

PREPARED REMARKS / UNOFFICIAL TRANSCRIPT – Q3FY20 NIKE, Inc.

March 24, 2020

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Operator:

Good afternoon, everyone. Welcome to NIKE, Inc.'s fiscal 2020 third quarter conference call. For those who want to reference today's press release you'll find it at <http://investors.nike.com>. Leading today's call is Matt Friend, CFO, NIKE Operating Segments and Vice President, Investor Relations. Before I turn the call over to Mr. Friend, 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 Matt Friend, CFO, Operating Segments and Vice President, Investor Relations.

Matt Friend:

Thank you, operator.

Hello everyone and thank you for joining us today to discuss NIKE, Inc.'s fiscal 2020 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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Joining us on today's call will be NIKE, Inc. President and CEO John Donahoe, and our Chief Financial Officer, Andy Campion.

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. President and CEO John Donahoe.

John Donahoe:

Thank you, Matt, and hello to everyone on the call.

Over the last quarter, Nike delivered 7% currency-neutral revenue growth, despite the material impact from COVID-19 in China. This performance reflects the strong business momentum we had in Q3 across all our geographies and categories.

But let's take a step back. We are living in an unprecedented moment, and like never before, each day requires a close inspection of a very dynamic external environment and a clear determination of how we will respond.

So, let me tell you what we've seen over the past two months:

When COVID-19 began to aggressively spread across China in late January, our top priority was to protect the health and safety of our teammates and our consumers. We immediately began closing stores, and as of 45 days ago, we had closed more than 5,000 stores in Greater China while the remaining open doors were operating with severely reduced hours.

Not surprisingly, retail volume in China plummeted. But we acted quickly and decisively, leveraging our diverse sourcing base and digital capabilities to manage the business with flexibility, while shifting our inventory to serve consumer digital demand.

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At a time when people were confined to their homes, we moved swiftly to leverage our digital app ecosystem and Nike expert trainer network to inspire and support consumers across China to stay active and connected while at home. And as a result, our Nike Training Club workouts in China saw an extraordinary rise in sign-up and engagement. In fact, our weekly active users for all of our Nike activity apps were up 80% by the end of Q3 versus the beginning of the quarter.

And here is what happened ... the strong engagement of Chinese consumers with our activity apps translated to strong engagement with our Nike commerce app. As a result, our digital business in China grew at more than 30% and maintained strong momentum throughout this challenging period, a powerful statement of Nike's agile problem-solving in times of disruption.

Then, about 30 days ago, we began to gradually re-open stores in China. People got back to work, and retail traffic began improving significantly. Today, nearly 80% of our stores in China have re-opened, with more coming back online every day. In fact, last week we re-opened our first store in the Wuhan area.

And the results are encouraging. Our digital business has accelerated even further over the past month and we are now seeing double-digit increases in retail traffic week-over-week with some stores having already returned to prior year levels.

Credit for this response goes to Angela Dong, who leads our Greater China geography, and her talented team of more than 1,600. I spoke with Angela last night, and she's been telling me about the positive sentiment consumers in China are feeling for Nike, and I can't overstate how impressed I am. It's become quite clear to me that when Nike says we are a brand "Of China, For China," it's really true. It's no surprise to see the business already rebounding, given the depth of our connection and the incredible strength of our local leadership team.

So today I can say that we are seeing the other side of the crisis in China. And due to the resilience and creativity of our team in China, we now have a playbook that we can use elsewhere.

In addition to Greater China, we have applied that playbook in Japan and South Korea over the

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past two months and we are seeing early momentum in those markets as well.

And with COVID-19 now spreading across Europe and the US, we are applying the same playbook.

We have prioritized the health and safety of our teammates and we have closed our stores. Over the weekend we drove a strong digital marketing campaign to engage consumers across Europe and the U.S. to stay healthy and connected while they are at home. And our digital commerce remains open, supported by our teammates in our distribution centers.

We also know that this is a moment in society where the private sector has a major role to play. Companies like Nike need to do our part. So, our teams in innovation and manufacturing are exploring designs for personal protective equipment, or PPE to support doctors, nurses and others on the front line of this outbreak.

Based on needs identified by the teams and health professionals at Oregon Health & Science University, our teammates are working right now on how best to help, including prototyping face shields with OHSU. It's been so energizing to see the quick-strike efforts of the cross-functional team to try to help with this critical need.

That said, we expect the next several weeks to be a challenging period for those living in the U.S. and Europe. And I can't precisely predict how long the containment phase will last. But our experience in China, Japan and South Korea gives us confidence that we will see the other side of this crisis in the near future.

And I can assure you this: as the situation continues to evolve, we will be ready, and we will respond. We will be guided by our values and we will execute with empathy and with decisiveness. For example, we will continue to maintain pay continuity even while our facilities are closed or have altered schedules. We know that our people are vital for fueling our deep connections with consumers, whether they work in our stores or in our distribution centers. And what's more, it's simply the right thing to do.

So, while this is an uncertain and challenging time, Nike has the foundation in place to emerge

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from it stronger than ever. Thanks to our competitive advantages, the power of our brand and connection with consumers, our digital capabilities, our compelling product innovation and most importantly, our extraordinary team we will manage our business back to full recovery.

We know it's times like these that strong brands get even stronger. And I truly believe no one's better equipped than Nike to navigate the current climate.

So, with all that said, let's go a bit deeper. I've spent the last 90 days digging into this extraordinary company. I thought I knew Nike after five years on the Board ...but believe me, when you get to dive even deeper, this place is more impressive than I imagined.

Let me walk you through what I've learned, through the lens of the four strengths I just mentioned: our strong brand, our digital advantage, our product innovation and our extraordinary team. These are the strengths that will continue to set us apart, and these are the strengths that will allow us to shape the future marketplace going forward.

Since I started as CEO in January, I have visited with our teams in several of our key cities, experiencing first-hand our deep connections with local consumers around the world as well as our innovative retail concepts. I have also had the opportunity to meet with many of our most important strategic partners.

During my first week as CEO in early January, I spent time in China and Japan before the virus took hold. I got to see first-hand just how deeply the Nike, Jordan and Converse Brands are connecting with consumers, both in compelling retail executions and in the many ways Nike partners with regional and local governments to grow physical activity and sport.

Our brand is driving these powerful connections to consumers worldwide. In fact, we were the #1 "favorite" brand in all 12 of our Key Cities in Q3 and we continue to gain market share in key cities such as Berlin, Mexico City and Tokyo.

And during a time of physical store closures around the world, we know that our digital foundation will help us emerge out of this situation in an even stronger position. For instance, in Q3, Digital delivered 36% currency-neutral growth and it will continue to be a powerful driver of

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our deep consumer connections.

As I mentioned earlier, we are executing our learnings from China about fueling sport and fitness all over the world. We're using our digital advantage to connect with and support our consumers as behaviors around staying healthy at home continue to evolve. Over the weekend, we made NTC Premium free for everyone in the U.S. for 90-days. NTC Premium offers the best on-demand workouts and expert tips from our master trainers and others, as well as inspiration and support for healthy living.

Digital remains our fastest-growing channel, with owned and partnered digital already representing more than 20% of our overall business. Our apps continue to be the sharp point of our growth, with the Nike App growing revenue close to triple digits once again in Q3, fueling member acquisition and strong monthly engagement. And while we have driven impressive results in acquiring new members, deeply engaging with them and fueling increased digital demand, we know that the opportunity here is still far greater than what we've realized to date and will become an even greater advantage for Nike as we move forward.

And even while stores remain closed in Europe and the U.S., we continue to work on defining the future of blended physical and digital retail. To expand the advantage we have in Digital, we continue to invest in our Nike Direct businesses, enhancing rich experiences like those in the Nike App at Retail. And we are increasingly concentrating on our online-to-offline journey and accelerating our work to fully connect the marketplace while creating frictionless experiences for consumers around the world.

Another clear competitive advantage is our product innovation. Our product and innovation have always set Nike apart from others – and I firmly believe this will become even more important of a differentiator as we look ahead.

Over the past couple of months, I've spent a lot of time with our innovation, design, product and merchandising teams. I've done several deep dives in these areas and I'm truly blown away. As a board member, you get to see a lot, but you can never fully understand just how impressive Nike's product innovation capability is until you spend time with our teams. Today, we have

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more than 1,000 designers working at Nike, with broad and deep talent across footwear and apparel. You can just feel how their vision and creativity for product inspires everyone here and inspires consumers around the world.

I got to see some of that innovative product on display at the Nike 2020 Forum last month in New York, which served as a great illustration of the power of our 2X Innovation offense. There, we announced a powerful array of breakthrough product, such as our Next% footwear line which offers “measurable benefits” to consumers. We also launched a new aesthetic for sustainability, where we are delivering new, scalable platforms like no one else. And by bringing together athletes and creative partners as only Nike can, the Forum was an optimistic statement about the future of sport culture.

And our advantage goes beyond our incredible product pipeline. It has become even more clear to me why Nike leads the industry: our innovation, product and design teams have an unrelenting commitment to discovering what's next. This culture of innovation is pervasive across our organization and deeply imbedded within our teams ... from those who directly engage consumers at retail to those creating the next wave of digital experiences that connect with consumers daily.

Fueled by data and analytics capabilities, we are equipped with deep consumer insight that we combine with our design expertise and athlete research. This process directly translates into breakthrough product, season after season, allowing us to drive more separation in the marketplace.

There's one last thing I'd like to mention. As you know, the organized sports world remains on hold. And yet, the global culture of health and wellness continues unabated. In fact, in many ways, people are looking to health and wellness now more than ever. Whether it's to stay in shape at home or with a focus on mental health in stressful times, people all over the globe are finding ways to make sport a daily habit, wherever and however they can.

As you may have seen, this past weekend we encouraged consumers worldwide to work out at home with a simple message:

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Play inside, play for the world.

We are seeing new behaviors normalize in countries all over the globe, and we are shifting our entire consumer ecosystem to deliver access to sport that speaks to consumers' changing lives. Across key markets, we're working to create shared experiences and opportunity for virtual participation, connecting people to something bigger and showing how sport can inspire.

And though there's no predicting when organized sports restart, when our athletes, teams and leagues can return to competition, I do have one guarantee:

When the gates re-open, when the first whistle sounds, the energy is going to be off the charts. The world's passion for sports remains undiminished. And when it all returns, Nike will be right there with sports fans everywhere.

In summary, I am incredibly proud of our team and the results they delivered in Q3. And amidst unprecedented conditions across the globe, we are staying focused on not simply managing through this situation but taking the actions that will allow us to emerge from it even stronger than before. We know it won't be easy, but Nike is better prepared than anyone else to regain that momentum, extend our brand leadership and shape the future marketplace.

Nike has a long history of rising to the occasion in extraordinary times, to deliver strong results and affect extraordinary change, in the world of sport and beyond.

And that's what we're going to do once again.

With that, I'll now turn the call over to Andy.

Andy Champion:

Thank you, John, and hello to everyone on the call.

Before I speak to our business, our priority right now is first and foremost our people. Ensuring the health, safety and well-being of our teammates around the world is the foundation for all of the business decisions we're making. We have a maxim at Nike, We Win as a Team. And, I

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can tell you that the resilience, strength, empathy and creativity of our teammates has never been on greater display. Our team has always been Nike's greatest advantage.

On that note, I want to congratulate one of my teammates, Matt Friend, on his new role going forward. Matt and I have worked closely together since he joined Nike 11 years ago. He has been a great thought partner to me over that time, and we are working seamlessly together through this transition. As I move into my new role with Nike, I could not be more confident in Nike's financial management with Matt as our CFO.

As we close Q3 and look ahead, we see three key themes:

First, as we enter these challenging circumstances, Nike's brand leadership and business momentum have been stronger than ever and unrivaled around the world.

In Q3, we delivered 7% currency neutral revenue growth overall led by 13% growth in both EMEA and APLA. Nike Greater China was also on pace to deliver another quarter of strong double-digit revenue growth prior to the impact of COVID-19. And, in North America, our strong mid-single digit reported rate of revenue growth would have been roughly 3 points higher, if not for non-comparable items including the sale of Hurley and our shift to a licensed business model with Fanatics relative to the NFL. While those transactions had a negative impact on year over year Revenue growth comparisons, they also result in higher profitability for Nike.

Across all of our Geographies and Converse, Digital remained our fastest growing channel, growing 36% on a currency neutral basis. In fact, each of our Geographies and Converse exceeded 30% digital revenue growth in the quarter.

Our growth was also broad based across categories, as well as across Women's and Men's, all fueled by innovation platforms and power franchises such as the Air Max 270, the Air Force 1, and the Air Jordan 1. Our launch of the Air Jordan 11 Bred was the largest in our history, with the product selling out in 28 minutes powered by the SNKRS app. In fact, the Jordan Brand grew double-digits globally in the quarter. The LeBron 17, Giannis Zoom Freak, and the City Edition NBA Jerseys fueled Basketball's strong growth. And, in Running, we unveiled our most

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advanced performance running shoe ever, the Alphafly Next%. We also launched the new Infinity React, designed to help runners run longer and we have seen very strong sell through particularly with Women. Apparel also fueled growth in the quarter, growing faster than Footwear, with double-digit Apparel growth in our Sportswear, Training, Basketball, Women's and Kid's categories.

Setting aside the non-cash, non-recurring charges related to our business model changes in South America, Nike, Inc.'s Earnings exceeded the Earnings that were implied in the financial guidance we provided 90 days ago. We were able to deliver that strong bottom line performance even including the impact of COVID-19 on Greater China.

The second key theme as we look ahead relates to how we are addressing the evolving implications of COVID-19: As John said, we are executing on an operational playbook, focused on positioning Nike for an expedited return to profitable, capital efficient growth.

We see each of our markets progressing through a time series that begins with the country addressing the COVID-19 Outbreak followed by three phases from a business perspective: (1) a Recovery period including, for example, the ramp-up of store re-openings, (2) a period of Normalization across consumer demand and supply and (3) a Period in which we Return to Strong Growth.

Why are we so confident in our approach? As John said, our team in Greater China has given us a playbook for the rest of the world. Based upon the most recent trends we see today, Nike Greater China has already progressed through the Recovery phase and is now transitioning into the Normalization phase. Specifically, we are seeing accelerating strong double-digit approaching triple digit growth in our Nike Digital business. At the same time, roughly 80% of our 7,000 brick and mortar Nike Owned and Partnered Stores are now open. Based on the latest trends in our business, Nike Greater China Q4 Revenue will likely be roughly flat versus Q4 of FY19.

We are also executing on this playbook in Japan and Korea. Both markets are entering the Normalization phase, fueled by strong digital growth and significant week over week increases

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in retail traffic and demand for Nike.

Based on what we are experiencing in China, Korea, and Japan, we are optimistic.

At the same time, this has become a global pandemic. Each country is addressing COVID-19 differently and, accordingly, our markets will progress through the three phases from a business perspective on different timelines.

That adds some complexity from a global point of view.

So, we are also executing against a top-down enterprise-wide operational plan. Our top down plan includes (1) tight cost management and (2) daily global demand and supply optimization.

Accordingly, our Q4 SG&A will be lower than prior year Q4 spending.

We are also taking decisive action with respect to supply on a global basis, while shifting our distribution focus to digital in the face of temporary retail store closures.

As a result, Q4 FY20 and FY21 year over year Revenue, Margin, and Inventory growth rates will neither be intuitive nor linear. Our measures of success in the near term will be rooted in the amount of inventory on hand relative to the pace of digital demand, store re-openings and traffic patterns.

Going into this, we were fortunately experiencing a very strong pull market for Nike globally, with some of the highest rates of full price sell through we have ever experienced. So, we are now aggressively managing all of our operating levers to ensure that we expedite Nike's return to that strong pull market. Realigning supply and demand is our focus operationally.

We are executing this plan leveraging two of Nike's longstanding and greatest competitive advantages.

First, Nike's financial strength. Liquidity will not be an issue for Nike. In order to ensure resilience during challenging times, we have long maintained a strong balance sheet, a strong investment-grade credit rating, and ample access to capital all coupled with strong operating

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cash flow generation. Nike's liquidity and access to capital affords us the ability to be principled, for example, with respect to pay continuity and decisive relative to real-time supply and demand management.

Second, we have forged the strongest partnerships across the value chain in this industry. That includes, among others, our marketplace partners like TopSports, Pou Sheng, and Tmall in China as well as Footlocker, Dick's, JD, and Zalando across the US and Europe. Of course, we also have longstanding partnerships that span decades with manufacturers such as Feng Tay, Shenzhou, Chung Shin and many others. We are working closely with all of these strategic partners on a daily basis. Our partners recognize that the stronger Nike is going forward, the stronger they are.

Of course, Nike is not operating in isolation. External factors will continue to be dynamic, and we will continue to adjust our execution accordingly.

The third key theme as we look forward: While the setbacks from a business perspective will be significant for all, Nike will come back even stronger as a Brand and as a company.

Consumer behavior is changing real time. We are all witnessing new normals emerge in terms of both how consumers shop and stay active. Sport is being redefined as much broader than competition, as the world finds new and creative ways to stay healthy and fit. And, Nike's digital ecosystem is keeping us connected real time.

From a marketplace perspective, Nike Digital growth is accelerating amidst these dynamics. From a digital capability perspective, the investments we have made to date are now proving to be the foundation for our resilience amidst challenge and they will be strengths as we emerge. For example, we are leveraging Celect's team and tools to dynamically model demand, pricing, planning and allocation. We are leveraging our Nike Membership platform and Nike Mobile App ecosystem to inspire and enable people to be active at home while also providing targeted product offers and services to consumers. And, the foundation we have built in Enterprise Data & Analytics is fueling our more agile end to end execution.

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As we have said, we are still in the early innings of Nike's digital transformation, but the capabilities we have been building for the future are proving to be the strongest pillars within our business today.

As John said, simply put, these are times in which strong brands get stronger. And, we are confident that Nike will come back stronger than ever.

Now, let's turn to the details of our third quarter financial results and operating segment performance:

- NIKE, Inc. Q3 Revenue grew 5%, up 7% on a currency neutral basis reflecting strong, balanced growth across EMEA, APLA, North America, and Greater China prior to the impact of COVID-19, all fueled by Nike Digital growing 36% versus prior year.
- Gross Margin declined by 80bps in Q3 as higher average selling prices and better off-price margin were offset by the impact of COVID-19 primarily in Greater China as we managed inventory sell through. Gross margin was also negatively impacted by FX headwinds and incremental tariffs in North America.
- SG&A grew 6% in Q3. We continued to invest in our digital transformation, while also beginning to even more tightly manage operating overhead and shift Demand Creation.
- Our Effective Tax Rate for the quarter was 3.9% compared to 14.7% for the same period last year due to a shift in the proportion of earnings taxed in the U.S. and increased benefits from discrete items.
- Third Quarter Diluted EPS was \$0.53, including the \$0.25 non-cash, non-recurring FX-related charge associated with the transition of Brazil, Argentina, Chile and Uruguay to strategic distributor models.
- As of February 29th, Inventories were up 7% compared to the prior year period, reflecting healthy full price versus off mix prior to the impacts of COVID-19.

With that, let's turn to our reported operating segments:

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In North America, Q3 revenue grew 4% on a reported and currency-neutral basis, which, again, would have been approximately 3 points higher adjusting for the sale of Hurley and our partnership with Fanatics regarding the NFL business.

In Q3, Nike Digital grew over 30% and the Nike App grew over 60% in North America. New York City and LA, each grew double-digits fueled by differentiated Nike consumer experiences. As an example, in LA, we launched our newest Nike Live concept store in Glendale, which blew past our expectations, and significantly over-indexed in terms of Women's business.

As of today, we have closed our owned stores in North America. Going forward, we will reopen stores on a location by location basis as we closely monitor developments. At the same time, Nike Digital demand has been extraordinary, with Nike Digital Commerce sales over the past few days approaching Holiday peak levels growing triple digits. We have maintained operations in our Distribution Centers, implementing social distancing and reduced staffing, focusing on the shipment of digital orders.

Now let's turn to EMEA, where we continue to build on our extraordinary Brand momentum. In Q3, revenue in EMEA grew 13% on a currency-neutral basis, with double-digit growth in most key categories.

Women's growth strongly outpaced Men's, Apparel accelerated faster than Footwear, and Digital was up over 40%.

The Nike Brand has never been stronger in EMEA. In every key city in EMEA, consumers rated Nike their number #1 favorite and cool Brand. Nike also gained significant market share in Q3 across both footwear and apparel, driving further Brand separation.

Greater speed and agility also fueled growth and share gains in Q3, with over 30% of EMEA revenue and nearly 80% of EMEA growth flowing through our Express Lane.

In order to help limit the spread of COVID-19, we have also closed our owned stores in Western Europe and select Eastern European markets, and similar to the US, we will reopen on a location by location basis as we monitor developments. Nike Digital continues to grow versus

PREPARED REMARKS / UNOFFICIAL TRANSCRIPT – Q3FY20 NIKE, Inc.

March 24, 2020

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prior year, and we are maintaining operations in our Distribution Centers, shifting their focus toward digital distribution.

In our APLA geography, revenue grew 13% on a currency-neutral basis. Growth was fueled by our key cities and was balanced across key categories, nearly all of which were up double-digits. The Jordan Brand, in particular, was incredibly strong in APLA growing nearly 50% in the quarter with new innovation like the Jordan Max 200 along with fresh, new approaches to Jordan icons all resonating with consumers.

In performance running, our accelerating momentum continued, especially in Japan where we dominated the Hakone Ekiden competitive race, seeing a record 84% of participants wearing Nike. The energy around running is being fueled by the Vaporfly Next% as well as a halo effect that is impacting other performance models like the Zoom Fly, Rival Fly, and Peg Turbo which all grew triple digits in Q3.

Nike Digital grew 51% and wholesale grew double digits overall on a currency neutral basis, as business with our differentiated strategic partners grew five times as fast as undifferentiated distribution.

As we have said, APLA is our most diverse Geography, and we are seeing the impact of COVID-19 vary significantly across Asian and Latin America countries.

With that, let's turn to Greater China. While our full quarter results in Greater China were significantly impacted by COVID-19, it is worth providing some dimension. Our momentum in China continued to be extraordinary through mid-January. Our revenue growth was on track to exceed the expectations we set 90 days ago, fueled by Nike Digital. We launched the Nike App in China in Q3, and today, we already have 5 million Nike App downloads. As John said, we are also seeing a spike in weekly average users on our activity apps as we inspired and enabled consumers to engage in sport at home.

We are now, as I said, through the recovery phase and into the normalization period in China. Today, our digital commerce growth continues to accelerate with triple digit growth in demand

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this last week. Most of our stores and our partnered stores are open, retail traffic is significantly accelerating week-over-week and we are beginning to see a decline from the peak inventory levels we experienced.

We are confident that Nike Greater China is on track to return to growth in FY21.

As we look ahead, we will not be providing financial guidance for Q4 due to the uncertainty resulting from the spread of COVID-19. For FY21, we had been planning performance in line with our Long-Term Financial Model, but year over year growth rate based comparisons will no longer be meaningful. So, we will share the approach we are taking with respect to FY21 on our Q4 Earnings Call.

All of that said, we are confident that executing our operational plan will position Nike for a return to profitable, capital efficient growth. That will happen over time as each country addresses COVID-19 at a different pace, but our confidence in the return to growth is founded on the relatively rapid recovery and early signs of normalization we are already seeing in China, Korea, and Japan.

In these challenging times, Nike's competitive advantages are showing up as extraordinary resilience. As we emerge from these challenges, those same competitive advantages will show up as strength and Brand distinction. Those unique strengths include Nike's deep, authentic connection to consumers, our pipeline of innovative products, our financial strength and capacity, our industry leading digital capabilities, our strong partnerships and most importantly, our talented and committed teams around the world.

I would not trade Nike's team or position with anybody.

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