

PREPARED REMARKS / UNOFFICIAL TRANSCRIPT – Q317 NIKE, Inc.

March 21, 2017

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Operator:

Good afternoon, everyone. Welcome to NIKE, Inc.'s fiscal 2017 third quarter conference call. For those who need to reference today's press release you'll find it at <http://investors.nike.com>.

Leading today's call is Nitesh Sharan, Vice President, Investor Relations and Treasurer. Before I turn the call over to Mr. Sharan, let me remind you that participants on this call will make forward-looking statements based on current expectations and those statements are subject to certain risks and uncertainties that could cause actual results to differ materially. These risks and uncertainties are detailed in the reports filed with the SEC including our annual report filed on Form 10-K.

Some forward-looking statements concern future orders that are not necessarily indicative of changes in total revenues for subsequent periods due to mix of futures and at-once orders, exchange rate fluctuations, order cancellations, changes in the timing of shipments, discounts and returns which may vary significantly from quarter-to-quarter. In addition, it is important to remember a significant portion of NIKE, Inc.'s continuing operations including equipment, Converse, Hurley and NIKE Golf are not included in these futures numbers. Following the Conference Call, the futures orders schedule will be posted to the Financial Schedules on the NIKE Investor Relations website.

Finally, participants may discuss non-GAAP financial measures, including references to wholesale equivalent sales and constant-dollar revenue. References to wholesale equivalent sales are only intended to provide context as to the overall current market footprint of the brands owned by NIKE, Inc. and should not be relied upon as a financial measure of actual results. Similarly, references to constant-dollar revenue are intended to provide context as to the performance of the business eliminating foreign exchange fluctuations. Participants may also make references to other non-public financial and statistical information and non-GAAP financial measures. To the extent non-public financial and statistical information is discussed, presentations of comparable GAAP measures and quantitative reconciliations will be made available at NIKE's website, <http://investors.nike.com>.

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Now I would like to turn the call over to Nitesh Sharan, Vice President, Investor Relations and Treasurer.

Nitesh Sharan:

Thank you operator.

Hello everyone and thank you for joining us today to discuss NIKE, Inc.'s fiscal 2017 second quarter results.

As the operator indicated, participants on today's call may discuss non-GAAP financial measures. You will find the appropriate reconciliations in our press release which was issued about an hour ago, or at our website: investors.nike.com.

Joining us on today's call will be NIKE, Inc. Chairman, President and CEO Mark Parker, followed by Trevor Edwards, President of the NIKE Brand, and finally you will hear from our Chief Financial Officer, Andy Campion, who will give you an in depth review of our financial results.

Following their prepared remarks, we will take your questions. We would like to allow as many of you to ask questions as possible in our allotted time. So, we would appreciate you limiting your initial questions to two. In the event you have additional questions that are not covered by others, please feel free to re-queue and we will do our best to come back to you. Thanks for your cooperation on this.

I'll now turn the call over to NIKE, Inc. Chairman, President and CEO Mark Parker.

Mark Parker:

Thanks, Nitesh and good afternoon, everyone.

We had a solid third quarter, delivering...

Revenue growth of 5% for NIKE, Inc. to \$8.4 Billion. On a currency-neutral basis NIKE, Inc. revenue grew 7%.

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Gross Margin declined 140 basis points to 44.5%

Earnings Per Share increased 24% to \$0.68

And we delivered ROIC of 33%

Q3 saw Nike sustain our positive momentum. Let's start with highlights from an amazing quarter for our athletes...

...Serena won her 23rd grand slam

...Roger took the Australian Open against Rafa to extend their great rivalry

...and both Nike and Jordan continued to dominate basketball's biggest moments:

At the NBA All-Star game with 20 of the 25 players on our roster

And in March Madness with 12 of the teams advancing to the Sweet 16

This quarter, we also raised the voice of our athletes with the Equality campaign...showing yet again that when Nike stands up for our beliefs, our message spreads far and can be a catalyst for true, positive change.

With widespread energy behind the athletic industry right now...Nike is aggressively competing in every market...and we're creating our own opportunities using our combined power and scale.

Last quarter I talked about our relationships with consumers...and how we are getting sharper and moving faster to serve them. That sense of purpose has only accelerated over the last 90 days.

The consumer has decided digital isn't just part of the shopping experience, digital is the foundation of it.

This and other factors have shifted consumer patterns, especially in North America, impacting traffic, the economics of brick and mortar retail...and is driving a more promotional environment in the near-term.

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While we are mindful of these near-term dynamics, we remain focused on the long-term. The current backdrop represents a tremendous opportunity for Nike...because the brands that win are going to be the ones that have been out front with digital and leading with service.

While we don't expect this transition to be simple, we are clear about what it will take to get there. We're aligning all of our firepower against the consumer experience.

To exceed consumers' rising expectations, we're driving fundamental change in three core areas of our business...

...through the innovation that inspires them...

...the supply chain that delivers it quickly...

...and in the marketplace where we connect personally with consumers.

And while we continue to see great success against all three areas...we've committed to doubling our impact in each of them. We call it...our triple double.

So what do I mean by that?

In product, we're doubling our cadence AND scale of innovation through performance and sports style.

Throughout our supply chain, we're doubling our speed, from product insight to delivery to the consumer.

And in the marketplace, we're doubling our direct connections with consumers, through digital, membership and personalization.

To win now AND create the future, we're obsessing these three areas...

...2X Innovation...2X Speed...and 2X Direct.

I'll give you some detail on each.

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Let's start by going deeper on 2X Innovation...where we're shifting to an even faster innovation cycle and scaling more effectively.

Our consumers will feel the impact of this immediately. For example in just a few days, we're launching our highest performance and most visually striking Air Max cushioning system ever. We'll continue to push the edges of style with Air VaporMax and quickly scale it into new models.

And to kick-off the sub two-hour marathon Breaking2 project...we've developed a disruptive design with the Nike ZoomX midsole. The ZoomX provides runners with an incredibly comfortable ride and energy-return like we've never seen before.

With running footwear, we're always looking to improve efficiency. That's why we're so excited about the new Nike Zoom Vaporfly 4%. As a former marathoner, I know that even a 1% gain would be an impressive accomplishment. But over our previous best shoe, this delivers an astronomical 4% gain in efficiency.

It's no surprise that feedback from our elite athletes has been off the charts. We can't wait for more runners to give it a try when we release the Nike Zoom VaporFly 4% in early June.

Later this summer, we'll unveil a third platform...a next-generation cushioning system, designed in radical new forms that helps runners and basketball players increase their performance and stay fresh, longer. Using a new material, this will be the first widely available Nike platform...that merges our new algorithm-based approach to designing with data.

Combine this new system with VaporMax and ZoomX...and that's three new cushioning platforms coming to market in the months ahead. As our consumers will soon see...this is a cushioning revolution from Nike.

In apparel, Nike and the NBA will bring fans closer to courtside next fall. We're delivering innovation that extends way beyond the court, covering every stage of the players' journey. That's a huge untapped commercial opportunity. Our strategy will be to blend sport with everyday lifestyle for both the athlete and the fan.

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All this innovation gives Nike a critical edge in the near-term. But we know a

loaded innovation pipeline is what ignites our next phase of growth over the long-term.

And there's plenty ahead. Looking toward the future we're in the later stages of...

...evolving and scaling personalized performance beyond the Hyperadapt 1.0 with more comprehensive fit systems including advancements in our FlyEase technology.

...a new level and look of Flyknit that's so strong it can withstand the forces of the NBA's most powerful players

...and merging performance and style in another new cushioning platform that actually conforms and shapes to the foot for ultimate comfort.

With all of these products to hit the market over the coming months, it's clear...Nike is driving a faster innovation cycle...and bringing it to more people than ever before.

Our second area of focus is to create a more agile and opportunistic organization...or 2X Speed...inside AND out.

To continue to stay one step ahead of the consumer, we will cut our average product creation cycle in half.

One way we're doing that now is through our Express Lane, where our global product engines make real-time adjustments to DTC and wholesale product lines with local teams in North America, Western Europe and China. We are moving faster than ever before, getting products to market in weeks, not months.

Through the Express Lane, we're fueling consumer demand through new localized styles...and we're supercharging our most successful franchises. For example, we've built more flexibility and speed into the delivery of some of our top sellers like the Air Pegasus, Air Force 1 and we're looking ahead to include the Air VaporMax.

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Another key to moving our teams closer to market is the work we're doing within our Manufacturing Revolution.

With partners like FLEX – we're expanding into more styles with advanced automation in the build and adhesion processes...localizing sourcing for quicker material lead-time...and reducing waste through advanced knitting and higher-precision cutting technologies. We're seeing a positive impact to gross margins in the tens-of-millions and we expect that to continue to accelerate.

These are not separate initiatives. We're lining up the pipes of... our manufacturing revolution...with real-time consumer insights...seamless inventory...and a hyper-local marketplace approach. All of which is connecting the dots in the name of speed for the consumer.

To make room for this speed, we're driving focus through our Edit to Amplify approach.

This is an area where we have not been as sharp as we need to be. Currently, 75% of our styles generate 99% of sales. By editing out 25% and amplifying the productivity of both new innovations...and the products consumers already love, we're driving more growth from fewer styles. We're already seeing positive near-term returns from our work here.

Edit to Amplify is a mindset that reaches well beyond product. It's about prioritizing every step of the way...from the category...to geos...to cities...to accounts...all the way down to the door level.

Our final area of focus is 2X Direct. This strategy doubles the business that is in direct service of the consumer.

We do this by leveraging digital and membership to bring the NIKE Brand closer to them...regardless of whether they're shopping in our own DTC or with wholesale partners. We want to extend Nike's Home Court Advantage across all channels.

We're seeing the opportunity up close. Take Nike Soho for example, which some of you have visited. When a consumer walks through that door they get:

...1:1 personal shopping service

...invitations to join our running and training clubs with other members

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...the opportunity to trial our latest innovations

...and seamless access to product that gets them what they want quickly

And what we've found is that Nike+ members who use our personal shopping appointments generate more than three times the average transaction size. We see the consumer shifts within digital commerce as well, with a larger share of our growth coming through our apps.

It's further confirmation that the consumer responds to a simpler, faster and more personal connection. Right now, that level of service...that deeper experience with the Nike brand...is driving growth in our own DTC. Moving forward, we will expand that opportunity by rolling out these successes with our wholesale partners around the world.

The more directly Nike engages with the consumer, the greater the return. We've seen it with our strategic partners and key accounts...such as Foot Locker, Dick's, JD, Intersport, and Tmall...where we've grown our businesses together, despite the uneven environment. And for those partners who align with our more direct approach to the consumer, we have an opportunity to leverage the Express Lane even more.

And we know...there's still work to be done here. More personal...more mobile...more distinctive...these are the dimensions that will drive growth. I'm convinced, now is the time to rewrite the playbook of retail.

When I look out to the next year, we have a lot to be excited about. Now, it's more important than ever for Nike to stay true to our values and leverage our competitive advantages.

There will always be room to improve, but I'm proud of the way we're managing our business today...and I'm bullish on our opportunity to extend our leadership position for tomorrow.

Our triple double strategy is setting the stage for this next phase of growth at Nike....to win now AND create the future.

Thanks, and here's Trevor.

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Trevor Edwards:

Thank you, Mark.

In Q3, the NIKE Brand delivered another solid quarter of growth.

As always, my remarks are on a constant-currency basis:

- NIKE Brand revenue grew 7%, led by continued double-digit growth in Western Europe, Greater China and our Emerging Markets geographies.
- NIKE Brand DTC revenue increased 13%, driven by 18% growth in digital commerce, new store expansion and 6% comp store growth.

Today, Nike is in a familiar place: on the offense.

- Mark said we're doubling our direct connections with consumers, an approach that will be seen at retail as we ramp up how we serve our consumers through digital commerce and membership.
- And as always, we work to create brand energy across performance and lifestyle, connecting consumers to the products they want.
- And we bring it all to life through our geographies, a global portfolio that provides NIKE unrivaled agility and scale.

Now, let's get into a bit more detail on these three areas.

Our deep relationships with consumers drive us. We built the Nike brand by serving consumers – it is our central promise. And as we grow in scale and reach, we continue to serve our athletes personally.

Mark spoke about the power of personalized service and seamless commerce in North America, particularly in our Soho and Miami stores. Let me just add that we're seeing the same success around the world as well. In January we opened a Nike and Jordan store in Beijing, our largest basketball-focused door in China. There, a Nike+ Basketball Trial experience and t-shirt

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customization offer seamless links between Nike's physical and digital platforms. As we roll out more experiences like these, consumers see that retail is more than a series of transactions. We believe it should be personal and full of energy. For us, personal service is the new premium.

To that point, our Nike+ and SNKRS apps are successfully serving consumers more individually. Despite still only being offered in North America, they are driving more growth, better consumer engagement and higher conversion rates. With our investments in cloud technology we are accelerating the global expansion of our apps, to become even faster and more nimble in serving the consumer's changing needs. All of these experiences offer powerful examples of the services that will enable us to double our direct connection to consumers, both in our owned and partnered retail.

At the same time, we are relentless in our goal to design products that deliver both innovation and style. Running and Basketball, two of our most important categories, sit at this intersection.

In Q3, Running saw continued success, especially in our international markets, as the Air Zoom Pegasus 33 showed strong sell-through. Also, as we celebrate the month leading up to Air Max Day, we've unveiled several styles that are drawing strong consumer demand, including the first Air Max 90 Flyknit...the Air Max 1 OG in its 30-year anniversary...and the Air Max Jewell, a sophisticated new silhouette designed for women.

And of course the launch of the Air VaporMax this weekend will be a significant moment for the Nike Brand. We debuted a laceless version of this performance shoe in Paris and drove energy throughout the fashion world. After all, the quest for perfect performance influences style, and vice versa. And a shoe simply constructed of two of our greatest inventions, Air and Flyknit, fulfills our dream of walking on nothing but Air. We will continue to build consumer excitement for the Air VaporMax, by bringing new creative versions and global scale to serve this incredible energy we are seeing.

We have high expectations for the Air VaporMax, and I am very excited about this launch.

In Basketball, we are seeing great energy... from the game...to our athletes...to our products. Let's start with this: the Kyrie 3 launched in December and now is the top-selling performance

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basketball shoe in the marketplace. The LeBron 14 is showing very strong early results, and at the same time the LeBron Soldier 10 remains one of the hottest styles in the category. Also in Q3, the launch of the Paul George 1 saw very strong consumer response.

And we continue to drive the demand for basketball with iconic and popular products like the Air Force 1. Modern looks for this beloved silhouette also sold very well in Q3. That includes the Special Field Air Force 1 and high-energy collaborations with creative brands like V1one and Acronym, proving yet again Nike's ability to adapt our most popular styles to serve new audiences.

So, Nike Basketball, fueled by the KD9, the LeBron Soldier 10 and the Kyrie 3, is seeing double-digit market share gains in the 100 to \$150 price zone. And with the energy around the PG1, we expect that will only accelerate.

And the future remains bright, with a new era of retros kicking off with the first-ever re-release of the LeBron Air Zoom Generation. We believe LeBron, like Kobe and Michael before him, will translate his singular greatness to a long line of product –

and with the successful launch of his first retro, consumers clearly agree.

Speaking of Michael, the Jordan Brand continues to lead in elevating performance and sports-style together. We see Jordan's energy on-court in MVP-type seasons from Russell Westbrook and Kawhi Leonard. And we're seeing it off-court with several strong sellers in Q3, including the Jordan OVO and our Black History Month collections.

The top performer, however, was the Space Jam 11s. And when I say "top performer" I don't just mean in Q3. The Space Jam 11 was the largest and most successful shoe launch in the history of Nike. This speaks not only to the obvious demand for our products, but also our ability to connect greater numbers of consumers worldwide to the products they covet.

At the same time, the Jordan Brand continues its expansion "beyond basketball," this time with the University of North Carolina's football team and increasingly into the Women's business with the NikeCourt Flare AJ1.

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While we are talking about product, I would be remiss if I didn't highlight the success we are seeing in Apparel, whether that's our Zonal Strength Tights... our popular Plus Sizing line... or Tech Fleece – which continues to sell very well, particularly the Advance Fleece line.

Throughout our categories we're competing on all fronts, attacking opportunities with the cumulative advantages that Nike has built.

Finally, our global diversification provides unrivaled agility and scale to sustain growth over the long-term. From North America to Western Europe to Greater China, we are running a powerful global offense where we continue to develop deep relationships and bring excitement to consumers all over the world.

In North America, our brand continues to be incredibly strong. We see it when our most coveted products sell out rapidly on the SNKRS app...when members show up rain or shine at our NIKE Run Clubs... or when we see consumers enjoying premium executions in our stores and in partner doors like Foot Locker's House of Hoops, the Fly Zone and the Fieldhouse at Dick's Sporting Goods.

And we continue to tap into powerful sport and cultural moments. In Q3, just a few days apart, we delivered at New York Fashion Week and at the NBA All-Star Weekend. Nike and Jordan celebrated Fashion Week with special product drops and targeted retail executions ...and then followed it up with special player editions for our deep roster of All-Stars. Our ability to leverage both events speaks to the distinction of our brand.

Now, while we're seeing consumer traffic patterns shift by digital disruption, retail consolidation and an increasingly promotional environment, this geography continues to move in the right direction. In Q3, revenue was up 3%, gross margin expanded and inventory declined 8%. And we continue to see that the right product, the right experience and the right brand energy generates tremendous consumer demand.

That said, while we remain focused on strengthening our leadership position, we know we have more work to do to supercharge performance product in North America, particularly in Running. When we see new market or competitive dynamics within a category, we move quickly to identify

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the consumer opportunities and focus our resources against them. We've proven this is the right strategy time and again. For example, last year we were losing share in Basketball in North America, and now we're taking it back. We're on the offense and we anticipate accelerating growth in performance, in large part fueled by the Air VaporMax's energy and the upcoming Cushioning Revolution, as Mark mentioned.

Around the rest of the world, our brand and business are seeing great momentum. In Western Europe and Greater China, a continued shift to more active lifestyles is fueling growth. Specifically, in Q3 Western Europe had its 14th consecutive quarter of double-digit growth, and Greater China saw its 11th straight quarter of double-digit growth.

In Western Europe, we saw growth across nearly all categories, across all territories and across DTC and wholesale, led by Digital. We also reclaimed Western Europe's #1 position in football footwear as Nike players dominate the top leagues, scoring more goals than any other brand this season.

The market continues to grow at a healthy pace. In Footwear, we saw growth in Running and Sportswear. And in Apparel, we saw broad-based growth led by Sportswear and Global Football.

Now, in China, the opportunity is massive. Just over the past five years, the number of marathons there has grown 500%, and China's government predicts a sports economy valued at \$850 billion by 2025 – by far the world's biggest. Our leading brand position in China gives us confidence we will continue to see real growth from this expanding market.

Indeed, Nike and China have a long history together, and we continue to connect with this growing sports culture. In January, in addition to the Beijing store, the Jordan Brand opened two new Jordan-only stores in Chengdu and Taipei, celebrating the Brand's 20th anniversary in China. And partners like Topsports and Pousheng are helping drive strong sales by scaling elevated experiences across key cities.

In Q3 we also partnered with tennis star Li Na to introduce a signature line with Women's Training and Sportswear styles – our first exclusive line for a female Chinese athlete. And additionally, we are looking forward to China hosting the FIBA World Cup of Basketball in 2019 and with our

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recently announced partnership with FIBA, we can't wait to work together to grow the sport of basketball internationally.

In the end, the Nike Brand is built to win.

- We connect consumers with the product and experiences they want, across performance and lifestyle,
- We strategically balance across a diverse global marketplace, AND
- We lead the pack with groundbreaking retail executions, both in premium brick-and-mortar and pioneering digital commerce.

As always, it is these core strategies that will fuel and extend our leadership position over the long-term.

Thanks, now here's Andy.

Andy Champion:

Thanks, Mark and Trevor, and hello to everyone on the call.

We are pleased with the results that we delivered in Q3, and, at the same time, we are not satisfied.

We are pleased because we continue to strengthen the fundamental drivers of NIKE's long-term revenue growth and earnings potential.

Our financial strategy has three pillars:

- (1) Delivering strong revenue growth,
- (2) Expanding profitability, and
- (3) Generating high returns on invested capital.

In Q3, we delivered Revenue growth in line with the Guidance that we communicated 90-days ago. We drove strong double-digit currency-neutral growth in aggregate across our international

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markets, which now represent more than half of our global portfolio, and we re-positioned NIKE for sustainable, profitable growth in North America long-term. We also expanded profitability well in excess of our Guidance, with EPS growing 24%. Finally, we delivered Return on Invested Capital of over 33%, at the high end of our targeted range ... by continuing to edit within our core spending to amplify more focused strategic investment in areas such as product innovation, digital commerce and membership ... while also more tightly managing inventory.

Over the past several years, NIKE has become even more “fit for growth.” On a currency-neutral basis, we have built a more efficient and profitable business model ... we have sustained momentum in the drivers of full-price gross margin expansion ... we have systematically reduced SG&A as a percent of Revenue ... and we have significantly expanded our currency-neutral EBIT Return on Sales.

But, we are not satisfied. We are clear-eyed with respect to the challenges we have faced and opportunities we have not fully capitalized upon in the short-term. We have and we will continue to attack those opportunities with urgency. We are also obsessing over the triple-double that Mark referenced: doubling the cadence and impact of innovation, doubling our speed to market, and doubling NIKE's direct connection to consumers in the marketplace. That is the formula we are employing to fuel NIKE's next horizon of accelerating growth. As for innovation, we have more than doubled our investment in innovation of late, and you will now see us double the flow and impact of innovation we bring to market, immediately beginning in Q4. We also see tremendous growth potential in doubling our direct connection to consumers. NIKE's Direct to Consumer business continues to grow much faster than the broader market ... and NIKE-branded concepts operated with our strategic partners continue to grow faster than undifferentiated multi-brand stores. In short, NIKE always wins when we create a home field advantage that brings together a curated assortment of our products, a NIKE-branded environment, and direct, personal service of the consumer. To be clear, this opportunity is not simply about branded space; it goes well beyond. We see the opportunity to leverage NIKE digital membership to elevate personal service broadly across the marketplace. And, today, NIKE digital members already spend nearly two times what other NIKE consumers spend per transaction.

Identifying and then aggressively seizing upon these compelling growth opportunities is what we

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mean when we say NIKE is on the offense, always.

But, before I speak to our go-forward outlook in more detail, let's take a few moments to reflect on the results we delivered in Q3:

- In Q3, NIKE, Inc. Revenue increased 5%. On a currency-neutral basis, Revenue grew 7% led by continued double-digit growth in Greater China, Western Europe and the Emerging Markets.
- Third quarter Diluted EPS of \$0.68 increased 24% versus the prior year driven by revenue growth, SG&A leverage, higher other income, a lower tax rate, and a lower average share count.
- Gross Margin contracted 140 basis points in the quarter. Full-price average selling prices continued to expand. However, margin contracted overall due to higher product costs, FX headwinds, and off-price sales.
- Demand Creation decreased 7% to \$750M for the quarter, as our fiscal year spending was front-loaded due to significant investments around the Olympics and European Football Championships.
- Operating Overhead decreased 1% as our continued strategic investments are being funded by productivity gains within our core operational spending.
- The Effective Tax Rate for Q3 was 13.8%, compared to 16.3% for the same period last year, primarily due to a reduction in tax reserves and an increase in the mix of earnings from operations outside of the U.S., which are generally subject to a lower tax rate.
- As of February 28th, Inventories were up 7% driven by a higher average cost due primarily to product mix and to support growth of our DTC businesses. Wholesale inventory units were down 3%.

Next, let's turn to a few of our key operating segments:

North America revenue grew 3% on both a reported and constant-currency basis as we continued to see balanced growth across both footwear and apparel, highlighted by another quarter of strong

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growth in NIKE Sportswear and the Jordan Brand.

EBIT growth of 9% outpaced revenue growth as gross margin expansion and SG&A leverage delivered increased profitability.

As Trevor detailed, we continue to make great progress in North America, rebalancing supply and demand, reigniting momentum in our Basketball business, and sustaining momentum in Sportswear. That said, the North America retail landscape is not in a steady-state. Digital disruption and other dynamics are resulting in more aggressive promotional activity than we expected 90-days ago. So, we are going to remain tight with respect to the supply that we are putting into the North America market in the short-term, while aggressively driving the initiatives that will reshape and grow the market, and extend NIKE's leadership long-term.

Now, turning to our international markets, where we continue to have very strong momentum.

First, in Western Europe, revenue increased 10% on a currency-neutral basis as we delivered another quarter of strong multi-dimensional growth led by our Sportswear, Running and Global Football categories.

On a reported basis, Revenue increased 4%, while EBIT declined 13% reflecting the impact of transactional FX headwinds and higher product costs on Gross Margin, partially offset by SG&A leverage.

In our Emerging Markets, Revenue grew 13% on a currency-neutral basis led by our Sportswear and Running categories. We also saw double-digit growth across most territories.

On a reported basis, revenue increased 8%, while EBIT decreased 4% as results continued to be heavily impacted by FX.

Last, but certainly not least, Greater China delivered another quarter of extraordinary results with currency-neutral revenue growing 15%. We continue to see strong momentum across the business with double-digit growth in wholesale and DTC, footwear and apparel, and nearly all categories. China as a nation is accelerating towards sport, both in terms of participation and passion, and urbanization continues at full-speed. With over 350M Chinese millennials – one of

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the largest and most important demographics in the world – we believe we've just scratched the surface of our growth potential in this important market.

On a reported basis, revenue grew 9% and EBIT expanded 6% due to strong revenue growth and SG&A leverage.

As evidenced in Q3, we extended our longstanding track record of managing all of the levers within our global portfolio to deliver strong results in the near-term, even amidst volatility. As we look ahead, we will also continue investing and innovating to exceed consumer expectations and fuel long-term sustainable, profitable, capital efficient growth.

As for our specific guidance:

In Q4, we expect reported Revenue to grow in the mid single-digit range, slightly below our Q3 reported rate of Revenue growth. On a currency-neutral basis, we expect growth in the high single-digit range. We continue to see very strong growth in our international Geographies, ranging from Greater China to Europe to Emerging Markets.

In North America, we have made great progress over the course of this fiscal year solidifying the fundamental drivers of growth. We are by far the leading and largest brand in North America with a \$15B growing portfolio. Based upon the breadth and depth of our portfolio, we anticipate that the currently dynamic overall retail marketplace will create both puts and takes in the short-term. So, we are being appropriately measured with respect to our Q4 financial targets for North America. We will keep supply tight, maintaining the strong foundation we've created, while we bring new innovation to market and accelerate more direct consumer connections.

Shifting to Gross Margin, 90-days ago, we anticipated less Q4 Gross Margin contraction versus prior year than we had seen year-to-date. While we were anticipating greater FX headwinds in Q4, we were also expecting to partially offset that with significant expansion in our operational, or currency-neutral Gross Margin versus prior year. Today, we expect the same FX impact that we anticipated 90-days ago; however, based upon the currently more promotional environment in the overall North America marketplace, we do not believe it is prudent to target as much short-term expansion in our operational Gross Margin. Instead, we are going to maintain the financial

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flexibility to ensure that we continue to optimize sell-through. Accordingly, we are now targeting 150 to 175 bps of Gross Margin contraction in Q4 versus prior year, with the year over year variance largely driven by FX.

As for Q4 SG&A, we expect it to be roughly flat versus the prior year as we continue to systematically drive productivity gains through our “Edit to Amplify” initiative.

Other Income net of Interest Expense is expected to be approximately \$15M in Q4.

And, we expect our Q4 Effective Tax Rate to be approximately 22%.

Note that NIKE Brand Futures Orders are down 4% on a reported basis versus prior year and down 1% on a currency-neutral basis. As previously discussed, futures are an important part of our operating model, but Futures growth is no longer a reliable proxy for Revenue growth based upon several factors we've previously articulated. Illustrating this point, you will see that China Futures are growing low single-digits based on changes we have made to our monthly shipment flow globally; however, we continue to project strong double-digit Revenue growth in China.

We are in the early stages of our planning for fiscal year 2018 and will provide financial guidance on our next earnings call. However, today, I will share some preliminary thoughts.

We are employing a balanced, three-pronged approach to our planning for FY18. First, we will remain appropriately measured. Second, we will be sharply focused, attacking the most compelling growth opportunities in the marketplace with speed and agility. And, third, we will be on the offense, executing the triple-double that will fuel NIKE's next horizon of accelerating long-term growth.

Financially, we are targeting continued Revenue growth across all Geographies in FY18, led by strong growth internationally. We also project significant operating leverage and expanding profitability, which on a currency-neutral basis would result in earnings growth consistent with our long-term financial model. That said, at our investor day in October FY16, we communicated that we expected FX to be a significant headwind through FY18, as our long-dated hedge portfolio matures and rolls forward. Since that time, the US Dollar has further strengthened against most international currencies. At current rates, we project that we will have absorbed \$1.6 to \$2.0

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billion of cumulative FX downside over FY16, FY17 and FY18, with the most significant annual impact being in FY18. We look forward to putting these extreme FX headwinds behind us as we exit FY18. In the meantime, we will continue to deliver strong Revenue growth and make NIKE a much more efficient and profitable enterprise on a currency-neutral basis.

In closing, we will continue to manage all of the operating levers within our portfolio to deliver strong performance in the short-term. At the same time, we will remain relentlessly on the offense ... investing, innovating and, in some cases, revolutionizing the industry to exceed consumer expectations, fuel long-term growth and, in turn, create value for shareholders.

With that, we'll now open it up for questions.