PREPARED REMARKS / UNOFFICIAL TRANSCRIPT – Q417 NIKE, Inc.

June 29, 2017

Operator:

Good afternoon, everyone. Welcome to NIKE, Inc.'s fiscal 2017 fourth 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 the annual report filed on Form 10-K.

Some forward-looking statements may concern future orders, expectations of future revenue growth or gross margin. Following the Conference Call, a futures orders schedule will be posted 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.

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 fourth quarter and full-year 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.

Hello, and good afternoon everyone.

Serving athletes in today's quickly evolving marketplace demands a new approach. It means rethinking the fundamentals with an action plan that focuses on speed and deeper connections with consumers.

In Fiscal 17, we managed our business through this dynamic environment, while at the same time, we initiated big changes to set the stage for our future. It was a year for making aggressive moves…all with the goal of igniting the next phase of accelerated growth for Nike.

So let's take a look at the numbers for the year…

- NIKE, Inc. revenues grew 6% to $34.4 billion on a reported basis. On a currency-neutral basis, NIKE, Inc. revenues grew 8%.

- Gross Margin declined 160 basis points to 44.6%.
- Earnings per Share rose 16% to $2.51.
- And we delivered ROIC of nearly 35%.

As I reflect on the year…and what the consumer is telling us, three insights

stand out:

First, the consumer appetite for newness and choice has never been higher. Their connected world means unlimited access to new products…so when they see something they love, they want more versions of it – from performance innovation to style. For example, this year the introduction of the Air Vapor Max energized the whole AIR platform. Five of our top ten sportswear styles featured Air Max cushioning…adding fuel to a Nike AIR business that already represents several billion dollars.

Second, consumers are choosing brands who lead with elevated service and new experiences. They want brands that are engaged and make a personal connection. Our opportunity is to create more compelling experiences in Nike environments AND with our best partners.

Third, consumers want the latest products, faster. This year, we continued to build more agility and speed into our organization. We're becoming better editors through high-impact initiatives like Edit to Amplify. And we're driving scale and efficiencies. Innovation is how Nike sets trends…new capabilities like the Express Lane are how we adapt to them.

All told, these are the forces helping to shape our Triple Double strategy and our recently announced Consumer Direct Offense. We have aligned product, design, categories, and key cities, all the way to the consumer. Supported by our strong brand, we are executing with precision and focus.

Under this new formation…we're in the best position to drive growth against the biggest opportunities.

And we're clear about what those opportunities are: to double innovation, speed and direct connections with consumers.

Let's start with 2X Innovation. It's about taking the consumer somewhere new…and expanding our opportunities for growth.

For example, we all know how critical cushioning is to an athlete's performance. And that different athletes have different preferences. So this summer, we're offering a range of experiences through a cushioning revolution – three new platforms that push the edges of performance.

The first is the Air VaporMax – a product that hits the sweet spot of performance and style. As I've always said, Nike's competitive advantage is that our innovation creates new expressions of style. Equally, the consumer expects lifestyle product to look good and feel good with no compromise.

VaporMax has been very successful out of the gate with strong sell-through across multiple releases. And looking ahead, we will add even more breadth to the VaporMax family of products…scaling it to millions of pairs through Fiscal 18 to meet the growing demand.

Another platform, ZoomX, played a key role in an awe-inspiring moment this past May. I was there, at the finish line in Monza, Italy, when Eliud Kipchoge finished with an extraordinary 2-hour-and-25-second marathon time. It was a thrilling moment for sports and an incredible validator for one of the most amazing breakthroughs I've seen in performance footwear.

During the NBA playoffs, another new platform – Nike React – made its debut in both the Nike Hyperdunk 2017 and the Jordan Super Fly 5.

Nike React is the first high-performance foam system that offers a major leap forward in three key benefits – lightweight, ultra-responsiveness and durability – in one single platform.

With all three platforms, we're just getting started. Nike's strength is our ability to get more out of each of our innovations by scaling across brands and across sports.

And what you are seeing right now is just a snapshot. We have a relentless flow of exceptional products and platforms on the way. We're preparing for major launches with…

…the first Flyknit apparel…starting with the Flyknit Bra

…a radically-designed comfort cushioning platform

…and Hyperadapt 2.0 – delivering new forms in adaptive technology at more accessible price points.

Plus, we have…

…never-before-seen technology in NBA apparel on the way

…new sustainable innovation, brought to scale through some of our most iconic footwear styles

…and new additions to the Air Max family that leverage our new capabilities in Air Sole manufacturing.

Up-and-down our categories, we think the consumer is going to be excited about what we have in store in Fiscal 18, and of course, as always, we'll have more surprises along the way.

Turning to 2X Speed, the Consumer Direct Offense will intensify our focus on 12 Key Cities in 10 countries. Currently, these markets represent over 80 percent of Nike's projected growth through 2020. The cities and countries are now supported by a simplified structure of four geographies — North America…Europe, Middle East and Africa…Greater China…and Asia Pacific and Latin America.

The Key City strategy will create two big changes. It will add greater digital expertise and control in the markets where consumer connections happen. And they will be the source for real-time sensing of the market to influence product creation, primarily through our Express Lane teams.

The Express Lane serves three functions:

The first is to fulfill. That means more quickly restocking what consumers want based on real-time, sell-through data.

The second is update. That's editing and refreshing materials, colors or prints on popular existing models based on consumer insights.

And the third is create. That's creating new products and moving from design to shelf in half the time.

The Express Lane is already up and running in North America and Western Europe. This summer, a new Express Lane will be activated in Asia. As part of our Key City approach, we are cutting critical weeks out of the delivery time in the world's most promising markets for sport.

Through manufacturing partners like FLEX, we're also moving at a faster pace than ever before. FLEX has already produced approximately 1 million pairs of footwear across multiple styles and together in Fiscal 18 we are piloting more responsive business models to deliver product to market faster. We're ramping up speed at scale.

One of the areas where I expect to see the most dramatic change, quickly, is in 2X Direct. We've now aligned our teams in DTC and Digital to bring the consumer closer to the products, services and experiences that only Nike can provide. And leading with mobile, we are unifying and simplifying access for the consumer.

Our digital products just passed an important milestone in Fiscal 17 – Nike.com and our apps now total more than 2 Billion dollars in revenue. That's nearly doubled in just the last two years. In Fiscal 18, both SNKRS and Nike+ are expanding into Europe and Greater China.

With the opening of our new Digital Studios, we activated a new vision for the future of sneaker culture and commerce, tapping into a uniquely creative outlet within our Key Cities. There's some very exciting work here, especially in app-based experiences and commerce. Trevor will highlight some of the examples of how these are coming to life.

In retail, we know the opportunity for innovation isn't ours alone. Innovation in retail…is everybody's opportunity.

With Nordstrom, a destination for women, we're combining digital and physical experiences with a dedicated Nike and Nordstrom page on Nordstrom's app. Over the past five years with Zalando in Europe, we've had great success growing our business through an elevated presentation and service. And in China, we have a premium experience on the world's largest platform – Tmall – where Nike is the biggest sports brand, reaching an incredible 500 million users.

In the US, we're executing a new pilot with Amazon with a limited Nike product assortment. As we do with all of our partners, we're looking for ways to improve the Nike consumer experience on Amazon by elevating the way the brand is presented and increasing the quality of product storytelling. We're in the early stages, but we look forward to evaluating the results of the pilot.

Whether it's through our own channels, creating fresh concepts with long-time partners or exploring with new commerce partners – Nike is defining what's possible at retail…to better serve consumers and unlock growth.

We're making big shifts in the year ahead…to our business and within our teams. We're taking the qualities that differentiate Nike … and making them even stronger.

We have...a brand that inspires globally

…a thriving culture of innovation

…a deep lineup of amazing products

…the world's greatest roster of athletes

…and a consumer-obsessed model.

These moves are about taking action to accelerate growth. And we have a clear plan and a competitive, talented leadership team to get us there.

Thanks and now here's Trevor.

Trevor Edwards:

Thank you Mark.

In Q4, and throughout FY17, the NIKE Brand delivered strong growth, demonstrating again the power of our uniquely diverse global portfolio.

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

- NIKE Brand revenue grew 7% for the quarter and 8% for the year, with double-digit growth internationally in all quarters this fiscal year.

- NIKE Brand DTC revenue was up 12% for the quarter. For the year, DTC revenue was up 18%, driven by online growth of 30%, new stores and comp store growth of 7%.

The Nike Brand is strong, with an unmatched ability to inspire consumers across the globe. And while we are seeing healthy growth across many dimensions of our business, we know ample opportunity remains. With our new Consumer Direct Offense, we are more focused than ever on amplifying those areas where we have momentum and are accelerating those where we have opportunity. We are doing this by bringing the NIKE Brand closer to consumers … moving faster … and serving them more completely.

Mark discussed how our new offense is moving decision-making closer to our consumer, so that we move at their pace, if not a step ahead. Let me briefly share the work we are doing in the marketplace and how we expect it to drive even greater growth.

We have a uniquely powerful connection with our consumers. They want to be part of our brand, they want a relationship, and that means we think of membership differently. It's about providing distinctive access and improving the ways we serve them. With these deep connections, it's no surprise that time and again our consumers choose us.

The results prove this vision, with members on our apps spending nearly triple what others spend on Nike.com. Through Consumer Direct, we are elevating our concept of membership to take full advantage of this commercial opportunity. We connect consumers to the product they want through exclusive offerings and tailored recommendations. For us, membership is an accelerator, a catalyst that drives growth. In Q4, nearly three-quarters of our Nike.com consumers were members … up 25% and growing … with plans to accelerate through stronger member benefits and international expansion.

We know there are membership benefits that only Nike can provide. For example, we leverage the breadth and depth of our most coveted products to bring together physical and digital retail. With our mobile apps, we are disrupting the sneaker shopping experience. This quarter with SNKR Stash, we unlocked access to exclusive product using geo-locations; and with Shock Drop, we offered unannounced releases that surprised the sneaker community. The SNKRS app was only available in North America and is now expanding to Western Europe, Greater China and Japan.

This work is strengthened by our Key City strategy, as we move our digital teams into cities to offer distinct experiences and connections. One exciting example is a new interactive experience through SNKRS in New York, that makes certain styles exclusively available to members who unlock them through the app's new "augmented reality" features.

We have also begun a new partnership with Instagram that will allow consumers to purchase Nike product seamlessly in the Instagram app. Clearly, we are boosting our ability to create new ways to serve consumers … making the entire Nike+ ecosystem available to consumers where they already live.

This is why we are so excited about the Consumer Direct Offense. It will take all these elements, all these great concepts, and scale them to make the most of our connections with consumers everywhere.

These kinds of meaningful connections are always elevated during major sports moments. From Breaking2 to the NBA Finals showdown between LeBron and KD, these incredible moments fueled momentum across Running, Basketball and other key categories in Q4.

Starting with Nike Sportswear, which draws inspiration directly from performance categories like Running and Basketball, we had another quarter of strong double-digit growth. Nike Sportswear stands as a nearly $8.6 billion business, as we shape the look of sport for our industry. In particular, we are seeing strong momentum in many iconic styles, from the Cortez to the Presto … and the success of the Air VaporMax, a high-performance running shoe, is energizing the entire Nike AIR platform. As always, we are very excited about the innovations in the pipeline that will continue to bring performance to sport style.

And with the reintroduction of the popular Style Guide on Nike.com, we continue to elevate the experience for our consumers, driving strong sell-through in products like our Beautiful Power Collection in Women's. In fact, all told, our Women's business … led by Sportswear … is showing tremendous growth, having outpaced Men's over the full year.

In Running, FY17 was headlined by the balanced success in performance and lifestyle that Mark mentioned. For the year, we saw 8% growth with very strong momentum across our international markets.

In performance, we were proud to sweep the podium at the Boston Marathon with five of the six runners wearing our new ZoomX technology. We know people are drawn to extraordinary performances and we worked throughout Q4 to use our brand to bring that energy to scale.

This of course leads to the amazing success we had with Breaking2, where performance innovation ignited global excitement like only Nike can. Twenty million people watched the livestream on Twitter and Facebook as the world tuned in – viewership numbers that rival the biggest events in sport. That attention created global awareness for the Zoom Vaporfly 4%, driving momentum across the entire Zoom platform, including the new Zoom Fly and the Pegasus 34.

In NIKE Basketball, the momentum we have been seeing accelerated, as we returned to growth in Q4.

Our return to growth in NIKE Basketball shows the energy we are driving is real and lasting. What's more, as we look at the industry as a whole, we know that as goes NIKE Basketball, so goes the entire basketball market.

The signs of NIKE Basketball's progress are clear. Our strength in footwear came in large part due to the Kyrie 3 remaining the No. 1 performance basketball shoe, and the Paul George 1 becoming the hottest shoe in the market with incredible sell-through. Successes like these drove significant market share gains in the all-important $100-$150 price point.

Though the overall category declined for the year, NIKE Basketball saw strong double-digit growth in Greater China and Western Europe.

The innovations we launch create excitement and continue to drive energy for the culture of the sport, which we bring to life through Sportswear. This all adds up to incredible potential as we look to leverage our NBA partnership to drive our 2X Direct strategy.

Yet we aren't waiting. The NBA Finals provided an opportunity to deeply engage with our consumers. During Game 1, we gave members first access to buy the KD 10 "Still KD" colorway – as soon as he stepped on the court. This is the kind of on-demand, digital commerce experience that you will see more of as our NBA partnership takes off.

Jordan also continued its run of success, with an outstanding year of 13% growth. Today, the Jordan Brand is a $3 billion business. This year, outside of North America, Jordan grew in excess of 25%, showing the incredible international potential for the brand's signature style and soul. Also, the new Air Jordan 31 Low, along with several other popular styles, drove energy and demand at premium price-points.

All told, in Q4 we saw growth across all three dimensions of our complete Basketball offense … from NIKE Basketball … to Jordan … to Sportswear.

Now turning to our geographies, the success we are seeing internationally has us excited for what the Consumer Direct Offense will do. These are markets where we are leapfrogging over old models of retail to drive accelerated growth. And we are bringing these successes domestically as we recalibrate the landscape.

In North America, momentum is building. In Q4 we saw another quarter of revenue growth driven by Sportswear and Jordan, gross margin expansion and improving inventory levels.

For North America, we have made great progress in the supply chain and managing inventory this year, and today it's clear we are well on the right path. At the same time, we still see a dynamic and promotional landscape. This is why aggressively executing our Consumer Direct Offense is so important.

That said, we have tremendous anticipation for the products we will launch this year. Our partners that have seen the products are excited. Consumers are starting to talk. We have a loaded pipeline, and we can't wait for everyone to see it. That pipeline, and the excitement we know it will bring, is why we feel so confident about our North America business.

In Western Europe, we saw 12% growth for the quarter and 11% for the year, as our market position strengthened. Throughout Europe, we are seeing apparel outpace footwear, as our work driving the look of sport continues to fuel growth. Here's one example we are really proud of: Nike Sportswear in May was the biggest month for any category in the history of our Western Europe business.

In Q4, we saw significant strength in DTC and digital. Our largest accounts in Western Europe also showed strong growth, highlighted by strong momentum with JD and Zalando. At the same time, we activated the Express Lane in Europe, ensuring consumers are served with a stronger, quicker response for the products they covet.

And in the Emerging Markets, we saw strong double-digit growth across channels and in nearly all territories. Overall, revenue grew 14% for the full year and 18% in Q4. In March, we saw an amazing execution of Air Max Day throughout the Emerging Markets. A series of city activations with more than 75,000 participants sparked extraordinary sales, with 100% sell-through of Air Max 1 and Air VaporMax styles. This is yet another example of how our city teams localize global stories and bring them to life for their consumers.

Finally, in Greater China, the Brand is stronger than ever. Mark mentioned we are the #1 sports brand on Tmall – and with our digital commerce apps expanding here, we are just beginning to tap into our full potential. For the full year, we saw 17% growth, with Q4 up 16%, driven by double-digit growth across most dimensions of the business.

In Q4, we launched "White Hot," a powerful white sneaker collection. Fueled by influencers and athletes, "White Hot" was an incredible success, as Nike continues to leverage trend-right concepts to go deep with the styles consumers want. Throughout Nike.com, Tmall and WeChat, we saw strong product sell-through and significant consumer engagement. Through work like this, we keep our momentum in Greater China moving full speed ahead, and we plan further acceleration as we expand the Express Lane to this geography.

In FY17 we saw real successes in our greatest growth opportunities. We also know there are areas where we can get better. And with the Consumer Direct Offense, I know we will.

Thanks, now here's Andy.

Andy Campion:

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

Reflecting on our financial performance in FY17, I would like to focus on three key themes that serve as important context going forward:

1. First, the more closely we connect the Nike Brand to consumers in the marketplace, the stronger our growth. In FY17, our DTC businesses grew 18% on a currency-neutral basis led by Nike.com. And, our Nike-branded experiences with partners also grew at a rate that far outpaced less differentiated multi-brand wholesale distribution.

2. Second, we continue to deliver strong growth internationally, and we have even greater potential for growth ahead. International markets currently represent roughly 55% of our portfolio and grew at a double-digit rate in aggregate in FY17. While Nike is the leading Brand in fast growing developing markets around the world, including China, current per capita spend on Nike in those markets is still less than 1/10th of the per capita spend on Nike in more developed markets. Over time, macroeconomic drivers and consumers' expanding passion for sport will create even greater capacity for the Nike Brand to grow in those markets.

3. Third, we continue to demonstrate our ability to manage all of the operating levers within our portfolio to deliver sustainable, profitable growth under a wide range of circumstances. In FY17, we delivered 16% growth in Earnings Per Share despite significant geopolitical and FX headwinds, and a rapidly evolving, competitive, and promotional marketplace.

These themes reinforce why we are so aggressively executing on, and why we are so excited about the potential long-term financial impact of, our new Consumer Direct Offense.

First, take 2X innovation. Innovation fuels growth. We have doubled our investment in innovation over the past 3 years. And, we are now beginning to see the outsized returns that can be generated through incremental investment in innovation. As Mark and Trevor detailed, we broke through the barriers of human potential with the Breaking2 initiative and the ZoomX platform. We also launched the Air VaporMax platform in Q4. If there was a question as to consumers' appetite for performance innovation or willingness to pay premium prices for products that exceed their expectations in terms of performance and style, our launches in Q4 answered those questions. Demand for the products we launched well exceeded our initial supply, and over the course of FY18, we will be scaling these new innovation platforms across our global portfolio of Categories and Geographies. To be clear, from a financial perspective, incremental investment in innovation drives asymmetrical returns on the topline, by favorably impacting both our pricing architecture and overall demand.

Second, the benefits associated with doubling our speed favorably impact (1) revenue growth through greater demand capture, (2) gross margin expansion through a higher mix of full-price sales, and (3) inventory efficiency as our supply is even more closely tied to real-time consumer demand signals. While selling out of a style within hours is evidence that we have exceeded consumer expectations, selling out within hours also represents lost opportunity. By reducing our time to market, our Express Lanes in North America, Western Europe, and soon Asia, are beginning to help us translate data-driven demand signals into more timely, profitable, and capital efficient revenue growth.

Third, doubling our direct connection to consumers will drive an amplification of our topline growth. Consumers are showing us through traffic and spending patterns that they want experiences that offer the Nike products they love, in a Nike branded environment, with the level of service and experience that only Nike can provide. Today, the dimensions of our business that fall within our broad definition of "Direct" represent roughly 35% of our business on a wholesale equivalent basis, but drove 70% of our growth in FY17. These dimensions are also more productive and profitable than other less differentiated consumer experiences. For example, fulfilling demand through Nike.com generates nearly twice the revenue and significantly higher margin on each transaction. And, over time, we see the growth of digital as accretive to Nike's bottom line profitability. So, we will continue to prioritize and drive a more immediate shift towards more direct service of the consumer.

We are confident that continued execution of the Consumer Direct Offense will drive Nike's next horizon of accelerated growth. Our confidence is evidenced by the recently announced changes within our leadership and organizational structure. Those changes were not about cost-cutting, but rather part of our more deliberate shift in focus and investment toward fueling growth through this new offense.

Now let me turn to a brief review of our Q4 and FY17 results:

In Q4, we delivered growth in line with, and profitability that exceeded, the guidance we provided 90-days ago.

Specifically:

- NIKE, Inc. Q4 Revenue increased 5%, up 7% on a currency-neutral basis. For the full year, NIKE, Inc. revenue increased 6%, up 8% on a currency-neutral basis.

- Fourth quarter Diluted EPS increased 22% to $0.60. Full year Diluted EPS grew 16% to $2.51, driven by revenue growth, SG&A leverage, and a lower effective tax rate.

- Gross Margin contracted 180 basis points in Q4 and 160 basis points for the full year. For the quarter, margin contraction was primarily driven by foreign exchange headwinds of approximately 140 basis points, as well as higher product input costs, offsetting sustained increases in average selling prices.

- Fourth quarter Demand Creation decreased 10% as our fiscal year spending was front-loaded due to significant investments around the Olympics and European Football Championship. For the full year, Demand Creation increased 2%.

- Operating Overhead decreased 1% for the quarter and was flat for the full year as we continue editing to amplify, fueling our strategic investments through productivity gains within our core operational spending.

- The Effective Tax Rate was 13.7% in Q4 and 13.2% for the full year. The full year rate was 550 basis points lower than last year's rate, primarily due to a one-time benefit in the first quarter of the fiscal year related to the resolution with the IRS of a foreign tax credit matter, and a decrease in foreign earnings taxed in the U.S.

- As of May 31st, Inventories were up just 4% as growth in our DTC businesses and increases in average product cost per unit were partially offset by a 3% decline in NIKE Brand wholesale inventory units.

Now, let's turn to the financial performance for a few of our key operating segments:

For the full year, North America revenue grew 3% on both a reported and currency-neutral basis led by strong growth in DTC. EBIT also increased 3%.

For the quarter, North America revenue was up 1% on a constant-currency basis and flat to prior year on a reported basis. EBIT grew 5% in the quarter, primarily fueled by gross margin expansion.

As we've evidenced over the past several quarters, Futures are no longer a reliable proxy for Revenue growth, and our strategic shifts are amplifying this. As such, we continue to see a high single-digit disparity between Revenue growth and Futures growth in North America.

While the North America retail landscape remains promotional, we are executing with greater precision. We continue to tightly manage supply and demand, and, in turn, we delivered margin expansion in the second half and closed the year with inventories down 6%.

In FY18, we will more deliberately fuel growth in the direct dimensions of our business, while also more deliberately transforming or transitioning away from other less differentiated and less productive points of distribution. Accordingly, we are planning overall growth in North America for the full fiscal year with slight contraction in the first part of the year as we aggressively drive this strategic shift. Our measures of success in FY18 will include: stronger growth in the more direct dimensions of our business, both owned and partnered, healthy expanding margins for the Geography overall, and continued efficiency in the management of supply and demand.

Now, turning to our international geographies:

In Western Europe, FY17 currency-neutral revenue was up 11% with strong multidimensional growth across DTC and wholesale, footwear and apparel, all territories and nearly every category.

In Q4, revenue increased 12% on a currency-neutral basis, led by our Sportswear and Running categories as well as our Young Athlete's business.

On a reported basis, FY17 Revenue increased 6% and EBIT declined 16% reflecting the impact of transactional FX headwinds on Gross Margin.

Our Emerging Markets geography also delivered broad-based revenue growth. On a currency-neutral basis, FY17 Revenue grew 14% led by our Sportswear and Running categories. We also saw double-digit revenue growth across DTC and wholesale, footwear and several territories.

For Q4, currency-neutral revenue was up 18%, with double-digit growth in most categories and nearly all territories.

On a reported basis, FY17 revenue increased 8% and EBIT decreased 9% as strong revenue growth was offset primarily by transactional FX headwinds on Gross Margin.

Last, but certainly not least, we continue to see extraordinary momentum in Greater China as we delivered another record-breaking year with over $4 billion in reported revenue and currency-neutral revenue growth of 17%. We saw strong growth across DTC and wholesale, footwear and apparel and nearly all categories. Greater China is currently the Geography where the Nike Brand is most directly serving the consumer in the marketplace, leveraging Nike-branded digital and bricks and mortar experiences, both owned and partnered, to exceed consumer expectations and fuel growth.

For the quarter, currency-neutral revenue grew 16% with double-digit growth in both footwear and apparel, DTC and wholesale, and most categories.

On a reported basis, FY17 revenue grew 12% and EBIT expanded 10% as strong revenue growth was slightly offset by lower Gross Margin primarily due to transactional FX headwinds.

Now, moving to our outlook for FY18 and beyond:

Given the dynamic operating environment, the strategic shifts we are driving through the Consumer Direct Offense, and significant foreign exchange headwinds, we are providing more detail on this call with respect to our financial expectations.

I will begin with our currency-neutral expectations for FY18, which are an important lens into the underlying health and momentum in our business.

For the full year, we expect to deliver currency-neutral Revenue growth in the mid to high single-digit range. This includes growth across all geographies, led by continued strong growth internationally.

We expect NIKE, Inc. Gross Margin, excluding the impact of foreign exchange, to expand beyond the high end of our stated long-term goal of 30 to 50 basis points per year.

For SG&A, we expect growth in the mid single-digit range.

As a result, we expect to deliver another year of double-digit currency-neutral EBIT expansion in FY18.

On a reported basis, at current rates, we anticipate FX will be an approximately $700 million headwind in FY18, as the favorable hedges that mitigated and deferred the impact of adverse currency movements in each of FY16 and FY17, mature and roll forward.

As such, we expect FY18 reported Revenue to grow in the mid single-digits.

As for Gross Margin, we anticipate modest contraction, by as much as 50 basis points, with FX having a more pronounced impact on the first half of the fiscal year.

We expect SG&A to grow in the mid single-digit range, inclusive of costs related to our leadership and organizational realignment. We expect to incur the majority of those costs in the first half of the fiscal year, with savings being reinvested to fuel growth through our new offense.

Other Income and Expense, net of Interest Expense is expected to be an approximately $30M to $50M expense in FY18.

And we expect our Effective Tax Rate to be between 16% and 18% for the full year. Note that the impact of stock option exercises under the newly adopted ASU 2016-09 may result in increased volatility in our quarterly Effective Tax Rate.

Shifting to the first quarter, it is important to note that year over year comparisons will be impacted by various factors including the Olympics, European Football Championship, foreign exchange and our exit from the Golf Equipment business in the prior year.

As such, we expect reported Revenue to be flat, which on a normalized basis would be in line with our growth over the past two quarters.

We expect Gross Margin to contract between 150 and 180 basis points driven by FX headwinds.

We expect SG&A to grow in the mid single-digit range.

And, for Other Income, net of Interest Expense we expect a $10 to $20 million expense in the first quarter.

Looking out to FY19 and beyond, at current rates, we expect the negative impacts of foreign exchange to be behind us, positioning us to continue delivering strong growth and expanding profitability on a currency-neutral operating basis … as well as on a reported basis.

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