and return the results to the secretary. I'll now turn the floor over to your Chief Executive Officer Mark Parker, who will review our performance in fiscal year 2013.

Mark Parker, NIKE, Inc., President and Chief Executive Officer: OK. Well, good morning, everyone, and thank you for coming. It's glad – I'm glad to see you here this morning.

At last year’s meeting you heard me reiterate NIKE, Inc. is a growth company. There are many factors that power our growth and create value for shareholders, things like strong consumer connections, product innovation, an ability to manage an expanding marketplace and a talented management team focused on our full potential. Last year was important for NIKE as we expanded and refined our capabilities on all of those fronts and you saw that progress directly reflected in our results.

Global revenue for NIKE, Inc. grew 8% to over $25B. It took us 18 years to get to our first $2B in revenue. In FY13, we added almost that much in just 12 months. We delivered 10 basis points of gross margin expansion in what continued to be a challenging macro-economic environment and earnings per share growth outpaced revenue growth, up 11% to $2.69.

So, how'd we do it? I would start with our powerful portfolio of brands, geographies, categories, products, and channels of distribution. The depth and breadth of this portfolio allows us to grow and focus on the opportunities with the greatest return and that was in full effect in FY13.

We also again delivered a relentless flow of innovation to consumers across categories and brands that generated tremendous commercial success and we have a pipeline full and staged for the future.

We leveraged and drew inspiration from the never-ending energy of sports around the world the Olympics, Euro Champs, the BCS and Super Bowl, March Madness and the NBA playoffs. These are moments that inspire NIKE to create and display our best work. And we connect with the best athletes and teams to do it.

We collaborated with key retail partners to create compelling destinations for consumers. And our own Direct-to-Consumer business continues to drive energy into the marketplace in our inline stores, factory stores and online. Together they are expanding the capacity for our brands as we continue to transform the marketplace around the world.

Finally, we continue to get better and better at financial management and operational precision, which helps us leverage our portfolio to deliver consistent profitability, and maintain a strong balance sheet.

In short, our brands, products and distribution have never been stronger. And we're better positioned to capture growth in both developed and developing markets to drive value for our shareholders today and over the long run.

As I mentioned, when we think about our growth potential we first look at the power of our portfolio which is a focused group of brands that have deep connections with consumers.

Let's first start with Converse. A great brand that had another good year, with revenues up 9% to $1.4 billion. We continue to see great momentum as Converse's strong position in style and music continues to connect with young consumers around the world.

NIKE Golf also delivered a strong year, with revenues up 9% to nearly $800 million. It was an important year for Golf, powered by the launch of innovative products, like the Covert clubs, Lunar Control in FW, and the new TW13 shoe.

And revenues at Hurley grew 5%, well outpacing the action sports industry.

And of course the biggest and most powerful part of our portfolio is the NIKE Brand, where revenues grew 9% to a record $23B for the year. In FY13 the two big geography stories for the NIKE Brand were North America and China.

So let's take China first. Greater China revenues declined 3% for the year; reflecting the negative impact of high marketplace inventory levels and more sluggish growth as China evolves toward a more consumer-focused economy. Over the long term, the evolution of China's economy is good for NIKE. As more Chinese consumers have significant disposable income and demand more premium products and presentation, global brands, like NIKE, that deliver on those demands will win. That's why we're taking decisive action now to ensure the long-term potential of our business and we're starting to see our strategies pay off.

Our path in China is clear; create a productive and growing market fueled by innovative product, compelling retail, and strong brand connections with consumers. That is the core of our success around the world and it's setting us up for the next wave of growth in China. We are completely committed to extending our leadership position and capturing the enormous opportunity for NIKE in China.

In North America; revenue in FY13 exceeded $10 billion as we added $1.5 billion of new revenue in this geography alone. That growth was broad based across all product types, in our wholesale and DTC business, and across nearly all our key NIKE Brand categories. And it was extraordinarily profitable growth, as EBIT for the geography grew 25% to $2.5 billion.

Our success in North America is counter-intuitive to some given its size. But to us it's a great example of the power of our category offense; fueled by innovative product, strong brand connections and premium distribution a strategy that is equally powerful and relevant around the world. We have many global competitive advantages, but the most important one is innovation. It inspires us, and distinguishes us as a company.

Innovation drives everything at NIKE it gives us new technologies and materials, helps us create iconic products, services and experiences that people want and game-changers they can't even imagine. It gets us closer to athletes and consumers. It evolves traditional methods of manufacturing and distribution and bridges the physical and digital worlds of sport. Innovation makes NIKE more competitive, sustainable and profitable.

You saw a lot of that from NIKE this past year. NIKE Flyknit is a technology we think is among the most important we have ever introduced. High performance, visually iconic, and produced with new methods of manufacturing that allow us to reduce waste and labor. We introduced the NIKE Flyknit Trainer last summer, and since then have coupled it with two of our most successful platforms; Lunar and more recently, Free.

In Basketball, we continue to serve the athlete and create must have products for our consumers. The AJ28, LeBron 10, KD 5, Kobe 8; all signature shoes that helped drive the basketball category for NIKE.

The Air Max 2013 was one of the top selling Running shoes for the year, incorporating new natural motion performance attributes to create a more flexible running shoe.

The Hypervenom Football boot was our most successful boot launch ever. Rooted in athlete insights, with revolutionary solutions in fit, touch and traction.

And in Apparel, we continue to accelerate our innovation agenda; fabrications like Dri Fit Knit, base layer products like Hyperwarm, and the incredible products we produced for the NFL; all examples of what we are capable of, and the opportunity to do so much more.

What gives NIKE its innovation advantage is not just our ability to come up with new ideas, lots of people and companies can do that. What really sets NIKE apart is how we take those ideas, analyze them, pressure-test them and filter them. We call this "edit to amplify". And it ensures we aggressively develop those ideas that have the biggest potential for return.

Innovation also introduces us to amazing partners who can help us create success for the business and create systemic solutions that can have a major impact on people and the planet. A great example was the Launch 2020 event we hosted, bringing together 150 of the world's best thinkers to advance game-changing technologies and innovations to help create more sustainable materials.

I believe there is more opportunity in the world and more capability inside NIKE than ever before. That's why we're accelerating our innovation agenda, delivering more new ideas and solutions faster than ever before – and we're leveraging those across our sport categories, geographies and brands.

Our innovations serve the athlete, and come to life through the power of sport. Like on the basketball court when LeBron James won his second ring, second Finals MVP award, and became the youngest player to win a fourth MVP title. On the golf course as Tiger Woods fought his way back to the #1 spot in the world. When Colin Kaepernick went head to head with Joe Flacco in the Super Bowl. In Shanghai when 200,000 young people were part of the NIKE+ Festival of Sport. And when 85,000 Women trained and competed in 11 NIKE She Run races around the world.

These are just a few of the moments that show how our relationships with both world class and everyday athletes expand our potential.

And because we're successful in our core business, we're also able to pull people together and be a partner and catalyst to create positive change in the world. In FY13 we worked with First Lady Michelle Obama to help launch Let's Move Active Schools as part of our Designed to Move initiative that embodies our ongoing commitment, not only to schools, but to broaden access to sports in our communities and help reverse the crisis of physical inactivity for kids. It is an initiative that truly speaks to who we are as a company. Our mission statement focuses on innovation and inspiration; because that's how we help athletes, both world class and everyday athletes, realize their full potential.

One of the keys to NIKE reaching its full potential is our management team. And our team has never been better aligned against that goal than it is today.

At the end of FY13 we announced some strategic management changes for our organization, chief among them the decisions by Charlie Denson and Gary DeStefano to retire from their roles with NIKE. I want to personally thank them for all they have done for NIKE. They were instrumental in growing NIKE around the world. But their most important legacy was the deep bench of enterprise leaders they helped develop, who are now helping lead the company.

I won't go through all the names here, but many are people you already know. And even more important, they know NIKE and each other. They bring tremendous passion, energy and experience to our future. Some people will provide leverage and continuity, while others are taking on new roles.

These changes reflect our successes AND our biggest growth opportunities. They represent 5 very specific – and ongoing - commitments: 1. accelerate our innovation agenda 2. elevate design 3. optimize our category and go-to-market strategies 4. integrate product creation and merchandising to create greater continuity from design all the way through to retail and 5. sharpen our focus on supply chain and manufacturing improvements.

We spend a lot of time developing our leadership talent, that's something that never stops. It allows us to adapt and evolve our competitive offense and that's what you can expect as this team takes NIKE into the future.

So, as we look to FY14 you can expect us to train more and compete harder than anybody else. We're athletes. That's what we do. We're set to grow, to explore, refine and leverage our leadership position. We have scale, power and passion, and we're not shy about using them to support the athlete, and that means every athlete, to push ourselves and our partners to connect more deeply with consumers, to grow this company and deliver more value for you, our shareholders. We are excited about what lies ahead, and are glad you are going to be a part of it.

With that, I'll turn it back over to Phil. Thank you.

Philip Knight, NIKE, Inc., Chairman of the Board of Directors: John, I see that you've received the report of the inspector of election. Will you please give the results?

John Coburn, NIKE, Inc., Corporate Secretary: Yes, Phil. Holders of 100 percent of the class A shares present voted in favor of the elections of the Board's nominees for class A directors, and holders of 99.1 percent of the class B shares present voted in favor of the Board's nominees for class B directors.

Holders of 98.3 percent of the class A and class B shares present and voting together voted to approve the compensation of the named executive officers listed in the proxy statement. Holders of 99.6 percent of the class A and class B shares present and voting together ratified the selection of PricewaterhouseCoopers as the company's independent, registered public accounting firm. Holders of 81.7 percent of the class A and B shares present and voting together voted against the shareholder resolution, so it did not pass.

Philip Knight, NIKE, Inc., Chairman of the Board of Directors: Thank you. The 12 nominees have been duly elected as directors of the company for the ensuing year. The compensation of the named executive officers has been approved. PricewaterhouseCoopers selection as the independent, registered public accounting firm for the next fiscal year has been ratified, and the shareholder resolution did not pass.

We will now answer some questions from the cards you have handed in. (I might) ask Mark Parker, Trevor Edwards, who's president of Nike brand, Don Blair, chief financial officer, and Hannah Jones, who's vice president of corporate responsibility and a lot of other stuff will come on up and help me answer the questions.

QUESTION AND ANSWER SECTION

Philip Knight, NIKE, Inc., Chairman of the Board of Directors:
What can we expect at the World Cup, and how can Nike further penetrate this market? I'll ask Trevor to do that one.

Trevor Edward, President, NIKE Brand: OK. We're truly excited about the World Cup, which is going to come up next year, and, you know, we have a great array of teams. Obviously Brazil, which will be the host country which we've had a relationship with for so many years, so we're truly excited about the relationship there. We have other great teams that are continuing to qualify, so there's a lot of work going on there, but we're really excited about that.

But I think the part that we are truly most excited about is the opportunity to bring amazing products into the marketplace. We have an all-star lineup of great athletes like (Namar), like (Rooney), who are going to be playing, and hopefully (Rooney) will play, so we're pretty excited about that. So the World Cup will be another, you know, great opportunity to showcase our products, to tell compelling stories about football and, personally, because I hail from England, I'm truly, truly excited about some of the things that we're going to do. So it's going to be great.

Philip Knight, NIKE, Inc., Chairman of the Board of Directors: And you don't get off with just one answer.

Does Nike have plans to expand sizing ranges for consumers?

Trevor Edward, President, NIKE Brand: OK. That's an interesting one. I was – I'll frame that in a couple ways. I think maybe first and foremost, which is that, you know, we serve some amazing athletes, and those athletes tend to be sometimes bigger than most of the average consumers out there. So the idea that we have the ability to really serve a broad range of consumers is something that I think we do almost naturally.

In terms of how we get access to those products, one of the things that we have been working on very specifically is online, and how we can continue to allow many consumers to have access to the varied size ranges that we have. So our online, .com, nike.com will provide a great opportunity for us to provide greater access to more consumers to have a more expansive range of products in different sizes.

Philip Knight, NIKE, Inc., Chairman of the Board of Directors: And we have a question for Mark Parker.

Have you ever considered letting shareholders visit your employee store?

Mark Parker, NIKE, Inc., President and Chief Executive Officer: Well, that's a good suggestion. We'll take it under advisement, and we'll get back to you, I guess. That's all I can say.

Philip Knight, NIKE, Inc., Chairman of the Board of Directors: Back to Trevor Edwards.

Nike has been a leader in the industry for years. Are there plans to extend into further services for consumers?

Trevor Edward, President, NIKE Brand: You know, one of the – one of the greatest things that we're seeing today, and I think all of us as consumers are experienced in it, which is around digital technology. And what digital technology really allows us to do, it allows us to provide new and better services to a broader range of consumers all the time. So we have – our strategy really lies on really three areas.

One which is digital brand connections, which is that interaction that you have with a consumer, or we have with our consumers on a one-to-one basis, whether it's through Twitter or Facebook or anything like that. That's one dimension. The second dimension is what we call digital sports and services, where we're able to do things like the (Fuel Band), where you're able to help you or Nike Plus (running), and we can help you actually be better as a runner or be better in terms of how you train and connect with other runners as you do that.

And then the third area, the third area would be digital commerce. And digital commerce is where we provide greater access to our brand, like I talked about before. So the idea that we can bring more services to a broader range of consumers given digital technology is a really great opportunity for our brand, and it allows us to serve more people all the time. So we're truly excited about that.

And last but not least, we're also bringing great services when you come to our retail stores. So when you come into our stores, we have some really specific services that we're now doing, whether it's gait analysis for a runner, or being part of a training club or a running club. So we're really expanding out the idea of the brand being not only about great products, but also about great services in terms of how we connect with our consumers.

Mark Parker, NIKE, Inc., President and Chief Executive Officer: I'll just go a little step further, and I'd say it's one of the top priorities for the company is how digital technology will enable even more potential for Nike and our consumers, and athletes around the world.

Philip Knight, NIKE, Inc., Chairman of the Board of Directors: "Phil, do you think this is the year for the Ducks to win the big one?"

Maybe. No, it's obviously my favorite team, missed winning the national championship by three points three years ago, and they missed getting in the national championship by a field goal two years ago. They missed getting in the national championships by a field goal a year ago, and they have better players this year than they have at any time in the last four years. So they've got a chance, but you've got to be a little bit lucky, too. But if they do, I'll be there.

Since we have not received notice of any other business to come before this meeting, the meeting is now adjourned. Shareholders who would like a brief tour of the Nike World Campus can join the – can join that as you exit the meeting room after this closing video. Thank you for coming.