

2015 NIKE, INC. INVESTOR MEETING



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Kelley Hall, Vice President, Corporate Finance and Treasurer:

I'm Kelley Hall, Vice President of Corporate Finance and Treasurer. I want to welcome you to Nike today and thanks for being here. We have a really exciting agenda planned for you, you have copies in front of you so you can see who you'll meet with and the topics we'll cover. And while we have a lot of great information to share today, we have 2 main goals.

First, to outline the strategies and key initiatives that will continue to drive strong revenue growth for Nike over the long-term. And second, to demonstrate the strength of our financial model and how that will allow us to continue to deliver profitable growth and drive shareholder value.

Of course we intend to do all of that within the rules expressed on the slide behind me. So with that we'll get started. Thank you and enjoy the day.

Mark Parker, President & Chief Executive Officer, NIKE, Inc.

Good morning everybody and welcome to Nike World Headquarters. As Kelley said, we're very excited to have you here today and thank you all for coming. We have a great day planned and a lot to share. Let me start by just reminding you that the energy of sports and the energy surrounding Nike Inc. and our brands are really at an all-time high.

And we're here to talk to you about how we're going to take that energy and grow the business across every one of our dimensions. Looking at the results from the past 10 years since 2005, Nike stock has significantly appreciated against the S&P 500.

Our revenue has more than doubled, our EPS has more than tripled and we have outperformed the broader market and delivered top quartile total shareholder returns. You know it's clear that Nike is a growth company and we have never been more confident that we'll continue that pace of success. The opportunities for sport are really everywhere and that means that the opportunity for Nike is everywhere.

Based on the potential we see for Nike Inc. moving forward we expect to deliver \$50 billion in revenue by 2020. The goal for today's meeting is to show you how we plan to deliver against that opportunity, to show you how Nike is built for growth now and for years to come. Nike is built for growth because we serve the consumer completely. Consumer expectations are higher than ever. They want it personal, they want all access and they want it now. And it's why we invest in areas like digital that fuel our authentic connections. And we obsess amazing products that consumers could never imagine and personal experiences they'll never forget.

We're also built for growth because we run a complete offense. We leverage the multiple dimensions we have as a company, our brands, the categories of sport, the geographies and marketplaces in which we live, the strength of our strategy, the health of our balance sheet and of course the expertise of our management teams.

This is how we use scale as a competitive advantage, yet stay nimble. You'll hear more from the

team today about the specific growth areas within our complete offense. We'll be focused on our biggest geos like North America, China and Western Europe, our biggest categories like running and basketball and of course our fastest growing opportunities from Women's to DTC to Ecommerce.

And finally, Nike is built for growth because we drive a relentless innovation mindset across the company. We have amazing talent but we're also quick to partner with the world's best if it will get us to our future faster. Our laser focus in these areas is how Nike consistently delivers strong results in a rapidly changing environment.

We stay ahead because when the playing field shifts we look for opportunity. And that's when we aggressively grow the market for sports. And as we all know today the shifts are happening at very high speeds. You've all heard about the skyrocketing numbers of the middle-class. Asia alone is expected to triple its middle-class population by 2020. And with that, attitudes and behaviors are changing.

For sport, that means that a sustained interest in healthy living has replaced short-term fitness trends. Women in particular have fueled the new lifestyle of sport driving the growth of athletic apparel and footwear. In fact global athletic apparel has grown at a faster rate than overall apparel the last 4 years. And we all know that buying habits are evolving daily.

Mobile has taken over. And the global Ecommerce business will have doubled to \$3 trillion from 2014 to 2020. These are the kind of seismic shifts that create tremendous opportunity and play right into our strengths. These are the kind of opportunities that will propel us to \$50 billion. \$50 billion, that's an ambitious goal, we know that.

We make it our daily mission to achieve ambitious goals. We have to because the athletes we serve set very high goals. They continuously get better, they learn and then they set the bar even higher. And that attitude, that competitive drive sounds a lot like us. Every day, every day we ask ourselves, is this the best we can do?

We work with elite athletes because they understand the demands on their bodies and they know what their equipment needs to do. And our job is to translate their insights and turn that into something amazing for everybody. And nobody is better at this than Nike. This is what we do. And it should be obvious then that to get the best insights we choose to work with the best athletes.

And by a wide margin they choose us. When it comes to partners I would take Nike's roster of athletes any day. From the ones that we all know that need no introduction, LeBron and Kobe and KD, Cristiano and Neymar, Serena, Roger and Rory to the next generation of stars like Kyrie Irving, Anthony Davis, Robert Lewandowski, Alex Morgan, Odell Beckham Jr., Mike Trout, Jewell Lloyd.

And teams and federations like FC Barcelona, the Brazilian National Football Team, USA Track and Field and colleges from Duke to Ohio State to Oregon. And of course leagues and associations, the NFL, the Premier League, the China Super League, the National Women's Soccer League and soon, of course the NBA.

Nike has a personal relationship with the greatest athletes from every sport from every corner of the world. And we partner because it's the fastest path to innovation and together we create the future of sport. You know it sounds simple but it's not easy. We're constantly being pushed or inspired by the athlete to create something new, something new and better. And those demands have created a special culture at Nike, one that's wired to collaborate, to fail fast, to learn faster and to invent. In fact over the past 25 years Nike has built the third largest design patent portfolio in the US. And what sets us apart is our ability to build a business around our breakthroughs. We invent and then we scale across sport categories and geographies.

We've done it in the past with Nike Air, with Dri-Fit, with Free, Lunar and we're doing it now with Flyknit and of course there's much more on the horizon. But, as I said before, innovation drives not only what we make but also how we make it and how we connect to the world. At Nike, innovation is a mindset. It drives how we think about efficiencies, about reducing our impact, about how we invest in relationships with consumers. It's also why we attract and pursue other great partners to help us in our mission. Alliances with Apple and NASA and MIT are some of the ones that you know about. And today you'll hear about more.

From concept to creation we are aligning our great talent with some of the world's most skilled teams. We're constantly looking for ways to completely disrupt the industry and to create something better for the athlete and then extend our relationship, much like Flyknit is doing. Flyknit actually shows the power of innovation to transform. For the athlete it means less compromise in performance. We can create footwear that is both light and strong. For the designer it gives them more control over design, placing material exactly where it's needed with incredible precision.

Having saved over 2 million pounds of waste since 2012, Flyknit is also more sustainable and more efficient to produce. And, as you can see, solving for a performance problem has created a new style. Flyknit delivers product that is just plain beautiful. As we've accelerated our capabilities with Flyknit it's also evolving how we work as a team.

The lines between programming and designing have been blurred. What we've discovered is it's important for the design teams to understand what drives the automated making process so they can take full advantage of all that it can do. And with this in mind I'm excited to announce a new hub for innovation at the Nike World Headquarters, the Nike Advanced Product Creation Center.

This is a 125,000 square foot facility that will house some of our most advanced manufacturing and design technologies. Technologies like new knitting machines, 3-D printing and automation across the board. Next to the machines will be the workspaces for engineers and material scientists and designers all working together to develop the next breakthrough like Flyknit.

This is the part that excites me the most. You know for much of my time here at Nike the creative process has involved a lot of back and forth, shipping samples and trips to Asia to perfect the product. Now today's process has completely accelerated. With a technology like Flyknit all we have to do is send our design files to the coders, program the machines and send the code to the factory to make the final product. That's it.

And this is the kind of work we'll be doing at the Advanced Product Creation Center. We've increased speed and communication and we're matching the world's best product expertise with the latest technologies. We'll be inventing new ways to give consumers more choice, more personalized product and faster delivery. This is exactly the type of investment that will accelerate our separation in the marketplace.

You know if innovation drives everything we do, then digital is an accelerator. Digital has fundamentally transformed our business end to end, impacting really how we design, how we manufacture and how we serve the consumer. It expands creativity and creates scale. Yet it makes us even more personal as a brand and agile as a company. And of course digital is how we all access the world. At Nike it's at the heart of our real-time connection to the consumer. And through our digital ecosystem we inspire you to be more active, we connect you to the most motivated community in the world and we give you quick access to your favorite product. And what separates Nike is that we connect all three.

And for us it's not enough to have a thriving digital community- we want to serve completely and that includes product. We take it a step further by seamlessly linking the entire journey from digital to in-person experiences at retail and events. Everything we do adds up to giving you the

best of Nike wherever you need it. When we serve you completely we become the home of your athletic life.

And this is not something we're waiting for. We have the platform and the teams in place today to deliver it, to be personal at scale. We have one billion consumer touchpoints a year, powering the largest athletic network in the world. You know I spoke earlier about the tremendous energy of our brands right now. We have four powerful brands that have deep roots in youth culture.

The Nike and Jordan brands through sport, Hurley through surf and Converse through music and creativity. We have authentic connections because we work at it. No one invests in consumer relationships the way that we do. And that's why we're so confident that we're built for growth for decades to come. We have individual brands that are truly loved and a Nike Inc. global footprint to bring that emotion to even more people.

Take Converse and the Jordan Brand for example. There's never been more potential for these two great brands as we find ways to diversify their products and expand their global footprints. We were excited to see the Chuck Taylor get a performance innovation boost last quarter with the introduction of the Chuck II. It added a new Lunarlon II sock liner, more comfortable materials to the Converse Classic and brought new energy to Converse as a brand.

This was just a glimpse of the future of Converse and how we'll develop new ways to excite their dedicated consumers. Leveraging the power of Nike for Converse is huge. And then let's turn to the Jordan brand. You know Michael Jordan's legend transcends sport and culture across gender, age and geographies. He is by all definitions, a living icon.

Today the Jordan brand supports athletes and delivers amazing performance basketball innovation. But consider that the majority of the Jordan brand business is in the US, it's in one sport, in footwear with one gender. You know to us that represents a world of opportunity for one of the world's greatest brands. And I think the time has come for the Jordan brand to spread its wings and grow beyond the sport of basketball.

Our diverse brands are critical to the success of our complete offense. So are our partnerships. Take our recent announcement with the NBA as an example. You know we're talking about a global game that is played in hundreds of countries with the potential to ignite the consumer's passion around 72 teams across the NBA, the WNBA and the D Leagues.

The NBA's influence is not only expansive but it's inclusive. Nearly half of the NBA viewers are women. And with the power of our three brands, Nike, Jordan and Converse we can bring added value to the NBA and the sport of basketball by driving more innovation and fueling the excitement around the culture of the game around the world.

I've talked with Commission Adam Silver about our role enriching the fan experience. What can we do to digitally connect the fan to the action they see on the court? How can we learn more about the athlete, real-time? I think sitting courtside might feel a lot different in years to come. You know with the NBA, Nike is going to be more than a supplier. We will be a strategic partner to grow and advance the game.

You know our size is our real strength, we know that and we use it. But to leverage, truly leverage our scale we operate as smaller teams. We stay nimble and flexible by being on the ground in every market, which puts us closer to the athlete and the consumer and in a better position to see the opportunities. It's how we develop seamless shopping experiences in New York City or spark a new running boom in Shanghai or fuel a sneaker culture for women in London. We not only see the opportunities, we have the power to act on them. We grow the overall market and because of our track record of success, we can take more risk. We can take more bets and I think we've shown that we make pretty good bets. So what are we betting on? What are the opportunities that we see?

You know over the next few years we're imagining and building a future that includes bridging the gap between the elite athlete and the everyday athlete. Giving you the best of Nike whenever you want it. Building and serving your unique needs. And products that adapt to you, on demand, real time. You know in sports, momentum is everything and we've proven that we have it on our side.

We have the resources, the drive, the opportunity to grow for years. We exist to serve the consumer, we drive a strategy that allows us to be personal at scale and we inspire a relentless culture of innovation.

Over the next few hours you're going to hear a lot more detail from our talented team. They are the ones that are adapting and evolving our strategy to make sure that we're aligned against the biggest priorities and delivering what matters the most to the consumer. So thanks again everybody. And now I'd like to welcome our President of the Nike Brand, Trevor Edwards.

Trevor Edwards, President, NIKE Brand:

Thanks, Mark.

Good morning! Welcome to Nike. It's great to be here to talk with you about Nike's deep connection with consumers, and how we will continue to drive sustainable, profitable growth for the Nike Brand. I feel so lucky to work in sports. Sport has the power to inspire, to unite and to move people in a way that little else does.

Today, that power of sport has never been stronger. We all know there's a global shift toward fitness, and that cultural shift runs deeper than some may think. People all over the world are being personally inspired by sport every day. A young boy in Chicago sees Cristiano's amazing free kick on YouTube for the first time. A girl in Beijing watches in awe as she sees LeBron dunk on a fast break. And they feel something.

The next day, they pick up a ball for the first time – and they become athletes, and stay athletes for their entire life. At Nike, nothing energizes us more than athletes. We have a singular focus of serving the athlete in everything we do.

That is the power of the Nike Brand. And by serving the needs of athletes, we drive growth in our business. We have a saying at Nike: "The Consumer Decides." It's a simple thought, but it fuels our thinking every single day. Today, we continue to see tectonic shifts in the consumer landscape.

These shifts continue to reshape the marketplace and the relationships consumers have with brands, and the result? Consumers are clearly in charge and youth are more demanding today than ever before. They want what they want when they want it, and do what they do when they decide. They get something amazing one day, and they immediately expect it across their entire life experience. Let's take a look. (video in room).

The world is changing. It's faster paced, more connected, and more personal. Everything is expected on-demand. Now, our athletes have always been demanding. They expect us to deliver amazing performance products for their ultimate moment of achieving their absolute highest potential. This mentality of serving the best athletes uncompromised was there at the founding of this company.

At its core, it was about a relationship, built on the desire to serve them. These most important relationships have always defined who we are and what we do. Today we continue to focus on building relationships by serving athletes to deliver on our brand proposition. Our brand is a promise; It's a promise to innovate, it's a promise to connect and it's a promise to serve. That commitment we make every day creates a relentless drive to deliver amazing products that help

athletes be better. Jeanne will share more about our product and innovation strategy later today and it's going to be a lot of fun. But the core principle of our product innovation is simple. We start by listening to the very best athletes for insight.

And we turn these powerful insights into the innovations that solve problems for those athletes. But we don't just hear and deliver. We strive to create something more – something athletes themselves could not have even imagined. This obsession with pushing boundaries is why Nike is one of the most authentic and connected brands in the world.

The brand isn't just everywhere – we're the number one sport brand in all of our key cities from London to Shanghai, from Tokyo and Rio, from New York to Berlin. The power of our brand is immense and it's the power of our brand that brings hundreds of thousands of runners together for a race. It's the power of our brand that drives sports cultures in different global communities.

And it's the power of our brand that emotionally connects and inspires millions every day to do more and get better. And we are just getting started. We expect NIKE, Inc. to add nearly \$20 billion in incremental revenue between now and the end of FY'20, a powerful continuation of the engine of growth that Mark talked about earlier.

This growth is what comes when you are as passionate about sport as we are. Part of that passion for sport is the competitive fire to be the best. And we translate that ambition into making our athletes the best. And through our Category Offense, no one connects deeper with athletes than we do.

This is how Nike continues to grow the market and take market share. Since we launched the Category Offense, our business has grown more than 70 percent. There's no question that by drilling down on the sports that consumers love, we uncover the new growth opportunities across the marketplace.

And by segmenting the market, we increased our leadership by focusing on how best to serve this diverse world of consumers: Our first phase in the Category Offense was to go deep with athletes with performance product focusing on everything they need from head to toe to perform their best in their sport.

Next, in the Amplified phase, we expanded off performance to include culture and lifestyle, serving the athlete across their entire journey as they compete, as they train, and as they express their love of sport. Today, as we continue to serve deeper, better, and more completely, we are entering a new elevated stage in which we serve the athlete's complete experience through a connected ecosystem.

This is the journey we serve, a complete experience shaped and strengthened by the authentic relationships we share with consumers. We continue to grow by expanding existing categories and pursuing new opportunities whether that be Global football's reinvention of training, Jordan's expansion into new categories, or Women's Sportswear creating sneaker culture for her.

These are just a few areas where we see massive potential. Jayme will talk you through our category strategy. But first, I'd like to show you a holistic example of how we realize a key growth opportunity in our business. Let's take a young woman who runs and trains. She runs and works out twice a week but she wants to be inspired to get better and do more.

So we invite her to join a movement with other like-minded athletes, This invitation, which we call "Better For It," centers on the idea of pushing yourself out of your comfort zone and focuses as much on the journey as the destination. Let's take a look:

We provided personal motivation, a rich community, and the customized services to meet her goals and the response was incredible, with more than half-a-million women participating in runs

and training events across 33 countries. But this is not about one event or one campaign; it's about a continuous engagement with our consumers.

Take for example the Nike Plus Running App, which creates access to a community with information and inspiration on demand. With in-run features like social cheers and curated playlists set to the runner's individual pace, we motivate millions of runners all over the world. Our invitation to Run with Us- also includes in-person runs with Nike Run Club.

More than 20,000 participate every month in North America alone. That's the equivalent of hosting a major marathon every 30 days. We also help her train with the Nike Training Club app for whenever and wherever she wants to work out. And if she prefers the added motivation of her friends, she can join a Nike Training Club live session in her city.

It's a huge hit with more than 21 million downloads and over 100 workouts featuring the world's best master trainers and athletes to give her guidance and motivation. And we truly have global reach, with downloads in 148 countries. And, as always, we serve her with the most innovative footwear, apparel, and accessories, curated for her performance and style needs.

We've elevated our game, providing seasonal looks and inspiring collections. We do this by focusing on her favorites: the items that she loves most. We innovate with performance and style... and give her amazing choice. Our ultimate goal with Nike product is to introduce a brand-new standard to give her the best product in the most premium way possible.

And we bring this elevated product to her through incredible retail concepts. Nike Women's concept doors opened this past year in Shanghai, London and Newport Beach. And, our partners opened doors like Chelsea Collective with Dick's Sporting Goods and 6:02 with Foot Locker, which offer premium retail executions for her across the entire marketplace.

These feature the best Nike has to offer across Running, Training and Sportswear – all in one location. With an emphasis on service, these doors are where personal shopping meets personal training. And when complemented by NIKE.com, it's a full and powerful retail experience. This is where it all comes to life, personalized inspiration, a powerful community, amazing innovative products, great services and industry-leading premium retail.

No one else has the ability to bring all the pieces together. No one else has the ability to serve her this completely. Given all this, it's no surprise that women who are part of our service ecosystem spend more than two times with us than those who aren't. And this unlocks real growth.

Our Women's business today is \$5.7 billion. And over the next five years we expect it will grow to over \$11 billion! This growth is yet more proof of the sheer power of the Category Offense. Now, a big part of that success comes in serving consumers where they live and shop, throughout their journey in what we call the Integrated Marketplace.

As always, we obsess connecting with consumers, giving them the right product and services in the right places at the right time. We do this in our six geographies serving our consumers in nearly every country around the world, with clear strategic focus on Key cities such as New York, London, Rio, Shanghai and Los Angeles.

A little later, Cristiana and Elliott will speak more about our opportunities in the geographies. But our vision for our geographies is clear. For Western Europe and North America and other developed markets, we are targeting one connected marketplace serving diverse consumer needs. In these markets we drill down into each city, shopping district and even specific stores to provide the best possible experience for our consumers.

We also see significant opportunity in Emerging and Developing Markets like Greater China and

Southeast Asia. These markets have an ever-growing middle-class and a consumer base that loves sports, and the culture around it. We are always investing in how we grow by building out the marketplace.

In both these developed and developing geographies, growth is a priority and we expect it to be robust for years to come. We strategically provide consumers access to our brand in the most important shopping districts and trade zones and deliver differentiated retail concepts to expand market capacity, starting with our own Brand and Category experience doors.

These stores set a new benchmark for excellence by making the consumer's experience as premium, personal and easy-to-shop as possible. And then we work with our wholesale partners to cascade these retail concepts through the marketplace to drive mutual productivity and profitability.

We know consumers expect to be served anywhere and anytime in a nearby major city, in their favorite store, or at home or just on the go. Our digital commerce business lets us be that personal. We strive to serve the consumer better all the time we've increased our mobile efforts to be in the palm of their hand, 24 hours a day, all over the globe. And the results are paying off.

Today, our e-commerce business is just over a billion dollars. And we expect it to grow to \$7 billion in FY20. This is the kind of growth Nike drives. We think about digital as an accelerator of all that we do, as consumers expect to be better served in an on-demand world.

Our aim is to connect athletes with the knowledge, the services and most importantly the product they need to serve their potential. Or, simply give them access to the products they most covet.

Digital allows us to be more personal. It gives every athlete around the world the service and self-understanding that elite athletes have always had. What's exciting for us is consumers choose to be part of Nike. If you are part of our ecosystem, you've chosen us. And this makes our connections richer and more rewarding for everyone.

For us, it's not about selling them ads. It's not about just having an app on their phone. What matters are real connections that fuel passion and energy and that drive business opportunities. With this in mind, we are moving to a place where we'll be at the consumer's fingertips every day, all day.

We will be the home of your athletic life, providing you the best of Nike when you want it, on demand. I can't wait until we can talk more about it. And thinking about the future, I'm also excited about the role that partnerships will continue to play as we accelerate moving forward.

We continue to work with other industry leaders to attack growth opportunities, some of which you will hear about throughout today, as Mark noted. In the end, creating an industry-leading digital ecosystem is simply a continuation of the Nike promise to develop deep and lasting relationships, to offer the best athletic service, period.

And, ultimately, by always reaching consumers in new and innovative ways, they vote to stay with us over their entire life. This lets our Category Offense thrive and our business continues its powerful growth.

At Nike, we have a lot to be proud of. We may be at the front of the pack, but that's not enough for us or our athletes. We don't just promise a future, we deliver it. In the end, the work we do isn't about meeting our consumers' expectations. It's about inviting them to dream a little bigger.

We've never had more potential than we have today and the proof of that potential can be seen in every connection we have with athletes, all over the world. Thank you, have a great day.

Jeanne Jackson – President, Product & Merchandising

Good morning. I'm Jeanne Jackson. I am President of Product and Merchandising here at Nike. And it's nice to see all of you again. Welcome to Nike and welcome to the center of sports passion in one of those months where the entire world is paying attention to sport. I mean you gotta love October. Sunday, the NFL gave us some nail biters. I'm just glad I had a recovery day after my Steelers almost gave me a heart attack on Monday night.

But we are we're getting a chance right now in this, in this wonderful sport month to watch those new rookies in global football and in the NBA show their stuff and for us to get a peek into the future of those sports. And of course the, the Mets are playing the Dodgers in a must-win game five tomorrow night, and those Cubs. Everybody is now a Cubs fan. So sport is got the attention of the world and this is a great time to have you here to join that passion with us.

Both Mark and Trevor talked earlier this morning about how we serve the athlete and the consumer, and how Product is at the core of those relationships. They restated how we have a commitment to innovate and to keep our promise to those athletes and those consumers. I now get the privilege of being able to dive just a little bit deeper into how we obsess that product and to insure that relationship grows, and that we lineup to that commitment that we've made.

The creation of brilliant products that are borne of innovation, shaped with a passion for craft, and always keeping the athlete at the center of our work, well that's what we are, that's who we are. I'm going to spend some time on our innovation, our creativity, and how that innovation and creativity is the driving force behind our business.

So the last time we met, a couple years ago, we used the example of taking the simple but profound insight that's behind our technology Free, and showed how we built that insight into over a one billion dollar franchise that is alone bigger than 7 of the top 10 footwear brands. We're going to spend a little bit more time today on how we do that, with yet another of our growth platforms. We will also introduce you to the idea of a performance system that will further create separation from us and all the other competition.

And we'll talk a little bit about how we plan to bring our innovations to the market in a more directive and productive way, across all channels and price points. So you all know the numbers that are associated with the size of our business. We are the world's largest footwear business at \$18.3 billion dollars. We are the world's largest athletic apparel brand at \$8.6 billion dollars. We have the leading share in the sports that dominate the global landscape.

Our global basketball business at \$3.7 billion dollars holds the number one market share in both footwear and apparel. Our \$4.9 billion dollar running business and our \$2.2 billion dollar global football business hold a substantial lead over competitors in footwear, and we are gaining dramatically in apparel. And at almost \$5.7 billion, our women's business is already the largest women's athletic brand in the world.

However, sustained profitable growth isn't guaranteed by being the biggest, and you know that. It's sustained by being the best. Now you will hear every one of us today talk about the voice of the athlete. Here is the voice of some of our greatest athletes talking about how they feel about the products that we create for them. You know, LeBron James, I love this one from LeBron, "they make me better by just pushing the envelope."

So two years ago, we talked a lot about innovation, how we incorporate innovation into everything we do, how we work to ignite innovation into every category. We gave you some examples that demonstrate how innovation at Nike isn't just about new for the sake of new, but that innovation at Nike is always grounded in a passion for making athletes better. And we talked about how innovation at Nike is a very real business strategy that drives growth and margin.

Ultimately, we invest in innovation, and we have always invested in innovation, because innovation is our engine for growth. So, everything starts with an athlete insight. You know, it's a popular misconception sometimes that we invest in athlete sponsorships for the sake of brand-building. And while that's certainly important, the real advantage it gives us is the access to these athletes, to have them sit in a session like this and share what it is that hinders their peak performance.

You know - tell us what problems we can solve for you. That is a conversation that fuels our innovation. No one studies the body in motion more than Nike Sports Research Laboratory. We have 60 researchers, some the most respected in the fields of biomechanics and physiology. We have some of the deepest reserves of human performance data. And we have a team of 700 plus designers who can turn that knowledge into products that fuel innovation.

Now, 700 designers might sound big, but the category offense allows us to have a good number of those designers operating in small, flexible teams to create new business opportunities. You know, Trevor talked about our ability to identify and exploit segments of the business, that's what these teams are empowered to do. Just in the time since we last met, these category teams have seen opportunities in areas like small-sided football and men's training that have led to new opportunities in almost every area of the business.

Let's talk about small-sided. You know, in markets like Mexico, Brazil, and Spain, small-sided football is a big deal. And we've built a successful non-cleated business over many years. But the team realized that to fully realize the opportunity in this market and to accelerate our growth in this business, they felt we should make better use of our strongest assets; which were the cleated Silos that we were creating for global football.

The results have been incredible, with our statement level futures in small-sided football growing by over 101%. In men's and women's training, we introduced the Metcon to meet the needs of athletes who are pursuing fitness through this high intensity training. These athletes told us that they needed footwear that would allow them to be stable as they run, cut, jump and as they lift at high intensity.

Since the launch, the Metcon has become a cult phenomenon in gyms around the world. In Spring '16, we will evolve the Metcon, incorporating insights from athletes who told us they need additional protection from the rope climb and a product that will enable them to perform wall push-ups. When you get to the product rooms, if you haven't already, you'll see the new Metcon and see what we mean.

Now we all love to geek out on the science, you know that. But one of the clear distinctions we have here at Nike is our equal dedication to the art, to the aesthetic of what we create. That 700 plus design team is inspired by all the beauty the world has to offer, by the beautiful lines in a chair, the subtle mixture of color tones in a sunset, or the smooth lines of an Italian sports car.

You know, nature gives us some of our greatest design inspiration. In an example that Mark Parker, our Designer in Chief, shared with some of our footwear designers, he was inspired by the iridescence of beetles, and yes, that's the bug kind of beetles. It was a display he created with a friend and shared it with some of our designers. That translated into a search for iridescent materials, and if you saw nike.com this morning, you saw the iridescent Air Force One show up on nike.com. I assure you, it is going to be a hit.

And when you go to the football room, if you haven't already, you'll see the iridescence show up in a lot of our football boots. In this football example that's just about to come up, I know you're going to see the texture and the beauty of the color collision showing up in the eye of the snake, and in the boot. We translate what we hear from the athlete and what we see in the world around us into products that are both useful and beautiful, products that are both craved and coveted.

So, a big part of our culture is the relentless pursuit of that which actually can never be achieved, which is perfection. And that same curiosity we just talked that inspires creativity also admires the work of others, where a great partnership can augment our good work and we can deliver even better results for our athletes and our consumers. You heard both Mark and Trevor talk about the importance of partnerships, and Eric will hit this as well this afternoon.

I am really excited that I get to announce a new partnership that we have formed with DreamWorks and their newly formulated technology company, NOVA. Using the NOVA visualization platform, we are building a 3-Dimensional digital design system that will transform our product creation process. This partnership will deliver new capabilities for our designers. It will create digital print applications in seconds, photo-real 3-Dimensional visualizations and ultra-rapid prototyping.

Having premium, on-demand 3-Dimensional imagery will further unleash our team's ability to obsess their craft, to fuel their imagination and deliver performance innovation for our athletes. DreamWorks and NOVA are innovators in their industry, just as we are in ours. So just consider it. DreamWorks designs for the animated body in motion while we design for the human body in motion.

That creates a successful recipe for transforming the way we design and bring innovation to our athletes. DreamWorks is the kind of partnership you'd only see from Nike. This is how we lead. Part of our core competency at Nike is our ability to innovate, but sometimes we clearly do better than anyone else to scale that innovation. Mark alluded to this in his introduction and you've seen us do this with technology platforms that transform the marketplace before, like Air, Free, Lunar and Dri-Fit.

But as Mark said, the technology platform that, to date, has most dramatically transformed the way we approach product design and the business is Flyknit. So I'm going to take you a little deeper on our Flyknit journey. In the last two years, you've seen us bring to life new Flyknit products that have fundamentally already transformed performance footwear, and we've just begun.

At the 2012 Olympics, we brought the world of sport and our consumers a brand new proprietary technology called Flyknit, a new method of making a shoe upper that is impossibly light and incredibly strong. By Spring of 2013, we were able, with this new technology, to make and bring to market 330,000 pair of Flyknit shoes. When we saw you in Fall of '13, we had 6 Flyknit models in the line: Lunar 1, Racer, still one of our most popular shoes, Trainer, Free, Hyperfeel, and Chukka.

And we had gone from that initial run, that very first 60,000 pair in Fall of '12 to 1.1 million pairs in one short year. During that year, we learned a lot. We learned that consumers loved the lockdown feel of the shoe. They felt the knit, with our embedded construction, and they felt it hold their foot in place, while being unbelievably light.

Something we've known since the birth of Nike is that weight is the enemy of speed. So light is a really, really good thing. This was the first time we could offer our consumer the performance lockdown that they sought, with a lightness that would ensure speed at the same time. In Fall of '14, just two years after introducing Flyknit to the world at the Olympics, we added another brilliant chapter to the Flyknit story.

The introduction of the Flyknit Magista forever changed the way athletes think about their football boots, and was the innovation spark that sent Nike into the number one position in global football, even in Germany, an advantage that we have sustained, now leading in all of Western Europe by a wide margin in market share.

Our share of the pinnacle statement boots, the best of the best boots, worn by the best of the

best football athletes is 70%, a clear and significant separation from the rest of the marketplace. Spring '15, we brought Flyknit to the modern comfort of our sportswear business, where the lockdown was less of a benefit, but the lightweight, sophisticated aesthetic was an immediate hit with the sportswear consumer.

We created even further distance with this application between us and all those other brands out there. This Fall, just three years after introducing this revolutionary concept of knitting yarns together for the upper of a shoe, we have 28 models of Flyknit shoes in our product offer. It took us 10 years to build Free into a billion dollar franchise. For Flyknit, it's just been 4 years.

One of the things that is best about a new technology is when you can help the world's best athletes perform at their very best. So whether it's Ronaldo scoring his 500th goal, a feat only 24 footballers have every achieved, or whether it's Kobe who's any minute now going to demonstrate his incredibly quick speed, Flyknit is helping the world's very best athletes perform at their very best.

We have often talked about how sports moments are those times when our very best work shows up. An unforgettable one for us was the winning goal scored in the 2014 World Cup by Mario Götze, and you guessed it, in Flyknit, the Flyknit Magista. So what does the future hold for Flyknit? We already hold 500 global patents related to our Flyknit technology.

And are working with programmers and yarn suppliers as only the market leader can, figuring out how to bring new technology to create even greater levels of performance. Now we've talked about how the brilliance of Flyknit is not just the technological superiority, but the aesthetic beauty of the knit. And in a company where we are intent on staying small and nimble, while using every advantage our size gives us, nowhere is this more evident than Flyknit.

We have small pods of designers, Portland, Asia, London, where we have access to the finest knit design schools in the world. Each of these pods is devoted to bringing brilliant new knit design to a particular category, for a particular consumer. The lightweight comfort of Flyknit lends itself beautifully to our sportswear business, where we have re-mastered the platforms in our shoes to bring flexibility and lightweight comfort to our most iconic silhouettes.

Now, we can geek out on product like nobody else, as you've seen for the last few minutes, but something we also geek out on is the financial impact something like Flyknit has on our business. As I said earlier, we expect Flyknit to be over a one billion dollar franchise in 2016, a premium business that lifts the premium nature and the financial impact of premium products on every category in our business.

So as you know, premium products with a broad consumer appeal have an integral part of the revenue, average selling price, margin equation in lifting all three of those elements in our financials. Roshe, as an example, which is our single most popular model, retails in its normal construction for \$75. But in the premium Flyknit edition that you see here, it sells for 120 and is our fastest-selling edition of Roshe.

So Flyknit is the perfect example of how we shape our tools and how our tools shape us. Flyknit has transformed the business, much like Air, Free, Lunar and Dri-Fit have before. So we've talked a lot about footwear and we have a lot going on in footwear, you know whether it's revolutionizing the upper construction in Flyknit, or bringing platform innovation to every athlete in every category.

Last time we met, I had the opportunity to share with you how we obsessed the University of Oregon football uniform, which set us up to change the performance proposition for the NFL. You know, as a long time apparel person, I'm very proud of the work that we've done in developing truly innovative, leading apparel propositions across our categories. One thing we've learned from our relationship with the world's best athletes is that their entire system of dressing really

matters.

No single item makes their performance the best it can be, it's how those individual pieces work together. And we call that the system of performance.

So as you know, we will bring, and I think if you've had a chance to go over to the product room, or when you do get a chance to go over to the product room, you'll see what we mean by the system in almost every single sport that we touch. But let's take one example, let's take training. So as you know, the sport of training has really brought appeal globally. Young consumers everywhere are working to be their very best versions of themselves, whether it's for the sport they play, or whether it's for a great Instagram image.

But we've studied the training consumer in depth, and as only Nike can, are bringing the best possible system to that training consumer. So we've studied the 6 basic moves that occur in high intensity training. We know we need to solve for the enemies of a brilliant workout. We need our products to be as light as possible. We need them to prevent fatigue so the consumer can train longer. We need them to provide mobility so they can move.

So we are introducing some new tights in both men's and women's that are the result of extensive tests in our Sports Research Laboratory. We have knit in control elements exactly where the consumer needs them to reduce muscle vibration, which is the enemy of a long workout because we know excessive muscle vibration brings on fatigue. You've seen athletes with the tape on their thighs or their calves or wherever.

The physical therapists call it proprioception. We call them Run Forever Tights and Train Forever Tights. We also know that a woman feels the most important part of her training system is her bra. We know she wants it to be lightweight, but she wants the feeling of lockdown. Now we at Nike know something about creating a lockdown feel, having introduced Flywire to the world at the Beijing Olympics. Now we have added support and removed distractions to create the bra for our training and running consumer so she can have the workout that makes her feel great.

The other enemy of a good run or a workout is temperature. Now we are introducing this season a proprietary technology we call Aeroreact, and you'll see that over in the product room. This is where the fibers actually expand and contract as your body needs cooling or warming. And with Hypercool, our go to base layer, we've discovered that putting a reflective treatment on the shoulders and ventilation in all the right places creates the best possible base layer, reflecting heat where you need it and allowing air in where you need it.

And while each of these products is impressive in its own right, when you put them together, especially when you pair them with the amazing training footwear like our highly sought after Metcon, you get a system of performance that only we, Nike, have the technological capability and innovation capacity to bring to market. Now we're taking this idea of the performance system one step further, to what we call Athlete 365.

You know by now that no one studies athletes like we do, and we've learned that they want more from us. They want us to be part of their life and their regimen all throughout their day, their month, their year. In season, they want us to develop for them the right system, head to toe, for before, during, and after practice, during warm-up and pre-game, during the game, not just while they're on the court, field, or pitch, but time on the bench during recovery, and of course post-game.

Plus, we know they care very deeply about what do they wear to and from the field, court, or pitch, so they want the world to know they love their sport. All right, well you've heard me talk a lot about innovation and how it enables people to be better. That is of course core to everything we do. But the product we make also plays a critical role in inspiring our consumer. How do we feed the consumer's passion for sport?

How do we keep them coming back? How does the product make them feel? Over the last few years, we've created a stronger and stronger bond with our consumer by editing our product offer and creating a point of view, balancing what they expect to find with what they count on us for, and then at the same time giving them something unexpected that entices and excites them. We are getting better and better every day at making sure the consumer is seeing the right product in the right place, at the right time, at the right price.

We began this journey of a more directed approach to merchandising a few years ago, first with our own stores, then applying what we had learned in our own stores to controlled spaces at wholesale. These controlled spaces are almost twice as productive as the rest of the marketplace. Elliott and others have shared with you over the last few years some very effective executions of this directive approach, where we've dramatically edited our product offer to focus on what the consumer should find in each consumer touch point.

China is one of our greatest examples. Christiana and Elliot are going to walk you through more detail on how being more directive at the door level has really propelled the consumer reception and corresponding productivity as we reset that very important market. Our future plan is to do this on a more comprehensive basis. Let's look at an example of the Stratford Westfield Mall to bring this to life for you.

Today, there are 14 points of distribution that carry Nike in this mall, including one of our own stores. We the Nike brand do 27 million dollars across all of those points of distribution in that mall. It's a great mall. If you've ever been there, there are lots of Nike consumers there, sportswear consumers, basketball consumers. It is a great spot for the Nike brand.

But for many of the stores, there is some duplication. There are products that are the same from account to account. And in some cases, the editing that the buyers have done may have resulted in an uninspiring presentation for our consumer, their consumer. So if we apply the directed approach to every consumer touch point in this mall, and they only get half the productivity lift we have already experienced in China and other directed spaces, this mall alone would add 5 million dollars for Nike.

Across the entire mall's base fleet, that opportunity is a one billion dollar opportunity in being more directive. So that's about the right product at the right place at the right time. What about the right price? An important part of the consumer formula is pricing. Our merchandising teams are responsible for pricing, both recommended global price and execution in territory, taking into account things like currency, inflation, commodity and duty fluctuations.

We have dramatically improved our capabilities in this zone, adding economists, tools, teams in the geographies dedicated to ensuring we hit that right balance in what the consumer expects to pay, with ensuring that we, Nike, get paid for our investments in innovation, our creativity, and our brand strength. So in our time together this morning, we've hopefully gained some greater insight into how we create and innovate, how we merchandise and price, all of which give us a pipeline of unbeatable product consumer connections.

We have the advantage of having sport's biggest moments, the world's stage, to showcase our work, to drive global energy for our brand and for our business. Only Nike is there with the athlete and the consumer at all of the major sport moments, all those times when the world is watching, when the world cares, and when they care deeply. These moments keep getting bigger, the world keeps getting smaller, and this coming year gives us lots of opportunity to showcase the products that we've created to inspire our consumers with the innovation, the impact on performance, and the beauty that creates desire.

We have Super Bowl 50 in San Francisco. What an amazing opportunity to deliver for the athlete on the field, to create visibility for the key items on the sidelines, and to inspire fans to connect with their teams through product. NBA All Star Weekend in Toronto. All Star Weekend is one of those great moments where we are building the experience around the fan. This is when the Nike Basketball and Jordan Brand both really shine, through the energy around our footwear and our athletes and our connection to consumers who love the game.

March Madness, when the entire world watches intense rivalries and unbelievable performances. Then Euro Champs '16 and Copa, two major football moments where rivalries are at their highest. And everybody's already excited about the teams that are already in. We have some amazing new apparel innovations in the National Team Kits. And of course we always bring out our best boot innovations when the world's greatest are playing for national pride.

Oh and then there's this little thing called the Rio Olympics. The Olympics give us the opportunity to deliver our very best. This is when we bring to life the platforms that can drive the company for years to come. This is when we get the opportunity to innovate for the athlete across many sports. We get to inspire the consumer. We get to accelerate the business through our product. Remember the story a few minutes ago about the introduction of Flyknit in the 2012 Olympics? Look forward to Rio.

It's going to be a great year. It'll be a great next few years. Our innovation pipeline is full. Our aesthetic design acumen is sharp. We're exploiting the balance of knowing when to take advantage of our bigness and when to be small. We're creating scale around our innovations to drive future growth. We are partnering with world class talents that will make us better. We're creating integrated systems of performance that we will celebrate on the biggest stages in sport. And we are bring direction and science to what the consumer sees and where they see it. So I want to thank all of you for your time and I want to introduce you to Jayme Martin.

Jayme Martin, VP & GM – Global Categories

Thanks Jeanne. Good morning. My name is Jayme Martin and I'm the Vice President and GM of the Global Categories here at Nike. I'm excited to be here to talk to you about our Category Offense. As Trevor said, we exist to serve athletes, and through that goal we drive growth. Now, when we talk about serving athletes, we mean that completely. At Nike, we serve every possible product need of the athlete: for when they compete, for when they train, and for their entire lifestyle 24/7/365.

We have category teams dialed deep throughout the world, connecting with consumers everywhere they live and play. And with our global marketplace footprint, we find and target new opportunities. When we land these opportunities, we then scale them with a power and at a scale and a pace no one can approach. By serving athletes' needs beyond product through services and experiences, we are with them every step of the way.

This means that we keep our athletes coming back while also inviting more consumers into the brand every single day. At the same time, we are focused on leveraging the insights from our global digital ecosystem to serve consumers personally at scale. When consumers share information with us, we are able to offer more products and services tailored to their needs and interests. This community is defined by the quality of the connection, which is why so many consumers around the world are choosing to join in.

We are their partner. We are not just focused on consumers downloading our app. We care about athletes making us an authentic part of our lives. And they are doing just that. In the last 12 months, our runners have run nearly 500 million miles with us. When they join in, they're more active. They run more, they run farther, and they run faster.

Since we introduced the Category Offense, it has built a solid foundation to fuel sustainable, profitable growth. For instance, Running and Jordan have both more than doubled in size and Running continues to be on track with our FY17 guidance. Our Women's business is ahead of pace to achieve the \$7 billion target we announced two years ago, and the business is accelerating.

And Basketball and our Young Athletes' business have already hit both of their goals of adding \$1 billion by FY17 in FY15. All of this growth is driven by the fact that we lead in product innovation in every category, and we continue to elevate and expand our global premium capacity in the marketplace. This offense is embedded with the power of opportunity.

You can see this most clearly in geographies where we have developed the Category Offense the most, namely North America and Western Europe, which proves what a true growth driver this strategy is when executed completely. And as we perfect the Category Offense in North America and Western Europe and roll it out across the rest of our geographies, as we're doing in China and elsewhere, the sky's the limit. Let's take a closer look at the Category Offense and the foundation Nike has established around the world.

Because we know athletes better than anyone else, we see the culture around sport shifting and evolving up close. That foundation lets us continuously create separation in the marketplace. At Nike, running is our heritage and our biggest performance category. We've committed to make all runners better, whether they're looking to run their first mile, hit a PR in a marathon, or set a world record in the 10,000 meters.

Running today isn't just a way to get fit, it's a lifestyle. And we love fueling this lifestyle across innovative products, services, and experiences that help runners reach their goals. And there's nothing we love more than exceeding runners' expectations. The truth is, our running innovation pipeline is as strong as I've seen it in my 18 years here. And at Nike, we pride ourselves in offering runners experiences they didn't think they could have with a running shoe.

Today, we work with runners to meet their preferences with the choices we have for footwear, focusing on how they personally like to run. We can serve every kind of runner, whether they prefer a fast ride, a natural ride, or an effortlessly easy ride. We have it, and we have the best. At the same time, for those who just love the look or the comfort of a running shoe, our extensive vault of beloved iconic designs can be refreshed every year, every season, and every week.

These stories continue to elevate the energy of these products year-in and year-out, fueling that culture of sneakers. Of course, we're always innovative head-to-toe and that's the power of the running offense. We have driven a premium and cutting-edge running apparel business, and it has led to 22 consecutive quarters of double-digit growth. That's always wanting to be the best, and never being satisfied.

One consumer favorite is our Aeroloft Running vest, which offers feather-light insulation, perforated ventilation that keeps the right amount of heat close to the runner. It is now a must have for all runners, beginner and elite. This drive doesn't stop at product. Our innovative approach extends to our retail environment and services. Two years ago, I discussed our Flatiron running door. It has become our most innovative and productive Running store in the world, transforming our retail concepts around the globe as well as lifting all of our retail partners.

It was our stake in the ground to help us refine how we wanted to elevate retail for our runners to create the most passionate running community in the world. This effort elevated New York City, North America, and the marketplace around the world. And today, we're unlocking global running with a premium distribution model that only Nike could do. Since I was up here last, we also set out to create the most connected and expansive service model for runners.

Our goal was clear: to deliver motivation, coaching and product, with every runner's unique needs

in mind. We call this the Nike+ Run Club. We serve every runner around the world with a deep and rich experience they love. This service includes the industry's best running app and individual chats with running experts on Nike.com. And I mentioned analytics earlier. Through the data we collect from the Nike+ Running app, we have the ability to track a runner's journey and offer guidance, services, and products to meet their needs.

For example, when runners mark their runs as Trail, we can have a robust conversation with them about trail-running, offering tips and access to the latest trail collections. And if you are in one of our 43 Nike+ Run Club cities, with more being added every month, it just gets better. While many brands have group runs, we have running experiences. These runs are fully booked within minutes.

We always hear how people never forget these experiences. And they share their successes with friends and families, bringing new runners into our community every day. We program experiences for runners with a variety of different options, whether it's our beginner's run, called our Ready, Set, Go Run, in which a running coach and a team of pacers are there to support you every step of the way, our speed run, which gets you faster and stronger with a mix of quickness and intensity on the track under the lights, the Run the City run, where runners discover new sights and sounds throughout the city they live.

And that's just a few. We have a comprehensive program for all runners. Only the Nike+ Run Club, and its expert coaches, makes that possible. Take a look. (video in room).

Love that. What I love is when someone finishes our beginner run and they look down at their phone and realize they finished two miles when they didn't think they could run even one. And on top of a million in-person runs with runners in cities around the world, we will go on more than 150 million runs through the Nike+ Running app in FY16. When runners join our community, that depth and energy translates into conversion, both in-store and online.

They come back because we are committed to serving them, driving the business to new heights. Our Running category continues to see incredible growth: We expect Running alone to grow to \$7.5 billion by FY20. Through innovative product, elevated retail, services and experiences, our commitment to runners is to serve and inspire. It's a deep relationship that keeps them coming back.

That's our growth model and that's how we keep expanding this market. Now let's talk about Nike Women's. Nike Women's continues to be one of our biggest opportunities. As Trevor said, Nike Women's is now a \$5.7 billion business growing to an \$11 billion business by FY20. We know this athlete is demanding more from brands across product, across service, and across experience.

And we are there every step of the way throughout her journey, serving her completely through her run/train/live lifestyle and a host of sport categories. We obsess the innovative product she loves and are staples for her run or workout, serving her complete sport and fitness lifestyle. Tights are one of her most important apparel items. As Jeanne said, we build the best tights in the world, at every level. We then bring it to our bottoms bars at nearly 4,000 doors around the world.

And all of this energy is accelerated through activations like the Tight of the Moment. This is a product that when we release it, it evaporates. These special stories, prints and patterns create demand that drives our productivity, enabling us to nearly triple our tight business over the past couple years. Today, tights, along with other staples, like bras and tanks are favorites we've scaled globally.

Now in 2013, I also talked to you about the Sky Hi Dunk becoming a \$100 million franchise, and igniting a sneaker culture for her. Fueled by this fast-paced connection to the newest and

freshest styles, our Women's sportswear sneaker business is booming. Today we have six Women's footwear styles each at over \$100 million, which shows how we bring to life iconic silhouettes and styles designed just for her.

We are relentless about giving her the looks she loves, new colors, new aesthetics, and new stories. And in doing so, we create a massive growth opportunity for the company. And we deliver these amazing product stories to premium shopping experiences for her, while scaling them globally, both physically and digitally. Nike's hallmark in-store services are beyond compare with bra-fitting, gait analysis and much more.

Ultimately though, that premium shopping experience starts at Nike.com. Our focus on getting this right lets us create amazing product stories, which we can translate to wholesale partners around the world. Over the past year, Nike.com has seen incredible growth as we connect services such as the Style Guide, Get Fit Tools and the Nike+ Training Club to make it easy and fun for her to shop. And we never stop trying new things to make it easier for her to shop and connect.

Just earlier this year, we partnered with Instagram to give her a new way to shop for her favorites. Partnerships like these keep us far ahead of the rest of the industry. And today, Nike has the largest training community of women on the planet, in 146 countries. Nike's global consumers have 18 languages to choose from in our training community. Our scale across the globe is driving real growth.

In just one month this summer, this community completed nearly a million NTC workouts, and the numbers just keep climbing. And like in Running, we bring unrivaled experiences to this athlete through our NTC tour and broader Event Series. This energy around our Women's business can be felt up-close with one-of-a-kind activations in iconic locations. And naturally, the connection never stops, as she can live this experience digitally every day through Nike+ Training Club.

And all together, these pieces add up to our complete formula for growth: product that combines performance innovation and style, retail concepts that scale globally to where she lives, and services that inspire and enable her to achieve her goals. And because our approach keeps this consumer returning again and again, the Women's business continues to be on fire.

All right, now let's talk Basketball. Our roster of players is the greatest in the world, period. And they push us to be our best. Their pursuit of being the best fuels us to create the most innovative product that drives this category. And together, we've built substantial signature businesses behind each of these athletes, crossing over performance and lifestyle.

And we know LeBron, Kyrie, KD and Kobe are ready to go this season, and we're very excited to see the energy they bring to the court in a couple weeks. But we know these players transcend the sport of basketball all around the globe. No brand has helped drive the culture around basketball more than Nike. We are, and always have been, the most connected brand with those who love the game. And that tradition continues with our storytelling and work connecting younger generations to the sport.

Basketball has the power to serve both hoops-crazy kids and longtime sneaker-heads around the world by leveraging our iconic styles. Just look at the energy at this past season's NBA All-Star Weekend. All over New York City, we brought the heat for hundreds of thousands of basketball fans. With retail and consumer experiences, we showcased basketball's unique culture and passion.

We used All-Star Week to debut the Nike SNKRS App by leveraging our SNKRS Station, a pop-up store that launched the most exclusive performance and lifestyle sneakers throughout the week. Styles like Foamposite, Air Force 1, and the Kobe X were available to consumers on the hour throughout the weekend. This was an opportunity to show the world what happens every

week on our SNKRS app. Frequently dropping fresh sneaks to our consumers is just a normal cadence for us.

These iconic sneakers transcend the sport of basketball as well as the boundaries of the U.S. For example, the Air Force 1 is still today one of the most powerful franchises and styles inside and outside of sport. We saw the global power of our athletes yet again with Rise 2.0 in Shanghai, Manila and Beijing this past summer.

Rise was designed to help kids reach their full potential both on and off the court. This summer, Anthony Davis, Paul George, Kobe and LeBron worked with young athletes to develop both their basketball skills and what's even more important: heart, hustle, determination. It was an experience that made something we've long believed quite clear: sometimes it's not just who you partner with but the quality and the richness of the insight and the relationship that counts.

One story still stands out for me. Kobe was doing a morning workout in Beijing. Word got out, and 19,000 people showed up outside just to catch a glimpse. So he came out to say "hi", greeted everyone, then took off his shoes, signed them, gave them away. He then took off his shirt, signed it, and gave it away. Like he knew these kids had come from all over the country to see him in person.

And he knew what a rare and special moment this was, so he made it a point to make it personal and special for them. It's why he's one of the most loved athletes in all of China. The power and influence of our Basketball athletes when combined with the innovative approach to live experiences only Nike can bring creates an unmatched environment for consumers. And though we physically connected with just a few hundred kids in those three cities, more than 40 million people watched Rise 2.0 on TV, following the entire journey

The worldwide market opportunity for basketball is huge because the game is growing and the lifestyle is exploding. And as a result, we're seeing strong revenue growth around the globe. Mark mentioned this morning our partnership with the NBA. We have a shared vision for the game: to grow the game globally and be the most innovative sport on the planet. And if you think of the power of what we've done at the college level and the Olympics, it is clear to expect big things from Nike and the NBA in the next few years.

The growth opportunities as we spread the lifestyle of basketball around the world are clear, but in particular I'm thrilled about how the NBA partnership will ignite other areas of growth like Women's, Young Athletes and Sportswear. Our growth in Basketball is not defined by the current market size, it never has been. We have strong momentum in the U.S., and the game of basketball and the culture around it is expanding with the global opportunities in China, the Philippines and around the world.

This takes us to the Jordan Brand, a brand that stands for greatness. And athletes all over the globe are drawn to that idea of greatness. This emotional connection to the Jordan Brand sets it up to scale globally, a perfect complement to the Nike Brand and its ability to leverage the Nike footprint. As Mark said, Jordan has been building a product and marketplace foundation to unleash its power across multiple categories.

Recent moves, like our University of Michigan deal, and building a foundation in Training and Young Athletes, have started a transition Jordan into a multi-category, global sports brand, which gives us confidence of its growth potential. Today we plan to accelerate Jordan's growth and treat it separately from Nike Basketball. We expect this business to double to \$4.5 billion by FY20.

That's the kind of global scale and brand strength you can expect from the next era of Jordan. In other words, the Jordan Brand has come to play. Before I wrap up, I have to say a few words about one of our true powerhouse categories: Global Football. You're going to hear so much

more about what we've got planned for football as we prepare for Euro Champs and Copa America next summer.

And as you've heard all day, we harness the power of our athletes like Cristiano, who just recently scored his 501st career goal and also just won a record 4th Golden Boot, which is more than any other player in history. Today, I may have only touched a few categories but that just scratches the surface. The simple power of our Category Offense is that we run it to perfection across 13 categories, 6 geographies, 31 territories, which cover nearly every country in the world, all serving hundreds of millions of athletes.

In the end, we put ourselves in position to solve the problems of tomorrow today, thanks to the strategies and investments we continue to make. The service mindset of the Category Offense is the key that unlocks our connection with consumers to meet their needs. Because ultimately, it's the consumer who decides. Our brand is rooted in deep understanding of the consumer by knowing them and serving them.

It sounds easy, and some may even think it is. But at Nike, we've done it. And we're going to stay in the lead by doing it more and better than anyone else. Like no other brand, Nike is built to serve, both today and for decades to come. Thank you.

Elliott Hill – President, Geographies & Sales
Christiana Shi, President – Direct to Consumer

CHRISTIANA SHI: Good afternoon, everyone. I'm Christiana Shi, President of Nike's Direct to Consumer Business.

ELLIOTT HILL: And, I'm Elliott Hill, President of Nike's Geographies and Sales team. The two of us are delighted to be here to share with you our Integrated Marketplace strategy

CHRISTIANA SHI: Yes, we are. I want to start by reiterating a key brand belief, we serve. As you heard Jayme say, we serve consumers across 13 categories, on a global scale, head-to-toe. In fact, an additional one billion consumers will have access to the Nike brand by 2020, with a total of 4 billion consumers in our markets, all with mobile access to the brand by that time.

Our job is to serve those four billion consumers wherever, whenever, and however they want. We enable our consumers to reach their potential, we're there to inspire and support them. In the process, we grow the Nike marketplace. At the heart of our global marketplace strategy are consumers. And we serve them through what we call consumer led concepts.

We curate a targeted mix of products, services and environments into innovative retail experiences for our consumers across the marketplace. For instance, our Nike Running Stores for runners, our NTC Women's Experiences for female athletes, and our Nike Labs for lovers of sneaker innovation. We leverage deep insights and understanding of athletes' needs into each of these concepts, to ensure we always keep the consumer at the center.

ELLIOTT HILL: And we will continue to serve consumers across 6 geographies, 31 territories, and almost every country in the world. And while our global reach is unparalleled, that's not what makes Nike unique. It is the people and the culture that make Nike such a special company. Christiana and I are fortunate and we have the privilege to lead more than 62,000 passionate and committed teammates around the world.

And we've organized ourselves into focused, highly experienced teams. These dedicated teams live in Tokyo and serve consumers through nike.com.jp. They live in Frankfurt and serve our partners at Deichmann and Snipes. These teams live in Moscow and serve consumer's value occasions through our Nike Factory store in Savelosky. And they live in Monterrey and serve our

partners at Innova Sport.

It is the combination of both our teammates and our org structure that gives us the ability and the confidence to continue to connect, to catalyze, and to create a profitable, integrated marketplace for the Nike brand. And here's how we do it. As Christiana said, everything we do starts with the consumer including the marketplace.

We want to provide consumers easy access to Nike's products, services, environments, to enable consumers to shop wherever, whenever, and however they choose. Nike does what no other brand can do in our industry. We deliver consumers innovative product across 13 categories, head-to-toe and up and down price points.

And we must continually create a marketplace to keep up with Nike's relentless flow of innovation. And we have a strategic approach we call the Integrated Marketplace that allows us to segment and differentiate the marketplace while enabling consumers to shop across a broad spectrum of channels, we call them dimensions, and across price points.

The breadth and depth of our distribution enables us to grow the marketplace and grow market share. Each dimension has a specific role in the Integrated Marketplace, and we will dive deeper in each dimension in just a moment, but here's a brief overview. We connect the marketplace through nike.com, we catalyze the marketplace through our Nike Stores, both owned and partnered. And we create the marketplace with our multi-brand partners, in-store and on-line.

CHRISTIANA SHI: So first, we connect consumers to the Brand through nike.com, by offering the full breadth of our categories, making it easy for consumers to shop any time through any device, and bringing Nike product all the way to their homes. The last time we met, we told you we were going to accelerate nike.com, and we did. In fact, year-over-year revenue growth grew from 26% to 56% over the last 3 years.

What drove this acceleration? First, we dramatically improved the experience, leading with mobile commerce. We elevated our imagery, added style guides, broadened assortments, and increased site performance. A great example of this is how we've innovated the digital sneaker launch experience, both through our Sneakers app and our new Digital Draw, which gives sneaker lovers a more premium launch experience that is fun, fast, and fair.

Second, we expanded consumer access to the brand by taking nike.com to additional markets around the world, leveraging a common global digital commerce infrastructure. For example, consumers in 24 countries are now able to personalize their own Nike shoes through our Nike ID customization service, choosing their personal combination of style, color, and fit.

Nike ID shoes are designed by the consumer, made for them by Nike, and delivered right to their door. And I'm excited to say, we're about to expand our customization services to include rapid personalization on inline footwear, launching digital printing in the US on nike.com later this month. Third, and finally, we brought digital into our brick and mortar stores, by launching seamless commerce capabilities.

Over the last 18 months, we've connected all of our US stores, Nike Stores and Factory Stores, to our mobile checkout and in-store digital commerce platform. It allows consumers to shop online and in-store at the same time in a single transaction. Nike.com in-store sales are contributing incremental revenue by giving our consumers access to an endless aisle of Nike products, any way they want.

We're excited to say we've just taken this capability to Europe, launching seamless in the UK, and we're looking forward to rolling it out to more stores and more consumers around the world. So what comes next for nike.com? Well, Trevor already shared the big number with you, that we're targeting digital commerce revenue of \$7 billion by the end of FY20.

We'll get there by continuing to lead with mobile, because that's where our consumers are, serving consumers more personally and more seamlessly, and expanding nike.com globally into more markets around the world. In fact, later this month, we're launching nike.com in Canada, Switzerland and Norway. So if nike.com is where we connect consumers to the brand, our Nike Stores and Nike Factory Stores are where we catalyze the marketplace, by developing and scaling distinctive, consumer led concepts.

Our Nike Stores are the ultimate expression of the brand and our category offense. They're where we build personal relationships with our consumers, help them reach their potential, and bring the emotion of sport to life. Over the last several years, we worked to serve consumers better by perfecting our category-directed assortments, developing services like run analysis, bra fitting, soccer boot trialing, launching seamless commerce, and improving our operations.

Iconic stores in global cities like New York and London, have now been joined by high-performing stores in cities like Shanghai, Los Angeles, and Seoul. We've continued to drive productivity and profitability across our owned Nike Stores and cascaded consumer-led concepts across our partner fleet, which we call Nike Stores-Partnered. This strategy allows us to serve more consumers, in more markets, in a highly-leveraged and productive way.

Our Nike Factory Stores are where we serve consumers in their local communities, with great value and a premium experience. These stores help us maintain a healthy marketplace for the Nike brand, by selling excess inventory in a brand-right way. Our NFS stores also allow us to connect deeply into local communities by supporting local school sports programs and offering local employment opportunities.

For instance, in community stores like Flatbush in Brooklyn, Nova America in Rio, and our East LA store, which we're opening tomorrow, we aim to hire 80% of our store employees from within a 5 mile radius of each store. Our NFS stores are already highly productive and drive significant value, and we're still discovering many growth opportunities remain to serve consumers on a more targeted and local basis, with the introduction of seamless commerce and personal services in these stores.

Two years ago, we said we'd grow DTC revenue to \$5 billion by FY15. Well, we just closed FY15 at \$6.6 billion. That's a billion and a half dollars ahead of our goal. And today, we're pleased to announce the target of \$16 billion for DTC by the end of FY20.

ELLIOTT HILL: As Mark has said, being a better retailer helps us be a better company and we've learned a lot from our investments in DTC. And the 2 of us and our teams around the world are committed to continuing to share our learnings with our multi-brand partners. Simply put, Nike DTC's growth has a multiplying effect across the integrated marketplace.

At a very high level, here's what we've learned from DTC. To be very sharp on the target consumer we're serving with each concept. To be ruthless in creating consumer right assortments leading with our innovations. To plan and buy these assortments with conviction. To provide services and services that exceed consumers expectations, and to offer these assortments and services in compelling environments, in store and on-line.

And here's how we apply the learnings to multi-brand retail. We start first by working closely with each of our partners to align on a target consumer by concept and, by banner and consumer led concept. We then segment our partners by dimension, or channels, and by good, better, and best. And finally, we leverage our broad product offering to create consumer right assortments that differentiate our partners.

This is how we deliver the right product to the right place, in the right quantities and at the right time. That's what consumers expect and deserve. Our brand strength, our broad and diverse

product portfolio, and our experienced leadership teams, enable us to execute this strategy consistently around the world. No other brand in the industry can do this.

Here are a few examples of what we've done with our partners around the globe. We serve the young and fresh Nike Basketball consumer and the first class flier who loves the Jordan brand through House of Hoops and Foot Locker. We serve the football obsessed teens with our partners at Inter Sport. We serve the young and fast runners through Finish Line and Jack Rabbit Sports. And we serve the team athlete through gear up moments with our partners at Dick's Sporting Goods.

This discipline of segmenting and differentiating multi-brand retail partners enables us to drive mutually profitable retail and allows us to confidently say, we will continue to expand the multi-brand marketplace at a mid to high single digit rate over the next five years.

CHRISTIANA SHI: As you've heard from both of us, we believe every dimension of our integrated marketplace has opportunity. And our strategy to connect, catalyze, and create will enable our continued expansion. Here's how this comes to life for our consumers every day, around the world.

ELLIOTT HILL: Christiana and I are proud of our teams, their commitment to growing the integrated marketplace and we never get tired of seeing the amazing work they do to serve our consumers. Now, we'd like to share 4 examples of how our teams around the world leverage the Integrated Marketplace strategy to serve our consumers and connect, catalyze and create the marketplace.

The last time we met, we said we'd drive growth in apparel by delivering consumers fresh and innovative product. One example of that commitment is our game-changing and industry leading innovation we call Nike Tech Pack from Nike Sportswear. We leveraged the insights and the power of our global athletes to inspire and innovate for consumers around the world.

We created a new space featuring premium sport style and seasonally relevant apparel, and we leveraged the integrated marketplace to launch this new innovation at scale and completely energize the global marketplace. From city to city, from dimension to dimension, when we launch, we launch big. From Istanbul to New York City, from Rio to Paris, from nike.com in Europe to Nordstrom in the United States, from Nike Harajuku in Tokyo to JD Sports and Size in London, from the Pousheng Nike store in Beijing to Sport Master in Moscow.

And in doing so, we drove strong sell-through and apparel growth in every dimension of the integrated marketplace. Simply put, the breadth and depth of our integrated marketplace allows us to launch new innovation at global scale and do it better than anyone else.

CHRISTIANA SHI: Since this meeting two years ago, Nike North America grew \$2.6 billion in revenue reaching \$13.7 billion in FY15. And we expect it to grow to \$20 billion by FY20. Our Nike Women's business was and will continue to be a key driver of this growth, unlocked by creating premium distribution at all levels. It's a great example of how we leverage the complete category offense Jayme talked about, to drive growth across the marketplace.

Here's what we did with Nike Women's in North America. We accelerated nike.com, focusing on our women's assortments, services and overall site experience. We saw great results from our new seasonal Women's Style Guide, a shop-able guide that serves her training, sports and style needs, and our @NikeWomen Instagram Shop. We elevated our Women's spaces in our Nike stores and led with the women's experience in key doors like Nike Santa Monica and Nike Chicago.

We also opened Nike Women's-only stores in Newport Beach and Union Street in San Francisco. These stores are providing a whole new level of experience for women, including bra fitting, run

analysis, pant hemming, and Nike ID, and we've brought these services to the rest of our Nike store fleet. Our learnings in these doors were also shared with our partners across the market. We extended our efforts to serve the female athlete through key retail partners, including stand-alone multi-brand concepts 6:02 with Foot Locker, and Chelsea Collective with Dicks Sporting Goods. As well as NTC at Macy's, and a consumer right experience with Kohl's. Globally, the Women's business grew to \$5.7 billion as of the end of FY15 by unlocking this premium distribution. We opened 173 new premium women's spaces in the last year alone. And we plan to open more than 1,000 premium new women spaces, doubling our business, over the next 5 years. That's the complete category offense, unlocking growth across the market.

ELLIOTT HILL: And finally, we'll show you how we leverage the integrated marketplace strategy to serve consumers in two cities, London and Shanghai. But first, I'd like to say a few words about Greater China and then I'll dive deeper into Shanghai's, integrated marketplace. The last time we met, we said we were going to reset Greater China, and we did.

Nike is the number one favorite brand in China and our business has grown nearly \$600 million in revenue, or a 24% growth, over the past 2 years. Our Greater China reset is a tremendous example of leveraging our investments and learnings from Nike DTC to drive a mutually profitable integrated marketplace.

So how did we do it? In one word, focus. We focused our strategy on the right consumers, categories, consumer-led concepts, and cities. It's important to note that we applied this strategy across all the key cities in Greater China and that's why we've been so successful. Now, let's talk about the specifics of Shanghai.

Like most cities in Greater China, Shanghai is primarily a digital and mono-brand marketplace, which gives us a unique opportunity to serve our consumers through a localized nike.com connected to a fleet of Nike Stores, owned and partnered, and Nike Factory Stores. Consumers in Shanghai are also extremely connected, have incredibly high expectation for premium and personal products and services, and in many ways, are ahead of the curve in terms of sport participation and activity for Greater China.

This deeper understanding of athletes in Shanghai led us to focus our category offense on running, basketball, Jordan, sportswear and women's. We then mapped the Shanghai marketplace to identify where these consumers live, shop and participate in sport.

This process revealed where we had proper distribution and where we needed new or elevated distribution. And while we were mapping the marketplace, we created and tested relevant, consumer led concepts. And the two of us have visited and are incredibly, many times, and are in-, incredibly proud of the concepts like the Nike Women's Store in the IAPM Mall, the Nike Running Store in Sanlitun, and the Nike Basketball store in the EC Mall.

Once we were confident in the scalability of these consumer led concepts, we worked closely with our partners at Belle, Poushen and Good Baby to align on a roll-out strategy by trade zone and by consumer led concept. And finally, we worked with our partners to align on the capabilities necessary to deliver these consumer led concepts. We worked with our partners to create consumer right assortments, to buy these assortments in the right depth and even size curves.

To flow the assortments at a door level and to elevate the in-store service standards. Working together, we've been able to drive comp store growth, productivity gains and increase profitability for Nike and our partners. That's why we're confident Greater China's revenue will grow to \$6.5 billion by the end of Fiscal Year 20.

CHRISTIANA SHI: I want to share one final example to bring our integrated marketplace strategy to life, London. Over the last 3 years, we worked with our teams in Western Europe to create more consistent consumer experiences and elevate our distribution. We are now the

number one favorite Brand in all our key cities, and our business in Western Europe has expanded by \$1.5 billion in the past two years alone.

As I'm sure you know, within Europe, London is a city with global reach and influence, whose digital native, first-to-know consumers really set the tone for the wider marketplace. London was a key engine of growth for our brand, as we drove the transformation in Western Europe. We landed FY15 with Nike being the biggest and the coolest brand in London, and our growth in London outpaced our total UK and Ireland growth.

So, how did we do it? By taking a holistic approach to the entire London marketplace. We mapped the market, focusing on key trade zones, where our category-specific consumers live, play, train, and shop, online and offline. We created robust plans to serve our consumers in these zones and we began to plan, track, manage, and measure London as an integrated marketplace.

We accelerated each dimension, to better serve the London athlete. We grew nike.com by 68% by becoming more locally relevant. For instance, adding package pick up points around the city through a partnership with UPS, to help busy Londoners receive their nike.com orders wherever they wanted. We evolved our DTC portfolio by refitting Nike Town London and we opened Western Europe's first Women's Only Nike store on Kings Road.

And our London consumer is loving it. Our King's Road Run Club and NTC Training sessions are routinely booked up. We're very pleased with the performance of this store. We also partnered with some of our biggest multi-brand partners as they opened flagship doors in London. JD opened its second Seamless Concept door on Oxford Street, which immediately jumped into one of their top 5 doors in Europe.

Pro Direct, one of our top digital partners, opened its first Clicks-and-Mortar Football door, and we opened our first Tier Zero Women's space in the iconic department store, Liberty. I could add even more here, including our terrific partnership with Harrods, or our innovative Nike Factory Stores in iconic London locations like Wembley. But in the interest of time, I'll just say, this is just the beginning.

We will continue to serve our consumers in critical, global cities like London and Shanghai by bringing the complete category offense in an integrated way across the marketplace.

ELLIOTT HILL: We hope you leave here with a better understanding of how Nike leverages our teams around the world and our integrated marketplace strategy to serve 4 billion consumers, and we will do this by connecting, catalyzing and creating the global marketplace to deliver and, and grow to \$50 billion by the end of fiscal year 2020. Thank you very much.

Eric Sprunk, Chief Operating Officer

Good afternoon. I'm Eric Sprunk and I am Nike's Chief Operating Officer. As you've heard consistently today, everything we do at Nike starts with the consumer and Nike's global operations are no different. We are a consumer centric company, with a commitment to creating a consumer responsive supply chain. In 2013, I spoke to you about the scale and complexity of Nike's supply chain.

Since then we have grown, and we've grown fast. And as we grow, so do our consumer's expectations and their eagerness for on demand, as Trevor stated earlier. This combination means we need to be focused on the supply chain of the future as we optimize the supply chain of today. Because it's still about right product, right place, right time, but now at a much more elevated level.

And so, with the consumer at the center we must accelerate innovation across our end to end

supply chain, and at the same time, enable growth by mastering the fundamentals of how we operate today. So let me take a moment to refresh your memory on what the supply chain looks and feels like at Nike.

Last year, we shipped roughly 1.1 billion units through our supply chain. Getting product to the right place at the right time now involves approximately 700 contract factories, 58 distribution centers, delivering that product to approximately 20,000 accounts and 110,000 retail doors. Now operations at that scale are innately complex and becoming more so as we continue to accelerate our growth in areas like nike.com and our partnerships with the NFL and the NBA.

So when one of the Seahawks, passionate 12's, is inspired by what happens on the field on a Sunday afternoon, we have to have the agility and flexibility to be on the shelf by the next weekend, with depth, in the right name and the right number, or shipping the next day to their door after they order on nike.com. It's a challenge, but it's one we welcome because we're confident we can leverage our size to make responsiveness a competitive advantage.

To do that we are always working to reduce complexity in ways that are invisible to the consumer. We do this by driving simplification and standardization, where it makes sense across our business. A couple examples, we're migrating all of our distribution centers to one warehouse management system to more efficiently scale our business globally and we've made significant investments in a global end-to-end planning system that allows us to more dynamically match supply with demand to be more responsive to the consumer.

Just a few of the global platforms we are currently implementing to support scalable growth. By being simple and standard we can make meaningful impacts on the marketplace. You just heard Elliott talk about China. We quickly scaled our ability to plan the marketplace in China at a door level. It's been a key enabler of our incredible acceleration in that marketplace.

Now our efforts in this space are not limited to our use of technology. We're driving productivity improvements across our model mix. Average volume per SKU in footwear has increased almost 30% in the past 2 years. We've reduced the number of active materials in our material palette by over 30%, enhancing our purchasing power with suppliers. We continue to reduce and elevate the number of partners in our source base, particularly in Apparel, because fewer relationships mean those we have are deeper and more strategic.

We're also working to deliver more of our products directly to our retail partners. Less touches in our supply chain mean less cost and more speed. We've increased our direct ship percentage from 25% to 30%, and we expect that trend to continue. Our ability to reduce complexity invisibly to the consumer is instrumental to our ability to deliver tangible results to the bottom line.

In the past two years, we've challenged ourselves to more directly measure productivity, particularly in contract footwear manufacturing. Thanks to our lean manufacturing initiatives and the great work of our factory partners, we've seen an increase in labor productivity of 7-8% in each of the last 3 years. At the same time our product is more innovative than ever, as evidenced by our steady increase in average selling price.

Making that even more impressive has been our factories ability to produce and deliver product on schedule. We call it on time performance or OTP, and right now, it's at an all-time high. Higher OTP drives better service, fewer discounts and lower closeouts.

Global Operations plays a key role in supporting an integrated marketplace and we're deeply focused on optimizing our investment in inventory. Two years ago, you'll remember, I noted we were expecting our reported days in inventory, DII to decrease by 5 to 10 days. That hasn't happened. What has happened is we've driven accelerated growth in dimensions of our business that require a higher investment in inventory because we hold it closer to our consumer. Areas like, our Always Available Program, Nike Factory Stores, Nike In-line Stores and of course,

nike.com. This investment has helped us drive growth, enhance profitability and be more responsive to the consumer. It's also helped us maintain extremely healthy inventory. At the end of fiscal year 2015, our percentage of closeout product was near historic lows.

So let's take our Always Available Program, where we allow our retail partners to pull longer life cycle product from our central inventory based on actual sell-through in the marketplace. For these products, we can more effectively manage inventory centrally than our accounts can individually. It also allows us to make sure product is available at retail where it is working best, which drives growth and market share.

As an example, in North America, we pulled more women's base layer inventory into our DC, to ensure higher levels of service versus pulling direct from the factories. It drove year over year growth of 40% and pushed our market share to 54%. Let's talk about our Factory Stores as Christiana just got done speaking about. Factory stores clearly play a role beyond liquidating inventory. They represent a premium experience for our value consumers.

That being said, they are our preferred channel for clearing excess inventory, most notably because of the considerably higher gross margins compared to 3rd party liquidation channels. The growth in that dimension of our business has enhanced our profitability and marketplace health and is why we're very comfortable with the decision to hold that inventory on our books a little bit longer.

More generally, as we expand our DTC business faster than our wholesale business, our average DII will tend to increase due to the change in business model mix. That said, we will drive DII leverage across every dimension of our business with our ability to quickly sense and respond to demand, move product to the right place at the right time, and efficiently and productively manage liquidation.

We're proud of the progress we're, we're making to optimize our supply chain, and we're going to continue to focus everyday on mastering the fundamentals. But we also see tremendous opportunity to meet consumers' demands in new, unexpected ways, and that requires innovative, big-idea thinking. In 2013, I introduced you to what we call Manufacturing Revolution.

A transformative body of work that is not only helping us refine what product we make, but just as importantly, how we make the product. This notion of changing how we make product is important for a number of reasons, particularly our exposure to labor rate increases and our opportunity to reduce waste in our manufacturing process. At a high level, Manufacturing Revolution has 3 foundational pillars.

Lean Manufacturing Excellence, Manufacturing Modernization and Manufacturing Innovation. Now we spoke before a little bit about Lean Manufacturing Excellence and its impact on productivity, efficiency and factory on-time performance. But, our modernization efforts are also accelerating. By the end of fiscal year 2016, we will have deployed 11 projects across our source base.

These projects are reducing labor, improving quality and in some cases, enhancing the aesthetic of the product. We're currently deploying a project that automates, through robotics, the process of painting the midsole. I recognize that this isn't rocket science, but the old process literally required applying tape to ensure paint only goes where you want it, much like if you, you would do if you were painting your living room.

It's wasteful and it's slow. Our engineers have developed a robotics solution that can apply paint that requires no tape and also enables new aesthetic paint effects that cannot be achieved by hand like the fade effect you see on the midsole behind me. Our modernization projects are beginning to make an impact on labor productivity and profitability. Opportunities like the one I just spoke about are countless, but changing an industry that has operated in the same way for

50 years, it's hard work.

We've only just scratched the surface and we're excited about the modernization opportunities that lay ahead. And while getting better at what we already do is pretty dang exciting, doing things no one has ever done before is what makes this place special. And our Manufacturing Innovation efforts have the potential to do just that.

Now, Flyknit and Color Dry are two new methods of make, innovations that you know well. Both have been very effective at reducing waste. Mark mentioned this earlier today. Since 2012, Flyknit technology has helped Nike reduce waste by nearly 2 million pounds. That's more than the weight of 3 Boeing 747s. And since we spoke, just 2 years ago, we scale our capacity of this exciting innovation by a factor of 8.

A different example of an early stage technology, using Dye Coo water-free dyeing machines, we produced 600,000 yards of fabric saving 20 million liters of water to make our Color Dry Polo's. That's the equivalent of 8 Olympic size swimming pools. And what's really exciting to me is these innovations both reduce waste and deliver tangible consumer benefits. Speaking of consumer benefits, let's talk about innovation in performance cushioning.

Over the last 4 decades, Nike has delivered unparalleled cushioning innovation. Nike Air changed the game. Zoom Air took it to a new level. Nike Free reinvented it and our Lunar Technology pushed the underfoot experience out of this world. And as we continue to experiment with advanced manufacturing methods like 3D printing, we push the boundaries of how to use technology to deliver performance cushioning innovation and accelerate our work in personalization and speed to market for our consumers.

Over the past few years, we have used 3D printing to create high performance footwear worn by athletes in competition. Both the Vapor Laser Talon and the Vapor Hyper Agility cleats featured plates created using 3D printing. These products were incredibly lightweight and strong with enough flex to accelerate some of the world's fastest athletes. They were also only possible using 3D printing.

Very recently, we've made a series of design and manufacturing discoveries with 3D printing that we believe will allow us to deliver a completely new, personal, performance cushioning system. A system not constrained by today's 3D laser sintering process. The potential with 3D printed cushioning is vast. And we believe it's going to allow us to better optimize and personalize cushioning for every athlete.

As importantly, it also opens up a world of design possibilities that do not exist today. Just as Flyknit has done with the upper, 3D printing will allow us to tune and engineer the midsole to deliver performance where each individual athlete needs it most. It's one example in a very exciting pipeline of new Manufacturing Innovation Programs. As I noted, we also have a complimentary portfolio of modernization projects.

But we don't think about Manufacturing Revolution as a collection of individual initiatives we're thinking much, much bigger than that. We think about the entire manufacturing ecosystem with the consumer in the center and the objectives of being more agile, more responsive, more efficient and more effective. In the past, manufacturing was an enabler of product innovation and design.

And we know our innovation and design teams will continue to push the envelope in terms of what is possible for the athlete. And now, so do our teams in manufacturing. That is why the Advanced Product Creation Center that Mark introduced is such a critical enabler of our success. Reducing the time from concept to product. More collaboration between the teams working on the product.

Connecting the methods of make innovations with the design and innovation teams that work here on campus. Teams from across our company are excited to open this facility here on campus, this month, and begin to accelerate our work in these areas. But we want to move so much faster than that. We already work with best in class footwear manufacturers.

But to truly transform how we make product and proliferate innovation across our entire supply chain, we know we must work with a world-class source base. And today, we are very excited to announce a partnership with a world-class manufacturer, Flex. Many of you know Flex, but for those you, who don't, they are a \$26 billion company working across 30 countries and almost as many industries, including electronics, medical devices and automotive.

They have proven expertise in design, engineering, manufacturing and supply chain management, and they make a perfect partner to help us create the future of manufacturing. Together, our teams will greatly increase the pace and speed at which we catalyze innovation across our global supply chain and revolutionize the way we manufacture our product. This will allow us to reach consumers more quickly, respond to the marketplace more dynamically, provide more customized solutions and deliver increased performance in our product.

And as we've worked with Flex over the past few months at their innovation center in Milpitas, California, we've been extremely impressed at how quickly they've learned the craft of footwear manufacturing, especially given the differences between manufacturing dimensionally stable objects like electronics compared to crafted goods like footwear.

We're also very excited by their ability to leverage expertise across a multitude of industries to bring new solutions and innovation to footwear manufacturing. In fact, Flex is already taking a fresh approach to footwear manufacturing in areas ranging from the methods of make deployed to cutting-edge digital systems that optimize production performance in real-time.

For example, the challenge of materials management for footwear is very complex given the materials, the number of colors and the number of sizes required. Flex has already developed an end-to-end integrated solution which combines automated material management with automated laser cutting. This proprietary solution can reduce material waste by up to 50%. And it's just one example of how the folks at Flex are helping us rethink the footwear manufacturing process.

At scale, these ideas provide obvious benefits and labor efficiency. And as importantly, they underpin our desire to run a more continuous and flexible manufacturing process. And remember, all of our work with Flex is being done with our global supply chain in mind, collaborating and sharing many of these learnings across our entire source base.

In operations, we're constantly challenging ourselves to answer the question of, "so what"? As much internally, as for our external stakeholders. And it can be sometimes daunting to simplify, "so what", with the ever mounting complexity and volume of our supply chain. And when I look at the landscape of today's operations as well as where we are headed, it couldn't be more clear to me.

For global operations to be not just an enabler of growth but an accelerator of growth and profitability, we have to balance flexibility with scalability and innovation with execution. And as you've heard throughout the day, it's really clear that the old adage is true, what got us here is not what will get us where we want to go. So we're driving simplicity and standardization in our supply chain that will enable us to scale to \$50 billion.

Our manufacturing revolution efforts will modernize our current source base and drive innovation and create new methods of make. The Advanced Product Creation Center will connect design, product, innovation and manufacturing teams in ways that frankly, are not feasible today. And our exciting new partnership with Flex will be a catalyst to move our product creation work forward unencumbered by the way things have been done in the past.

Last time you were here, I asked you to imagine a future of highly customized product, manufactured close to market, done profitably, at scale. I'm sure it is clear the actions we are taking are making that vision a reality. And if we keep our focus where it belongs, on the consumer, I am extremely confident in our ability to get there. Thank you for your time.

Andy Campion, EVP & Chief Financial Officer:

Hello, everyone. I'm Andy Campion, and thank you all for spending the day with us.

As Mark said this morning, NIKE is built for growth. And he shared that we're now targeting \$50 billion in revenue by the end of fiscal year '20. Over the course of the day, our leadership team then provided you with deeper insights into the strategies that are fueling that growth. At the core of our growth strategy is the category offense. And the category offense begins with segmenting our billions of consumers around the world through the lens of the sports they love. And the purpose of that segmentation is to identify opportunities to better serve them. As Jayme said, we then further segment by geography, gender, age, product type, to identify even greater opportunities. We implemented this strategy several years ago and it has driven remarkable growth. But today, the power of digital technology is accelerating and enhancing our ability to segment even further down to the exact specifications of our individual consumers. As we identify these opportunities, we then unlock them through a three-pronged approach. One, we develop deep and inspiring brand connections, be that through the greatest moments in sport, our Run Clubs, storytelling around our products and now increasingly, by simply serving our consumers more personally one-to-one. Two, we create a relentless flow of innovative products that exceed consumer expectations. And three, we then provide our consumers with premium services and greater access to those products they love through category focused retail experiences, both in-store and online. That is how NIKE creates value for consumers and that is how NIKE drives growth.

Later, I'll dimensionalize our growth objectives, and I'll our share goals in terms of profitability and returns.

But before I do that, you all know that we've made similar commitments in the past. And today, we're proud to say promises made, promises kept.

Over the last 10 years, we've averaged roughly 8.5% revenue growth, in line with our stated long-term goal of high single digits. And we've delivered that growth despite the financial crisis in 2009 and significant macroeconomic volatility of late. In fact, over the past 5 years, our growth has accelerated into the low double digits. When we met here just 2 years ago, we targeted \$36 billion in revenue by the end of fiscal year '17, and we remain on track to deliver on that goal.

We have also expanded profitability. Over the past 10 years, we have delivered average growth in our earnings per share of roughly 13%. And again, our EPS growth has accelerated over the last 5 years.

Finally, we've also delivered strong returns on our invested capital. Our ROIC has expanded by nearly 500 basis points from 23% in fiscal year 2005 to 28% in fiscal year 2015. And at 28%, our return on invested capital places NIKE in the top 10% of S&P 500 companies.

Strong top line growth, coupled with consistently high returns on invested capital, that is what truly sets NIKE apart. And it also translates into strong cash flow and strong returns to shareholders. We have generated roughly \$20 billion in free cash flow over the last 10 years. And we've returned about that same amount to you, our shareholders, through share repurchases and dividends.

All in, our strong and consistent financial performance over the past 10 years has fueled total shareholder returns in the high teens, significantly outperforming the broader market and placing

NIKE in the top quartile of the S&P 500.

So we're obviously incredibly proud of what we've accomplished to date. But at NIKE, there is no finish line. Today, we view ourselves as merely running past a mile marker as we accelerate toward our full potential. We know that our personal best is out in front of us, and we're all extremely excited about the opportunities on that road ahead. And that's because NIKE is bigger, stronger and faster than ever, and we're extremely well positioned around the world to continue creating extraordinary value for consumers.

I'll now share how we plan to capture that value through strategic and disciplined financial management and then deliver that value to you, our shareholders. I'll also speak to some of the operating levers that we'll employ in the pursuit of those goals.

The value equation at NIKE begins with growth. And again, as we look out to the end of fiscal year '20, we now expect to grow to \$50 billion. In terms of our financial model, that reflects a slight acceleration. We now expect to deliver annual revenue growth in the high single digit to low double-digit range over the next 5 years.

To help explain why we're so confident that we can deliver that level of growth, I'll start by sharing our plans and our expectations for our reported segments, the geographies. We expect growth to be strong across both developed and developing markets. In our developed markets, we're targeting revenue growth in the high single-digit range.

In our largest geography, North America, our stated goal has been to grow at high single digits. But as many of you know, North America has actually grown at a low double-digit rate over the past 5 years, adding \$2.6 billion in revenue from just fiscal year '13 to '15 alone. But what excites us most about that is not just the rate of growth but the quality of our growth in North America. North America is the geography in which we are most broadly and deeply executing the category offense.

So going back to where I started, the deeper we execute the category offense, the greater the opportunities we identify to better serve consumers. Our consumer-focused segmentation strategy has significantly expanded the capacity for the NIKE Brand in this marketplace. We've not only created, but we've also begun to scale experiences at retail across multiple categories, both in our own stores and with our wholesale partners. And based on the opportunities we see with even greater clarity today through the lens of the category offense, we're not even close to done yet.

As Christiana and Elliott noted, we still have tremendous potential in North America. Tremendous potential to one, grow NIKE.com, and leverage it to expand and seamlessly integrate this marketplace. And two, even further scale category focused retail experiences with our wholesale partners. We are now targeting \$20 billion in revenue in North America by the end of fiscal year '20, sustaining high single-digit growth over the next 5 years.

Next, onto Western Europe. At this meeting 2 years ago, Western Europe had grown at a mid-single-digit rate over the previous 5 years. And we only recently realigned our organization and our approach to that marketplace. We've shifted from a more country-first approach to running the category offense across jurisdictional lines. And we told you that, that strategy would ignite growth in Europe and it has. Today, our brand and our connection to consumers in Europe is second to none. We're the leading brand in all 10 of the key cities in Western Europe and our financial performance reflects that.

Western Europe revenue has grown at a high-teens rate from fiscal year '13 to '15, and we continue to have momentum. We're nonetheless still in the early stages of the category offense in Europe. That's why we're confident we can continue to deliver strong growth, a high single-digit rate of revenue growth over the next 5 years. That strong growth will not only be delivered through deeper execution in our largest categories, Running, Global Football and Sportswear, but

increasingly through the acceleration of our Women's, young athletes, Basketball and Men's Training businesses.

Now let me turn to our developing markets. We expect these markets to outpace our developed markets, growing at a low double-digit rate.

First, the emerging markets, Our most diverse and dynamic geography. This geography is a collection of 9 territories around the globe with a variety of cultures, but they're all unified by a deep passion for sports. At the end of fiscal year '15, our emerging markets grew from just over \$2 billion in fiscal year '10, to \$4 billion at the end of the fiscal year '15. And that's been amidst significant currency headwinds and geopolitical challenges in many of the countries.

While we're not immune to macroeconomic volatility, we do have a long-standing track record of delivering strong performance under a variety of challenging circumstances. That is a testament to the power of our brand and to our relentless focus on the consumer.

On a macro level, growth in these markets over the long term will continue to be robust and fueled by an emerging middle class. And again, these markets will also continue to be obsessed with sport.

At the same time, we are in the earliest stages of the development of the category offense in most of these countries. Accordingly, we expect emerging markets revenue to go to high -- apologies, at a low double-digit pace over the next 5 years. And that growth will be primarily fueled by the deeper execution in our largest categories, Running, Football and Sportswear. But over this horizon, we will also be unlocking new opportunities and acceleration in our Women's and Young Athletes businesses as well as in less developed product dimensions such as apparel.

Perhaps the best example of the power of the category offense in a developing market is Greater China. The opportunity for NIKE in China was not just to grow, but to lead and to create a foundation for sustainable, profitable growth over the long term and we've done that. We are reshaping that marketplace along the category lines, with consumer experiences and assortments of product that are more tailored to the Chinese consumer. Our efforts have returned the NIKE Brand to strong double-digit growth in China. And to date, we've only transformed about 20% of that market, our total retail footprint in that market. And NIKE.com in China was just launched less than 2 years ago.

Now, of course, we remain very mindful of the macro-economic dynamics in China, but China continues to represent a tremendous growth opportunity for NIKE. Growth in China will continue to be fueled by growth in consumption across a rapidly emerging middle class.

Sport participation is also on the rise. And the Chinese consumers' passion for sport and the culture of sport have never been stronger. So nobody is better positioned than NIKE to grow in China.

Accordingly, we expect to deliver mid-teens growth in this market over the next 5 years with the geography reaching \$6.5 billion in revenue by the end of fiscal year '20.

While the core of our growth strategy is the category offense and our reported segments for the NIKE Brand are the geographies, we truly run a multidimensional portfolio. And when we say that innovation is in our DNA, that applies to every dimension of our portfolio. From the products and the services that we create for consumers to the operating and business models that we employ. And one of the dimensions of our business model in which we see tremendous opportunity to innovate is through the consumer experience in-store and online. And as Christiana shared, we're evolving and innovating in our direct-to-consumer experiences to provide greater service and access to product. Accordingly, we expect our DTC business to grow to \$16 billion in revenue by the end of fiscal year '20. And leading that growth will be NIKE.com, growing to \$7 billion in

revenue over the same period.

Innovation in this regard does not apply only to our own stores. As Elliott discussed, we and our partners also continue to transform multi-brand experiences along the lines of the category offense, driving wholesale growth in the mid to high single-digit range over the next 5 years. At NIKE, we know how to create value for consumers and we know how to grow, and we are equally focused on capturing that value that we create through disciplined financial management. That means ensuring our growth is sustainable, profitable and capital efficient over the long term.

In financial terms, that is a function of, one, gross margin expansion; two, surgical and strategic investment prioritization; and three, enhancing the productivity of our existing resources to create greater capacity to invest and expand profitability.

First, I'll share our goals with respect to gross margin and the operating levers that we will employ to manage expansion. Over the next 5 years, we expect to expand gross margin by 30 to 50 basis points per year on average. While foreign exchange will be a headwind over the next couple of years, we will continue to manage all of the levers within gross margin to drive expansion long term.

So on that note, let me take a few moments to review the primary operating levers that we will manage within margin. The first is pricing. Or better said, enhancing the price value equation for consumers. We will do this by continuing to invest in deep brand connections, game-changing product innovation with compelling design, and services that exceed consumer expectations.

And as Jeanne said, when we exceed consumer expectations, they've shown a willingness to pay for the premium value that we provide at every price point. The second lever is input cost efficiency, namely materials and labor costs. Our choice of materials will always begin with providing innovation and performance benefits to the athlete and the consumer. At the same time, by leveraging the size and scale of our business, we will continue to optimize our cost of materials. We'll do that through materials consolidation as well as strategic procurement arrangements.

We're also investing in innovative new methods of make, such as additive manufacturing processes that will significantly reduce the waste inherent in what is today currently a largely deductive manufacturing process. In other words, rather than starting with whole cloth and cutting down the materials to those that are required for the product, new additive method start from zero and build materials into the product. We believe this is a significant opportunity within our margins. And to give you perspective on how significant, we currently pay for well over \$1 billion in materials that do not end up in our products.

Another very significant opportunity is labor productivity. As Eric noted, we continue to implement and benefit from lean principles and methodologies. We also see tremendous opportunity to bring automation and modernization to the manufacturing process. These efforts will yield greater pairs per worker of footwear produced. That inherently mitigates the impact of rising labor costs.

A lever that is potentially game changing for our margins over the long term is revolutionizing the manufacturing process. Our manufacturing revolution initiative is really a series of connected initiatives, each of which is focused on developing entirely new methods of make that enable innovation, such as Flyknit as well as new business models, such as customization. These new methods of make will not only further optimize the cost of our product but also expand that consumer value proposition.

And finally, continued strong growth in our high-margin Direct-to-Consumer business led by NIKE.com will favorably impact gross margins over the next several years from a mix perspective.

So next, I will turn to our expectations for SG&A and capital expenditures. Going forward, we're targeting slight leverage in our SG&A. Our investments in SG&A will be a function of, one,

investing surgically and strategically to fuel innovation and fuel growth; and two, building the operating capabilities that are required to support a \$50 billion global enterprise. And we'll also continue to create greater capacity for investment by enhancing the productivity of the resources that we have today.

It's worth taking a moment to touch on the impact of our involving consumer engagement model in SG&A. As Trevor discussed, we are increasingly serving our customers more personally one-to-one at scale, leveraging the power of consumer digital technology. Historically, the lion share of our investment in the brand and in engaging with our consumers was captured within a line item demand creation of our P&L.

Today and increasingly going forward, our investments in consumer engagement will span both demand creation and operating overhead, with the most notable shift being from traditional methods of advertising to investing in those technologies that allow us to better connect with and know, and serve, our consumer.

It's also important to note that while we are targeting slight leverage in our total SG&A, our actual levels of investment will vary from year to year. As we balance delivering appropriate near-term profitability with seizing the opportunity to invest to fuel innovation and growth over the long term.

Finally, turning to capital expenditures. We expect annual capital expenditures to be roughly 4% of NIKE, Inc. revenue over the next 5 years. Our key investment areas will be investments in our DTC business, for example, in the digital capabilities necessary to drive that e-commerce growth, investments in our supply chain to support our growth globally and investment in the infrastructure required to operate both effectively and efficiently while growing at an increasingly greater scale.

Strong revenue growth and disciplined financial management obviously work together to deliver expanding profitability and strong cash flow. Accordingly, we expect to deliver EPS growth in the mid-teens range over the next 5 years. In the near term, EPS growth will be somewhat dampened by the stronger U.S. dollar. That said, our FX risk management programs afford us the time to effectively manage all of the levers within our portfolio of businesses to continue driving growth and profitability.

As for return on invested capital and free cash flow. Our outlook going forward is slightly improved versus our long-standing financial model. We now expect ROIC to average in the high 20s to low 30s over the next 5 years and that free cash flow will grow faster than net income. That is a function of continuing to manage our working capital efficiently as well as our efforts to identify and prioritize investments with the highest potential to drive growth and strong returns. That is how we will, one, create value for consumers and two, capture that value financially. We are also committed to delivering that value to shareholders. That includes continuing to consistently increase our cash returns through share repurchases and dividends. We believe that this combination provides us both appropriate flexibility in terms of the use of our cash, and at the same time provides shareholders with consistently higher fixed cash returns. For the dividend specifically, we are targeting a payout ratio of 25% to 35% over the next 5 years. All in, we continue to target total shareholder returns in the top quartile of the S&P 500.

So with that, I truly hope that you have all very much enjoyed the day. I know I have because we see tremendous opportunity to grow and create value. And today was all about growth, and that's what inspires us. NIKE is a growth company fueled by innovation in service of athletes, consumers and you, our shareholders. So thank you all very much for coming.

QUESTION AND ANSWER SECTION

Rebecca Gardy, Senior Director of Investor Relations:

Okay, it looks like everyone has taken the stage, so we're going to begin. And I think we've got our first question right here.

<Q - Robert Scott Drbul - Nomura Securities Co. Ltd> It's Bob Drbul from Nomura Securities. I guess, the first question that I have is on the gross margin guidance, the 4 buckets that were pointed out. Which of the 4 are the potential to be the largest contributor to that? And were they ranked in order the way that you presented them?

<A - Andrew Campion-EVP & Chief Financial Officer> I'll take that one. Thanks, Bob. Of the levers, we're incredibly proud of the gross margin expansion that we've delivered over the last several years, and it's really a function of some levers that we execute season in, season out. So our impact on pricing, our work around input costs, supply chain, the DTC mix favorability, of those levers, I would say, in this context, over the long term, the one that we are most excited about and is truly game changing is the manufacturing revolution initiative. That is truly the one that represents the biggest opportunity to make a step-change impact within our margins.

<Q - Kate McShane-Citigroup Inc. > Kate McShane from Citi. Was curious a little bit about on the Women's initiative. You highlighted \$11 billion, but I think that's still only about 20% of the 2020 \$50 billion revenue number. So can you help us reconcile that Women's is one of the more major growth drivers, yet it's still composing only about 1/5 of the portfolio?

<A - Trevor A. Edwards-President, NIKE Brand> Yes, let me take that. Yes, I think your point is absolutely on point in the sense that, clearly, there is a huge opportunity in the Women's business. We talked about the idea that fitness is really becoming a global lifestyle, and we see just tremendous growth. I see what you also see, is that there's other growth agendas across the business, and so each of them continue to grow. Our Women's business, obviously one of the most important. But actually, just do the percentages. You come back with the same conclusion, which is that there is still just huge opportunity out there. So I would just say is that, yes, it is one of the most important growth drivers. We are growing it. We're seeing just tremendous growth whether you go from the products that we're delivering in the marketplace, or if you go on our .com, it outpaces our Men's business. But nonetheless, other parts of the business also have grown at a really rapid rate. So the percentages remain the same. But it is still one of the most important growth drivers, and the most important thing is that we see plenty of growth ahead.

<Q - Michael Binetti - UBS Investment Bank> Michael Binetti of UBS. Can you talk about the 1,000 new women doors a little bit, maybe Jeanne, and maybe of those -- I think you said those are all owned retail, right, maybe not partner doors, but what the composition of those will look like maybe geographically or maybe just what we'll start to see at retail as you start to accelerate that?

<A - Rebecca Gardy, Senior Director of Investor Relations > I think you meant that to go to Elliott.

<A - Elliott Hill, President of Geographies & Sales> I'm happy to take it. So last time we were up here, we talked about the drivers of our Women's business being around product, brand and communication and then obviously paying it off in the marketplace. And we work closely together to create a strategy in the marketplace to roll out spaces around the world. It's a -- I mean, we shared some of the examples. Christiana did. And we track this now on a quarterly basis. We have plans with ourselves, so own doors but primarily partner in spaces with our multi-brand partners. That's how we get to the 1,000 over the next years to 2020.

<A - Christiana Smith Shi, President of Direct To Consumer> And as Elliott said, what we'll do is we'll continue to learn prototype and perfect, and then we'll cascade it across the market. So those 1,000 spaces will show up in pretty much every dimension.

<Q - Samuel Poser-Sterne Agee & Leach Inc. > Sam Poser with Sterne Agee CRT. You didn't -- one part of the gross margin conversation you didn't talk about was the Trans-Pacific Partnership. Part of its moving. How do you view that as where it is today? And has any of that been reflected in your numbers? Or would that help sales and margins going forward to everyone?

<A - Mark G. Parker - President & Chief Executive Officer> Well, we're not in a position to take that down into specific margin impact as of yet. We will say, again, that we're hopeful that the TPP will continue to move through, and it'll put us in a position to accelerate our advanced manufacturing capabilities and our manufacturing supply chain efforts here in the U.S. The specific impact on gross margin, it's a bit too early to talk about that now. And that's one of the benefits we see but also getting closer to market as well. Andy, you want to...

<A - Andrew Campion-EVP & Chief Financial Officer> No, that captures it. It'll create capacity should it pass for us to accelerate investment.

<Q - Matthew R. Boss - JP Morgan Chase & Co> Matt Boss, JPMorgan. I had a question. So if you think about the e-commerce mix, you laid out a plan, basically mid-teens e-commerce versus about 3% today. Could you just talk about some of the partnerships with some of your wholesale partners, how that embeds into that goal? And then secondly, you laid out the Westfield Mall example and talked about some of the directed approach, 14 points of distribution, \$27 million today, \$5 million additional opportunity. Now what does that look like? Is it less points of distribution? Is it more targeted within the existing points of distribution? I think that would be just really helpful.

<A - Jeanne P. Jackson, President, Product & Merchandising> You want to take the first one? I'll take the second one.

<A - Elliott Hill, President of Geographies & Sales> Yes. So -- go ahead.

<A - Jeanne P. Jackson, President, Product & Merchandising> Start with the e-commerce number. The \$7 billion by 2020 that we shared is for our owned e-commerce, so that is for NIKE.com. And we'll continue to work with partners across their e-commerce businesses, but the particular growth we're speaking to there is for NIKE.com.

<A - Elliott Hill, President of Geographies & Sales> And if I may just on the wholesale side, we talked about growing the multi-brand side of our business at that mid- to high single-digit rate. Included in that, we have door growth, productivity gains along with some projections with each of our multi-brand partners around their online business as well. So that's a component of that growth rate that we share with you.

<A - Jeanne P. Jackson, President, Product & Merchandising> So if I could just try to quickly go through the Westfield example, when we go to the points of distribution, and I don't think we imagine fewer points of distribution, but making them more distinct because what happens today when you can get down to 14 different buyers, making 14 different sets of independent decisions, we end up with a lot of the consumer seeing, kind of the same product in a lot of different doors. Whereas if we can get more directive in shaping them and helping them get to -- one of the best examples is one of the athletic specialty brands prides themselves on being great at skate. While if we give them the very best skate assortment and make them the destination for skate, let someone else be the destination for basketball, then each one of them becomes more productive for the consumer they're trying to serve and the brand does better overall in the mall. Does that make sense?

<A - Mark G. Parker - President & Chief Executive Officer> It's a more advanced segmentation, differentiation strategy.

<Q - Paul Swinand - Morningstar Inc. > Paul Swinand, Morningstar. Wanted to ask about your customization efforts. The last time we spoke, it's sort of evolved over the years, and it's obviously expanded. We can see it on the Internet. Of the new targets, how much is that a piece of the business? And how much bigger can it get as far as just the choice involved? How many different product categories? Obviously, again, we can see it on the Internet on sneakers but...

<A - Mark G. Parker - President & Chief Executive Officer> Yes. I'll touch on that, and then Christiana can add some -- first of all, customization is one of those expectations, personalization is another way to look at it, that consumers will have of their product going forward, so we intend to not just participate but to lead in that area. We've -- what you've seen to date is what we might call internally customization 1.0. We're working on 2 and 3.0 now that allows more customization options in terms of aesthetics, and then we're looking at actual performance one-to-one customization options as well in terms of cushioning and fit and other dimensions as well. So that'll be a big focus for us within our advanced R&D product creation center and as well as our overall innovation agenda.

<A - Christiana Smith Shi, President of Direct To Consumer> On -- even as that goes forward, we're also looking just to continue to improve the experience for the consumer to make it mobile so that they can customize on their phone and to actually cut down the time it takes for us to get their footwear to them. So they can express themselves and get it really quickly. So as I said, we'll be launching at the end of this month in-line printing, so printing on shoes that you buy off the shelf and getting those to consumers in less than 7 days. And that's coming out at the end of this month.

<Q - Matthew J. McClintock - Barclays PLC> Matt McClintock from Barclays. Just back on the \$7 billion for e-commerce. I was -- that's a pretty large number, and when we look at the Analyst Day 2 years ago, you put out what I thought was a pretty impressive growth rate for that business. Now you've put out an even higher growth rate for this business as it gets larger. How do you think about that? Can you provide us some comfort on where that's coming from, what buckets? Is that just going to China, which is maybe less penetrated online? Or where else?

<A - Christiana Smith Shi, President of Direct To Consumer> Sure. Well, I mean, just to start with the consumer, a lot of that growth is coming from the fact that, that's where our consumer is going, so we need to be where our consumer is. That's always been part of what our brand strategy is. So we're going to move with the consumer. And we know there's still a lot of consumers in many markets around the world that don't have as much access to the NIKE Brand as they'd like, so bringing NIKE.com to new markets like Canada, right? We talked about that. It's a huge market. NIKE.com is not available there today. We still have plenty of places where we'll be able to take it, and we'll be able to take it to them on their phones so that those 4 billion consumers that are mobile enabled will also be NIKE.com enabled. The other thing we'll do is bring it into our stores through seamless and over time, expand the consumers' access to NIKE.com in their in-store experience, and we just know tremendous growth will come from that too.

<A - Trevor A. Edwards-President, NIKE Brand> A piece I would just add there is also as we talk about -- and the question came up earlier about the Women's business as an example. We have these very underserved consumer segments that still are looking for NIKE product. So you could take the Women's business, the young athletes business, the Jordan business. Each of those businesses, when you actually look at the penetration online, is still relatively low. So we believe that the only thing that Christiana talked about but also segment in that -- getting to those segments provides a really great pathway to the growth.

<Q - Omar Saad - Evercore ISI> Omar Saad, Evercore ISI. Two quick questions. You mentioned price and how the methodology around how you're deciding price in all the different products you sell has evolved. Could you give us just a little more color and insight on how that's changed? And

then the second question on manufacturing innovation. Can you talk about the desire to keep that proprietary as you scale it up, especially in the context of the idea that footwear manufacturer, I think you said, just kind of just hasn't changed that much in the last 50 years? And as you just scale that up, is it important for you to keep that proprietary on how you do that?

<A - Mark G. Parker - President & Chief Executive Officer> Andy, you want to or...

<A - Andrew Campion-EVP & Chief Financial Officer> Okay.

<A - Jeanne P. Jackson, President, Product & Merchandising> I'll start with the pricing question. Thanks, Omar. The -- we've really started to balance art with science. And I think there has always been in any wholesale retail firm the person who believes the consumer will pay \$25 for that. And you have this belief, and you price it at what you believe the consumer will pay. We're getting a little bit more scientific about it. We're spending time doing deep analysis. We recently just did one on shorts, where we literally looked at every short in our competitive space, did price value equity studies with the consumers, had them tell us what do you think this one's worth versus this one, what details on the shorts -- make it worth more. An interesting one on tops is we suddenly discovered in tops that if a top has a thumbhole in it, the consumer perceives it is a premium top. So we're getting a little bit more scientific about what those features and benefits are that the consumer will perceive as worth more money. And then we get that balance of making sure we're covering the price points in the marketplace but at the same time making sure at each price point that we're getting the balance of what the consumer expects and us getting paid for the investment we've put in that product. Does that make sense?

<A - Eric D. Sprunk - Chief Operating Officer> And I'll take the manufacturing one, Omar. You heard Mark talk about, with some level of pride, the patent portfolio that we built here. You heard Jeanne reference the number of patents on the Flyknit method of make, which is manufacturing. We seek to protect all of our intellectual property, and we have the IP legal team sitting with the innovators, with the category teams, with the NSRL, with the Kitchen. They sit with manufacturing innovation and aggressively look to protect all of that. And that -- I don't see that changing going forward, and I think we feel really good about the results that we've been able to achieve.

<Q - Margaret E. Kalvar - Harding Loevner LP> This is Margaret Kalvar from Harding Loevner. Two quick questions. First of all, how important is any one supplier of functional fabrics to you in the apparel -- in the functional apparel segment? And the second one is as China has been generally recovering from the overstock situation of -- a couple of years ago in athletic wear, how confident are you that there won't be another situation in which people come out of -- manufacturers come out of the woodwork or there is a disconnect between information, not maybe between you and your partners but between others and their partners in terms of where the inventories are in the system.

<A - Eric D. Sprunk - Chief Operating Officer> Yes. Jeanne, you want to take the first one?

<A - Jeanne P. Jackson, President, Product & Merchandising> Well, did you want to hit the apparel -- the -- yes, the manufacturing efforts?

<A - Eric D. Sprunk - Chief Operating Officer> So the answer of -- the answer to the first part of the question is it depends upon the fabric in certain cases. We clearly have some real innovative fabric where we work with fewer suppliers. We work all the time to diversify that. One of the reasons why we're trying to rationalize or optimize the source space, which I referenced earlier today, is because then that allows us to better align our apparel manufacturing partners all the way down to the mill level. But you should think of it as a diversification strategy, so we're not reliant on any one supplier for any one of our innovation fabrics or our core fabrics. And that's how we'll be going forward as well. And then...

<A - Elliott Hill, President of Geographies & Sales> Yes. I'll go ahead...

<A - Eric D. Sprunk - Chief Operating Officer> Jump to the China one.

<A - Elliott Hill, President of Geographies & Sales> Yes, I'll take that. So we're really confident in our ability to manage the overall marketplace in Greater China. Hopefully, you took away from when Christiana and I were up presenting, it starts with being really sharp about the consumers we serve. It's about consumer-led concepts and making sure that we're differentiating the marketplace not unlike what we just talked about in the Westfield Mall. It's a similar execution but at a city level versus a mall level. And then I dove briefly into the capabilities that we have with our key partners. We are now sharing sell-through information with our partners at the door level, which then allows us to manage the inventory in the marketplace. And so it gives us then the confidence that we've got a really strong ability to continue to manage the marketplace as we move forward.

<A - Mark G. Parker - President & Chief Executive Officer> Lots of questions over here, too.

<A - Jeanne P. Jackson, President, Product & Merchandising> She's running around.

<Q - Laurent Vasilescu- Macquarie Research> Laurent Vasilescu from Macquarie. There was discussion around Flyknit getting to \$1 billion this year. Can you talk about Flyweave's potential in terms of revenues over the next couple of years? And then any color around what Converse can be for FY '20 would be great.

<A - Jeanne P. Jackson, President, Product & Merchandising> Can we take Flyweave? Flyweave is really interesting because it's a wonderful technology. And with any new technology, we start to figure out the consumer application. And then once you figure out the consumer application, you can figure out how broad it can be. With Flyknit, I have to tell you that when we first started Flyknit, we loved it, but we didn't realize how broad the appeal was going to be and how -- and it literally -- in every category for both genders all the way to young athletes, there's a huge pull for what Flyknit had to offer. We're in the nascent stages with Flyweave. We see it being incredibly strong in certain models and certain functions today, but we'll see as it evolves through the categories what the ultimate ramp will be.

<A - Mark G. Parker - President & Chief Executive Officer> And then Converse, we're actually moving into what we call Phase 2 growth for Converse. We're looking at diversifying the product offering. It's a bit one dimensional. I used the example of Jordan this morning, which is largely U.S. footwear basketball based in male. So we see similarly opportunities with Converse to move and diversify that footwear selection beyond the Chuck and also into apparel over this 5-year period. So we're bullish as we leverage NIKE technology and NIKE capabilities. We can actually put Converse in a position over the next 5 years to more than double their business.

<Q - David Weiner - Deutsche Bank AG> It's Dave Weiner from Deutsche Bank. So 2 quick questions. One, as a follow-up on China, could you talk a little bit about, to the degree you still have operating margin expansion opportunity, what that's being driven by primarily? Is there pricing -- are there pricing opportunities? Is it apparel shift, DTC shift, what have you? And then also you brought up localized manufacturing, and I know you brought that up last time as well, which is obviously very interesting. Could you talk a little bit about the road map there and maybe what the potential gross margin impact could be to that?

<A - Andrew Campion-EVP & Chief Financial Officer> Sure. I'll start with the margin question relative to China. A couple of things. One, many of the levers that we've used to drive expansion over the last several years are the same levers in China. We don't see consumer resistance or an unwillingness to pay for the premium value we're providing. In fact, to Elliott's point, the sell-through information we're looking at now in what is largely a mono-brand marketplace, so as a consumer experience, it's NIKE, with NIKE.com, we're seeing incredibly strong demand. So that continues to be an opportunity for us. There are not cost impacts other than in our supply chain. There is opportunity in the supply chain based on the proximity of China to our supply base, but we do continue to see opportunity to expand. You talked to operating margins, overall operating margins in

China driven by many of the same factors. No specific headwind in China for us in that regard.

<A - Eric D. Sprunk - Chief Operating Officer> And then I'll maybe talk about manufacturing because we have been talking about it for quite some time. If you think about the manufacturing revolution initiative, at its core is labor productivity. It's waste elimination. It's better performance innovation. It's higher quality product, but it's also about reimagining maybe where you can make the product as well because if you can get yourself into a new ecosystem like that and you can talk about manufacturing product in some of the mega markets of the world, and that's clearly still on our path. It's one of the reasons why Mark answered the question about TPP. TPP is important because it accelerates that agenda and allows us to look at building a foundation for that in a market like United States of America. So that's still on our road map.

<Q - Lauri Brunner-Thrivent Asset Management> Lauri Brunner from Thrivent Asset Management. Maybe you could talk a little bit in detail about conversion and what you're seeing with conversion -- I assume it's improving -- as you build out these social platforms in your DTC business. And the learnings from there, do they apply to the other channels? Or are there unique learnings that come out of there?

<A - Mark G. Parker - President & Chief Executive Officer> Yes, Christiana?

<A - Christiana Smith Shi, President of Direct To Consumer> Yes. obviously, conversion's an important metric when you're talking about retail in general. It's how many consumers buy divided by how many are coming. So we stay very, very focused on it. I think one of the great things that digital allows is for you to connect up, that sort of connecting to consumers, inspiring them and then serving them. When we do that right, we absolutely see conversion grow whether it's in our stores or it's online. And we can absolutely cascade some of those learnings out to our partners. As Elliott said, we share data with them. So when we're working with our partners, we're able to use, whether it's assortments or it's experiences and services in the store or it's other things, we're able to pass that learning on, and we do it a lot and then actually start to see the same benefit cascade out to them.

<A - Trevor A. Edwards-President, NIKE Brand> The other thing I'd just add is as you said is that, obviously, conversion is one of the most important metrics, but the other metric, that is repeat. And that's one of the areas that when we talk about digital, we do look at, okay, how do we drive repeated business? So how do we have a relationship with that consumer? So we begin to now look more on lifetime value of that consumer. So that's where we've started certainly around the digital zone. We will bring that sort of functionality to our stores, and also, that's the same kind of work that we'll do with our partners, which is have them think more about the full service model to the consumer. And we believe that focus on repeat obviously pays dividends against conversion, against the traffic that you're getting.

<A - Mark G. Parker - President & Chief Executive Officer> Seamless, easy, fast, I mean, those are the sort of tenets behind our e-commerce strategy.

<Q - Erinn Murphy - Piper Jaffray Companies> Erinn Murphy at Piper Jaffray. I guess, I have 2 questions. First in North America from an inventory perspective. Last quarter, you did talk about beginning to liquidate inventory in this channel. Can you just talk about how that's going so far? And how are you preventing from that being a major distraction to some of your partners in the channel? And then secondly, just from a digital perspective, there's a lot of competition now coming into the connected fitness space whether it's Under Armour through their acquisitions of that platform or even just other fitness apps developing. So can you just talk about kind of your NIKE Training Club and some of the other platforms you've been developing internally to kind of remain very competitive, highly engaged in that? And then the last piece of that question is just on the hardware side. How are you partnering with some of the companies, whether it's Fitbit or Jawbone, that are getting in this space from a hardware perspective?

<A - Elliott Hill, President of Geographies & Sales> Okay, so I'll hit the inventory one? I'll hit it really quick, and you can add if you want. Again, I think Trev touched on it during the conference call that we obviously had some challenges in the North America supply chain related to a hangover, if you will, from the port strike and a conversion to some of the warehouse management system that we're having in the -- in our distribution center there. Net-net is and I think the takeaway from here is we feel confident that we're going to be in great shape by the time we get to Q3, which is what we talked about in the last call. And then in terms of how it's impacting our partners, we work closely with our partners. We have ops managers that work closely with their supply chains, supply chain teams and make certain that we're flowing product to them. The good news, our large partners, most of them are direct ship, so we've been able to flow the product to them in a pretty seamless way.

<A - Trevor A. Edwards-President, NIKE Brand> Yes. And I'll jump in on the digital side. So I think maybe I want to start a little bit up first and go and talk about maybe digital for us is a truly -- it's transforming our business, and it's accelerated everything that we do. And I think you heard this morning when we certainly talked about -- I think Jeanne talked about the idea of actually using digital in terms of digital design, the partnership we're having with DreamWorks. Then you think about what Eric talked about. Eric talked about the manufacturing of our products and how -- and Jeanne actually commented with the story about Flyknit and how that is a digital file that is actually sent to the factory. Then you go down to our actual sort of sales as we sell into our partners. We have what we call Nike.net, which is a network that we use to actually connect with our customers online. And then you have NIKE.com, which serves the consumer all the way through. So we look at it as an end-to-end business, and we truly believe that is transformational in how we're looking at it. Now specifically, as it relates to us connecting with our consumers, as we talked about certainly the idea that we want to be with the consumer all the time on their phone, basically provide them a single entry to the brand, and that is kind of what we believe is the real powerful opportunity for us to serve our consumers individually. Individually means serve them through great inspiration and guidance, serve them through great products and importantly, serve them through a engagement that allows them to repeat. So the work that we do around NTC or those Running app, for example, that provides helps to provide the complete way for us to connect with that consumer. And that's kind of how we've been looking at it. And so in terms of the partnerships, we continue -- obviously have great partners with the likes of Apple and certainly the wearable market, which is a piece that is -- that's an input to that. It's one dimension that allows us to help serve that consumer, but we think about service in the broader context. Information activity is one dimension. The other dimensions become how do I get access to the amazing products.

<A - Jayme Martin-Vice President/GM Global Categories> One thing maybe I'd add on that is we talk about know to serve, and adding to what Trevor said, an example is around Running. Now we're able to break down that data and knowledge to different segments and types of runners. So if we break it down, it's runners who just run every single day or runners who have started and maybe trailed off or runners who are training for an event. So we can tailor our messages and gear up opportunities against each one of those segments, so really closing the loop and doing that on a consistent basis, which I think drives back into that idea of repeat.

Rebecca Gardy, Senior Director of Investor Relations > Okay. So this is our last question before we wrap up.

<Q - Camilo R. Lyon - Canaccord Genuity > It's Camilo Lyon from Canaccord Genuity. With regard to brand Jordan, can you help us understand how you prioritize by channel the growth opportunities that you see? Is this a brand strategy that will incorporate a greater focus on DTC? Or will use your wholesale partners to really drive the expansion of the category -- of the brand to the channels?

<A - Mark G. Parker - President & Chief Executive Officer> I'll just start on that. It's not specific to NIKE DTC, NIKE.com, NIKE retail. It's a marketplace opportunity -- integrated marketplace opportunity. So we'll -- it'll certainly include our wholesale partners -- key wholesale partners. We

have a tremendous relationship with Foot Locker, for example, that's very much basketball focused and House of Hoops. That's one example of many. So as we expand Jordan into other categories, expand its footprint, you'll see that happening around the world.

<A – Jayme Martin-Vice President/GM Global Categories> Yes. I think to Mark's point, first order of business is geographic expansion and the things that Jordan is already great at, whether that be performance basketball or the sneaker side. And then as we add categories and adding dimensions to that, I think that opens up the opportunity to work with different partners around the world and different channels. So the integrated marketplace and NIKE's footprint today, I think, is really going to enable us to grow that around the world.

Mark G. Parker - President & Chief Executive Officer> Okay.

Rebecca Gardy, Senior Director of Investor Relations > Thank you, everybody, for coming. I hope it was a great day. That concludes our Q&A session. Thank you very much.

Mark G. Parker - President & Chief Executive Officer> Thank you.