

PREPARED REMARKS / UNOFFICIAL TRANSCRIPT – Q318 NIKE, Inc.

March 22, 2018

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Operator:

Good afternoon, everyone. Welcome to NIKE, Inc.'s fiscal 2018 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 the annual report filed on Form 10-K.

Some forward-looking statements may concern expectations of future revenue growth or gross margin. In addition, participants may discuss non-GAAP financial measures, including references to constant-dollar revenue. 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 2018 third 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.

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We will start with prepared remarks, then we'll 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. Good afternoon, everyone.

I would like to first acknowledge the changes we made last week to further evolve our culture and restructure our leadership.

We became aware of some behavioral issues that are inconsistent with Nike's values of inclusivity, respect and empowerment. I'm committed to ensure that we have an environment where every Nike employee can have a positive experience and reach their full potential.

As you know, I've publicly committed to serve as Chairman, President and CEO of Nike, Inc. beyond 2020. Trevor Edwards and I both agreed to a change in leadership structure in the Nike brand at this time...as we transition to our next phase of growth and continue to evolve our culture. Trevor will work with me as an advisor through this transition until he retires in August. I'd like to thank him for his important and significant contributions in growing and strengthening the Nike brand around the world.

We have a deep leadership bench at Nike...and I'm confident that our restructured leadership team will continue to strengthen our culture and drive the Consumer Direct Offense.

With that, this call will be led by our CFO, Andy Campion, and me. So, let's turn to the results we delivered in Q3 and the strong momentum we are building as we look forward.

Simply put, the Consumer Direct Offense is working.

Through 2X Innovation, we're creating and scaling new product platforms, while also becoming

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sharper editors...

Through 2X Direct...we're moving closer to the consumer through differentiated retail concepts...leading with our apps...dot-com...and digital partners...

...and through 2X Speed, we're serving consumers at their pace.

During our Investor Day, we discussed the significant potential we see in our international markets. This quarter we delivered strong and sustainable growth across all of our international geographies.

Take Greater China, for example, where positive macro trends are accelerating...from consumer spending to sport participation. Looking ahead, we have a tremendous opportunity to expand our full digital portfolio...leading with Key Cities like Shanghai and Beijing. We saw it this quarter, with our Greater China business growing 24%.

The end of Q3 also marks a significant turn in North America, where we expect a reversal of trend in Q4. We've secured some great early wins here...through new Nike Consumer Experiences and Differentiated Retail...across both our direct and partnered channels.

Overall, there's a strong global appetite for athletic footwear and apparel...and we're amplifying and capturing that demand through our Consumer Direct Offense and Triple Double strategy.

The momentum we're building in all four Geographies is the result of getting the right product...in front of the consumer...in the right moment. And it's become increasingly clear that the closer we connect our strong brand to consumers in the marketplace, the greater the returns.

So, I'm excited to share some of the highlights of how we're

executing the Triple Double...and fueling growth in our key Categories.

At Nike, growth always begins...with innovation and great product.

And this quarter, through 2X Innovation, we intensified the pace and scale at which we're bringing fresh and unexpected products to consumers.

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We've done that ...

...by focusing our resources to create new platforms, not just new models...

...by diversifying those platforms across multiple styles and categories through our Complete Offense...

...and by editing our assortments to offer more compelling choice...of our Power Franchises.

Let's start with the new platforms. What's most exciting about our momentum is that it's being driven through a performance lens...delivering clear consumer benefits through platforms like the Air VaporMax and Nike React.

The Air VaporMax, for example, is delivering lightweight comfort with a distinct style. It quickly became the #1 performance shoe above the \$100 price point and we're now scaling that platform into millions of pairs. We're doing that with new designs...like the VaporMax 2.0...the VaporMax 97... and the VaporMax Utility.

Turning to Nike React, the consumer response has set new records for a performance innovation launch. We initially offered the product to Nike+ members exclusively... selling out within hours. And when we broadened the launch, we sold through several weeks of supply...in just four days.

As we move into Q4, we'll leverage that demand by...

...scaling the Epic React...

...launching the Odyssey React, a new running shoe at the \$120 price point...

...and leveraging our portfolio to expand React cushioning into Sportswear, Basketball and Jordan icons.

With the Air Max 270, we launched Nike's bold lifestyle-specific Air platform...with consumers responding to its comfort and style.

Both the Air VaporMax and the Air Max 270 are fueling energy across our Nike Air family of products. With more Air innovation in the pipeline, we now expect to grow the Nike Air business by

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several billion dollars over the next few years.

The greater scale of these platforms will create greater impact on our business into Q4 and beyond.

With other innovation platforms, we're just getting started.

For example, we've invented a new process for Flyknit, which we unveiled with our Mercurial boots ahead of World Cup 18. Constructed in a 360-degree form that wraps the entire foot, it gives athletes better control over their movement. It's also incredibly efficient - creating 60 percent less waste than traditional cut and sew methods.

The Kobe 360 will be the next shoe to adopt this new process of digital knitting... combined with a Nike React midsole to create an incredible court feel.

And in just a few weeks...we'll unveil a new platform that I'm extremely excited about. It takes digital product creation to an entirely new place. And as we did with Zoom X 4% for Breaking 2, we're working closely with Eliud Kipchoge on this one. I can't say much more today but stay tuned in Q4.

We have some other truly disruptive platforms ahead...

...from HyperAdapt at new price points in new categories...

...to non-powered adaptive footwear systems that improve fit...

...to other lifestyle cushioning systems.

We're also innovating in Apparel.

We've begun to unveil our high-performance World Cup Vaporknit Kits with engineered yarns and open textures for breathability. In addition to designing the National Team kits, we've created full lifestyle collections for fans. World Cup is such a powerful moment in sport...and we look forward to amplifying its energy to grow our football and sportswear businesses around the world.

As we laid out in October, 2X Direct is delivering a vision for a more differentiated

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marketplace...connecting the Nike brand in deeper ways with consumers.

We are leading with our digital business, which was up 18% on a currency-neutral basis in Q3. We just launched the SNKRS app in China in December...and in the first month alone, we had two million downloads.

And, we're also scaling Nike+ membership...with plans to launch in

all 12 of our key cities within the next fiscal year.

We're still in early stages of Nike+ membership, but we saw strong consumer response in Q3 with new members rising more than 50%...versus the same period last year.

While we lead with digital – we don't believe digital and physical retail operate in silos. In fact, more and more, they will intersect and amplify each another.

For example, in Q4, we're going to debut a new concept that we call Nike App at Retail...at both the Grove in Los Angeles and in Portland.

When you enter the doors...

...it recognizes you and opens up exclusive product in your app...

...you can scan for product availability in all nearby Nike doors...

...or check-out and pay through the app, with no waiting in line...

...or if you're not in the store, you can reserve product through the app...and

we'll hold it in a personal locker so you can try it on before buying

There are a number of other features that'll be phased in as we test and iterate, before scaling to our wider fleet of stores.

What really powers all these immersive consumer experiences...is great data and the ability to maximize it. And while we're constantly building these skills in-house, we're also acquiring capabilities to accelerate our strategy.

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Today, we're announcing that we've acquired an exceptional consumer data and analytics firm...named Zodiac. Based in New York, this team of world class data scientists and their proprietary tools will help us deepen relationships with consumers all over the world, with a primary focus on our Nike+ members.

Better analytics are also a critical factor in our 2X Speed initiative. As we sharpen our consumer sensing...we can meet demand faster...and deliver more relevant, personalized products.

We've made good progress with our Express Lane teams – especially in EMEA where Express Lane product is accelerating growth in our Power Franchises. In North America, we're increasing our speed of delivery, particularly around key cities. Our focus for FY19 is to apply those learnings further and onto our biggest volume drivers around the world.

The Triple Double comes to life through our Categories. It's how we amplify sports' biggest moments...connect our brand emotionally with consumers...and drive a complete offense to grow our business.

Let's touch on a few of the category highlights from the quarter:

The NIKE Basketball category had a very strong quarter, growing double-digits...with growth across footwear and apparel...in every geography and key city.

We saw success with the launches of the Kyrie 4 and the PG2. And through the LeBron Watch, consumers could buy LeBron 15 Player Edition shoes...as soon as he debuted them on court.

We've exceeded expectations in our first season as an official NBA partner...growing the NBA business significantly over last year. A major bright spot has been the iconic Showtime Hoody. It's been a huge hit at retail and has driven a whole new silhouette for Nike apparel.

Perhaps the greatest source of Brand energy for both Nike Basketball and the Jordan Brand was the NBA All Star Weekend in Los Angeles. Over the three days, we...

...became the first Brand to sell product directly through Snapchat, with the "Tinker" AJ3 selling out in just 23 minutes...

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...we launched SNKRS Pass, our geo-located, digital wristband that unlocks access to high-heat product, as we did with our Cortez collaboration with Kendrick Lamar.

...and we hosted thousands of consumers in our Maker's customization space.

In college basketball, we're in the midst of one of the most unpredictable NCAA tournament's in history. Nike and Jordan once again showed the strength of our partnerships, sponsoring 85 teams across the men's and women's fields for March Madness.

With Jordan Brand, we're making the right moves to keep this iconic brand special AND create sustained growth. This quarter, we deliberately tightened distribution in the North America marketplace...while also driving extraordinary heat with the consumer.

We launched Russell Westbrook's first signature performance shoe with the Why Not Zero-point-one. And we released Limited-Edition Jordan 3s on the SNKRS app...immediately after Justin Timberlake wore them at the Super Bowl halftime show.

We've talked about adding new dimensions to Jordan, and this quarter we accelerated that strategy. Going forward, we will...

...carefully manage the distribution of iconic styles...

...more completely leverage the company's innovation platforms to supercharge Jordan's performance products...

...expand into categories beyond basketball and sportswear...

...and drive our biggest growth opportunities in international...apparel...and women's.

Moving on to our largest and most influential performance category, Running...where we're driving more innovation than any other time in our history.

In addition to all the platforms we've discussed, we're focused on growing our core footwear business using our Express Lane to seize opportunities, and we're adding new dimensions to our Power Franchises like the Zoom Pegasus.

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For example, this summer the women's Zoom Pegasus 35 will have cushioning that's better tuned to her...and the new Peg Turbo will include Zoom X Foam, making our breakthrough platform accessible to more runners.

We also had another strong quarter in our Sportswear category, which continued to grow double digits, with strong growth across both footwear and apparel. Tech Fleece led the way in apparel while in footwear we led with the Air Force 1, Cortez, Blazer, Tanjun and Air Max.

Our Women's business overall continues to accelerate. We created our first women's collection with both Nike and the Jordan Brand. The "1 Reimagined" featured 14 Nike women's designers who reinterpreted two of our greatest icons...in the Air Jordan 1 and Air Force 1.

One of the best examples of our Edit to Amplify approach came from the Women's team this quarter with a new retail concept we call Unlaced.

This new sneaker destination offers collections edited by leading stylists and will give access to a wider range of sizes for the first time...with exclusive colors...and elevated services.

Unlaced will be both a physical and digital experience, starting with Nike.com in North America. It'll debut at Nike SoHo this summer and then roll out to over 200 Nike Direct and wholesale partner doors by the end of the calendar year.

As you can tell, we were extremely productive this quarter. We're looking at every opportunity to improve. And we're investing in the opportunities with the greatest impact. We feel very good about the short-term momentum we're driving and the foundation we're setting for long-term, accelerated growth.

Now, here's Andy to provide more detail on the financial performance of our reported segments and our outlook.

Andy Champion:

Thanks Mark, and hello to everyone on the call.

Our Q3 operating results make it clear that the Consumer Direct Offense is already igniting NIKE's

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next horizon of strong, profitable growth. And, there are several key themes within our performance that speak to the long-term sustainability of our momentum.

First, we exceeded the Revenue and Gross Margin expectations that we set 90 days ago fueled by an unprecedented flow of new products and innovation platforms that we will scale over time. As Mark detailed, in the third quarter, we launched the Nike React and the Air Max 270 platforms to extraordinary consumer demand. We also began to scale and diversify the Air VaporMax platform. And, the ZoomX platform in Running continues to sell out as we launch new color ways. While we are clearly doubling the cadence and impact of innovation, our product momentum is even broader-based. Our Edit to Amplify approach is bringing focus and accelerating growth within our Power Franchises like the Air Force 1 family of products and other key styles. We are running a much more complete offense, yet we still see tremendous opportunity to improve and edit how we serve our consumers.

Second, our results in Q3 confirm that where the NIKE Brand more directly connects with consumers, we see the greatest growth. Our Nike Digital ecosystem, in particular, is setting the pace for growth in all four of our Geographies. On a currency-neutral basis Nike.com grew 18% globally, driven by the expansion of our digital apps in international markets as well as the launch of NikePlus membership in North America. In each of our international geographies, Nike.com's rate of growth outpaced the overall marketplace rate of growth by 2x or greater. And, in North America, Nike.com not only grew, but has been accelerating over the last two months. NIKE Consumer Experiences at retail are also resonating – that includes owned and partnered digital and physical experiences. In Q3 NIKE Consumer Experiences comprised more than 50% of our total revenue and drove over 100% of our growth. In other words, we are both growing and reshaping the marketplace toward the vision we shared at our Investor Day.

Third, as we exit Q3, we will put two significant headwinds largely behind us. At current rates, we expect the impact of foreign exchange on EBIT, net of hedging, to be roughly neutral in Q4 and begin shifting to a slight tailwind in FY19. At the same time, as Mark said, the close of Q3 marks a reversal of trend for North America. We have reset NIKE's supply, we are fueling demand through the launch of innovative products, we have reignited Brand heat, we are connecting more directly with consumers through our digital ecosystem, and orders from our strategic partners are building.

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In short, NIKE has returned to a pull market in North America. NIKE North America revenue is now projected to be roughly flat to prior year in Q4 and return to growth in the first half of FY19.

Before I share more on our outlook, let's first touch on our Q3 results.

- Q3 reported Revenue grew 7% as continued strong double-digit international growth and NIKE Direct growth in all Geographies ... was partially offset by an expected contraction in North America wholesale revenue driven by undifferentiated doors.
- Gross Margin contracted 70 basis points in Q3, a stronger result than we expected 90 days ago, as our launches and stronger sell-through fueled expanding full-price gross margin. However, that expansion was more than offset by approximately 90 basis points of foreign exchange headwinds.
- Total SG&A was up 11% in Q3. Operating Overhead increased 9%, driven by investments in our NIKE Direct businesses. And, Demand Creation increased 15% primarily driven by sports marketing, and activations related to the NBA All-Star Weekend as well as new product innovation launches.
- The Effective Tax Rate for the third quarter was 180% including the one-time impacts related to the US Tax Cuts and Jobs Act. Income tax expense included provisional charges of \$2.0 billion primarily related to the transition tax on our accumulated foreign earnings and the remeasurement of deferred tax assets and liabilities. The one-time charges include some non-cash impacts, with the cash impacts to be paid over several years. The impact of US tax reform is slightly favorable to NIKE in terms of both our normalized steady-state effective tax rate ... and more efficient access to capital. When I speak to our outlook, I will provide more dimension on the go forward implications of Tax Reform.
- As a result, Q3 Diluted EPS was a loss of \$0.57. That said, the one-time impact of US tax reform had a \$1.25 impact on EPS in the quarter. Excluding that impact, our profitability in Q3 exceeded our expectations.
- As of February 28th, Inventories were up 9% leading into Q4 as we scale our new innovations globally and capitalize on strong consumer demand. Q3 inventory growth was

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primarily driven by aligning in-season product to our stronger forecast demand, while off-price inventory declined year-over-year on a currency-neutral basis. This quarter, we saw a return to modest growth in North America inventory as we anniversary our efforts to tighten supply in the prior year Q3 and shift to a pull market. Internationally, our inventory levels are also healthy and generally aligned with the strong demand we continue to forecast in these markets.

Now, let's turn to the financial performance for our reported operating segments:

In North America ... Nike.com ... differentiated NIKE Consumer Experiences at retail ... the impact of NIKE innovation ... and Brand heat ... are driving increasingly stronger demand in North America. While North America declined 6% for the quarter, we expect that the momentum will now reverse the trend. While undifferentiated wholesale dimensions of the marketplace declined, we are delivering and accelerating growth in NIKE Consumer Experiences – in aggregate across owned and partnered, with Nike.com, in particular, accelerating to strong double-digit growth as we progressed through the quarter.

Our partners are also increasingly bringing NIKE Consumer Experiences to life in the marketplace. As an example, Finish Line's Culver City store in LA was reset with NIKE Epic React as the only product available in the store – across all brands – for three days. The execution brought together new innovative NIKE product, with great storytelling through our Choose Go campaign, and expert service. The results were amazing and served as a proofpoint for the potential of NIKE Consumer Experiences operated by a strategic partner in the US marketplace.

As Mark noted, year over year comparisons in North America were also impacted by our quick and deliberate tightening of the distribution of select styles within the Jordan Brand. That said, as we enter Q4, we believe Jordan inventories are now clean and we also began reigniting Jordan Brand heat in the marketplace through the launches and activations over the NBA All Star Weekend. Looking ahead, we are well positioned to continue adding dimension to the Jordan Brand through both performance and lifestyle product.

For the quarter, EBIT in North America was down 14% versus the prior year primarily driven by lower revenues and higher selling and administrative expense.

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Moving to EMEA, where we continue to see incredibly strong momentum in a region that is at the leading edge of consumer preferences. EMEA revenue grew 9% on a currency-neutral basis in Q3. Two of the hottest shoes in the marketplace are the Air VaporMax and Air Max 97 ... and we are also seeing industry-leading growth in apparel driven by our Tech Fleece business. Our growth in EMEA was also aided by our Express Lane, which is already quickly translating regional consumer preferences into color and material updates with respect to our Power Franchises.

Overall, growth in EMEA was led by very strong Nike.com results as well as strong results with key strategic partners who are also relentlessly consumer focused and digitally connected, such as JD and Zalando. Categorically, we saw double-digit growth in Sportswear, Men's Training, and NIKE Basketball. We expect continued strong growth in EMEA and are excited about the impact of the upcoming World Cup.

On a reported basis, EMEA revenue increased 19% and EBIT grew 16% as strong revenue growth was partially offset by lower gross margin due to transactional FX headwinds.

Next, let's turn to Greater China. Having just been in China two weeks ago, I can tell you that Greater China not only continues to lead NIKE in terms of the pace of growth, but also in terms of executing the Consumer Direct Offense. In Q3, Greater China was up 19% on a currency-neutral basis driven by strong double-digit growth across nearly all dimensions of the business ... led by digital. Digital momentum in the quarter was fueled by the launch of the SNKRS app in China and the continued success of our partnership with Tmall.

While our digital growth has been extraordinary, we have not yet even launched NikePlus membership in China. That is now slated for Q1 of FY19.

Also, worth calling out, our Women's business in Greater China has incredible momentum, with double-digit growth driven by our innovation and Power Franchises ... including styles designed to connect with consumers around the Chinese New Year.

On a reported basis, Q3 revenue grew 24% and EBIT was up 30% due to strong revenue growth and SG&A leverage.

In APLA revenue grew 11% on a currency-neutral basis, led by digital growth that significantly

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outpaced every other channel. To unlock digital growth more broadly, we will be more aggressively rolling out our digital platforms into key markets across APLA. One real-time example is the SNKRS app which just launched in Japan yesterday. It immediately surged to become Japan's #1 free downloaded app in the IOS Store.

APLA was also fueled by the brand energy surrounding the Winter Olympics in Korea, which helped drive strong and balanced double-digit growth across nearly every dimension: Women's, Men's, Footwear, Apparel, and across many categories.

On a reported basis, Q3 revenue in APLA was up 13% and EBIT grew 31% driven by strong revenue growth, gross margin expansion and SG&A leverage.

And finally, at Converse, Q3 revenue declined 8% on a currency-neutral basis as we rebalance marketplace supply in North America.

On a reported basis, revenue declined 3% and EBIT was down 37%. Looking forward, we will continue to invest in reigniting strong ... sustainable ... profitable growth at Converse. Specifically, we're dimensionalizing Converse's product portfolio through the One Star, Chuck 70 and other sport and sport inspired styles, investing in more Converse specific digital platforms, and creating heat and energy for the Brand through new collaborations.

With that, I'll now move to our outlook for the balance of the year:

We remain confident we will deliver on the growth and profitability expectations that we have previously communicated for FY18, excluding the one-time impact of US Tax Reform. We will continue to invest in the key pillars of our strategy and drive accelerated growth in the dimensions of our portfolio that we highlighted at our Investor Day in October. We remain focused on what matters most to consumers and, in turn, what will fuel strong, sustainable, profitable growth over the long-term.

As for specific guidance:

We expect Q4 reported Revenue to grow in the high-single digit range. This growth reflects continued strength in our international geographies and the reversal of trend we are building in

PREPARED REMARKS / UNOFFICIAL TRANSCRIPT – Q318 NIKE, Inc.

March 22, 2018

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North America.

We expect Q4 Gross Margin to be roughly flat to very slightly up versus the prior year, demonstrating progressively stronger currency-neutral Gross Margin expansion that will be almost fully offset by transactional FX headwinds, albeit lesser transactional FX headwinds than in prior quarters.

For SG&A, we expect low-teens growth in Q4. We will continue to invest in digital and membership, including completing the acquisitions of some key digital capabilities within the quarter, as well as brand marketing in support of innovation and impactful consumer moments such as Air Max Day and the World Cup.

At current FX rates, we expect Other Income and Expense, net of Interest Expense to be approximately \$30 to \$40M of expense in Q4.

We expect our Effective Tax Rate for Q4 to be in the 10 to 12 percent range. It is important to note that our tax rate may be volatile, as we expect to continue receiving more specific legislative and regulatory guidance as to the application of the US Tax Act.

Looking ahead to FY19, while our planning is not yet finalized, we currently expect FY19 reported Revenue growth in the mid-to-high-single digit range as international momentum continues and we return to growth in North America. We also expect strong Gross Margin expansion, roughly in line with our long-term financial model.

In FY19, we will also see the full impact of US tax reform on our access to capital and investments, as well as the tax rate.

US tax reform will certainly afford NIKE more efficient access to capital. So, as we finalize our investment plans for the next fiscal year, we are prioritizing accelerated investment in the select dimensions of our business that will fuel NIKE's Consumer Direct Offense and drive long-term growth. At the top of our list is digital – ranging from new NikePlus Membership experiences to new capabilities, including data and analytics, to our core Enterprise Resource Planning platform. Our acquisition of Zodiac, a leading consumer data and analytics team, was a great example of us seizing an opportunity to accelerate NIKE's capability development. We will also continue to

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prioritize investment in innovation, brand distinction, new NIKE Consumer Experiences in the marketplace and a faster, more responsive supply chain.

The incremental and more efficient access to capital will also enable us to amplify our returns to shareholders and complete our existing four-year \$12B share repurchase program within FY19, roughly one year earlier than originally planned.

We currently expect US tax reform to have a neutral to slightly favorable impact on our steady state effective tax rate, which we would characterize as being in the teens on a normalized basis. That said, in any given fiscal year, geographical earnings mix, the impact of the new stock-based compensation accounting rules, and other discrete items will create volatility in our rate. In FY19 specifically, our rate may also be impacted by adjustments to the provisional charges that we are accruing this quarter.

Taking all of these factors into consideration, we will provide our updated outlook for FY19 on the Q4 Earnings Call.

As Mark said, our Consumer Direct Offense is working. NIKE innovation is fueling strong consumer demand ... NIKE digital is accelerating ... our brands have great energy ... and our organization is aligned and executing against what matters most to consumers. NIKE's next horizon of strong, sustainable, profitable growth is underway.

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