2015 NIKE, INC. INVESTOR MEETING

Andy Campion, EVP & Chief Financial Officer:

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

As Mark said this morning, NIKE is built for growth. And he shared that we're now targeting $50 billion in revenue by the end of fiscal year '20. Over the course of the day, our leadership team then provided you with deeper insights into the strategies that are fueling that growth. At the core of our growth strategy is the category offense. And the category offense begins with segmenting our billions of consumers around the world through the lens of the sports they love. And the purpose of that segmentation is to identify opportunities to better serve them. As Jayme said, we then further segment by geography, gender, age, product type, to identify even greater opportunities. We implemented this strategy several years ago and it has driven remarkable growth. But today, the power of digital technology is accelerating and enhancing our ability to segment even further down to the exact specifications of our individual consumers.

As we identify these opportunities, we then unlock them through a three-pronged approach.

One, we develop deep and inspiring brand connections, be that through the greatest moments in sport, our Run Clubs, storytelling around our products and now increasingly, by simply serving our consumers more personally one-to-one.

Two, we create a relentless flow of innovative products that exceed consumer expectations.

And three, we then provide our consumers with premium services and greater access to those products they love through category focused retail experiences, both in-store and online. That is how NIKE creates value for consumers and that is how NIKE drives growth.

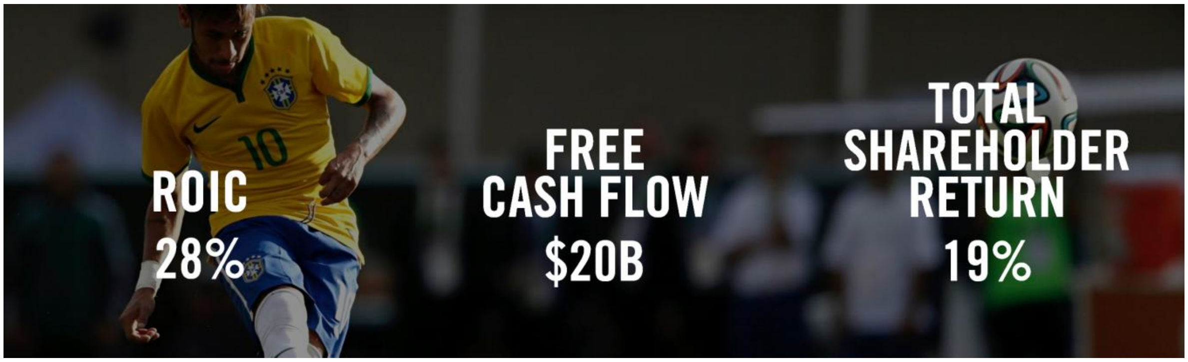
Later, I'll dimensionalize our growth objectives, and I'll our share goals in terms of profitability and returns.

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

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

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

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



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

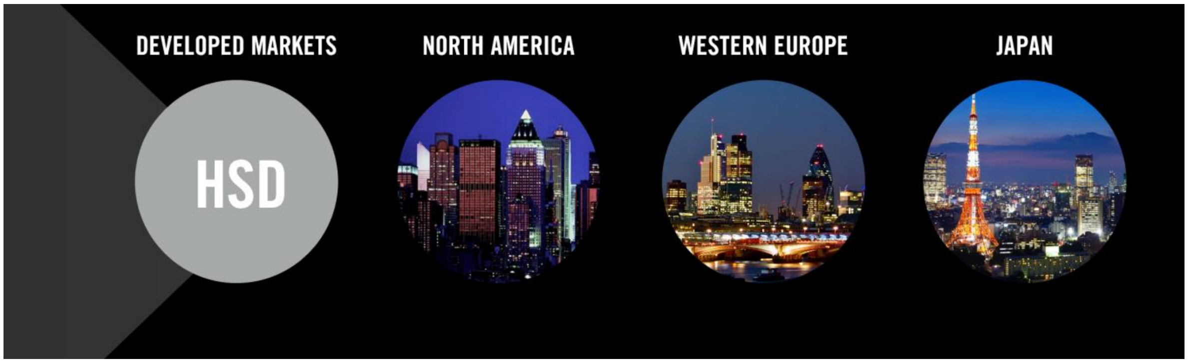
All in, our strong and consistent financial performance over the past 10 years has fueled total shareholder returns in the high teens, significantly outperforming the broader market and placing NIKE in the top quartile of the S&P 500.

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

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

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

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

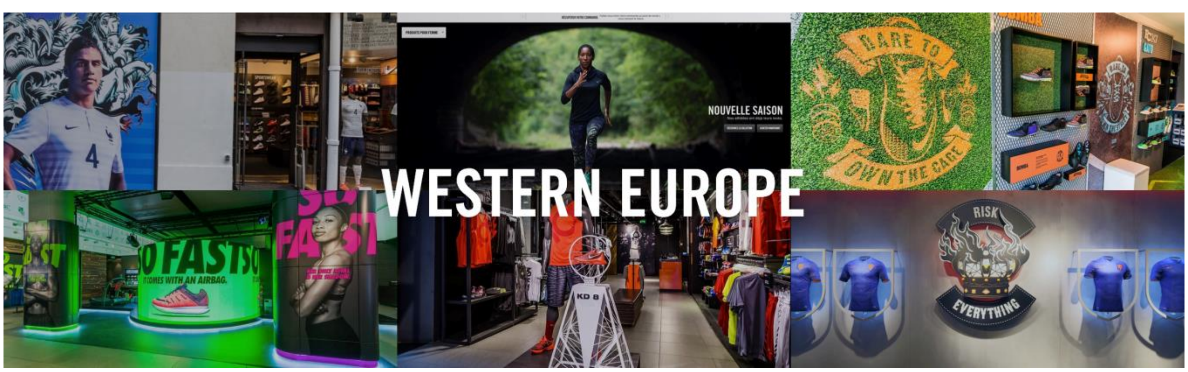


In our largest geography, North America, our stated goal has been to grow at high single digits. But as many of you know, North America has actually grown at a low double-digit rate over the past 5 years, adding $2.6 billion in revenue from just fiscal year '13 to '15 alone. But what excites us most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

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

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

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



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

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

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

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

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

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

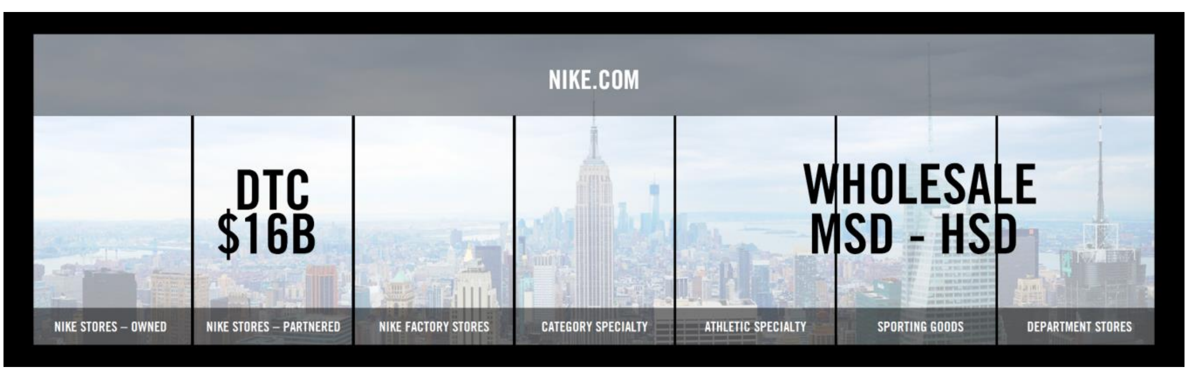
Perhaps the best example of the power of the category offense in a developing market is Greater China. The opportunity for NIKE in China was not just to grow, but to lead and to create a foundation for sustainable, profitable growth over the long term and we've done that. We are reshaping that marketplace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

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

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

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

While the core of our growth strategy is the category offense and our reported segments for the NIKE Brand are the geographies, we truly run a multidimensional portfolio. And when we say that innovation is in our DNA… that applies to every dimension of our portfolio. From the products and the services that we create for consumers to the operating and business models that we employ. And one of the dimensions of our business model in which we see tremendous opportunity to innovate is through the consumer experience in-store and online.



And as Christiana shared, we're evolving and innovating in our direct-to-consumer experiences to provide greater service and access to product. Accordingly, we expect our DTC business to grow to $16 billion in revenue by the end of fiscal year '20. And leading that growth will be NIKE.com, growing to $7 billion in revenue over the same period.

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

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

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

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

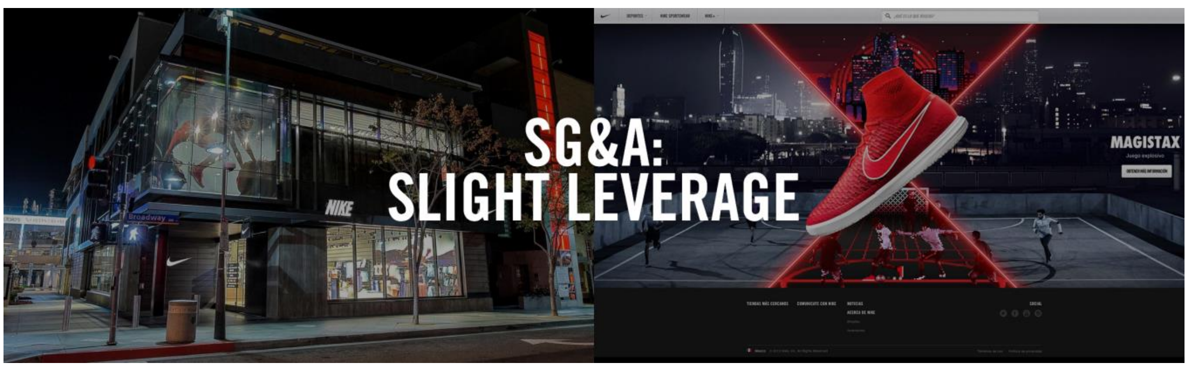
And as Jeanne said, when we exceed consumer expectations, they've shown a willingness to pay for the premium value that we provide at every price point. The second lever is input cost efficiency, namely materials and labor costs. Our choice of materials will always begin with providing innovation and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

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

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

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

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



So next, I will turn to our expectations for SG&A and capital expenditures. Going forward, we're targeting slight leverage in our SG&A. Our investments in SG&A will be a function of, one, investing surgically and strategically to fuel innovation and fuel growth; and two, building the operating capabilities that are required to support a $50 billion global enterprise. And we'll also continue to create greater capacity for investment by enhancing the productivity of the resources that we have today.

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

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

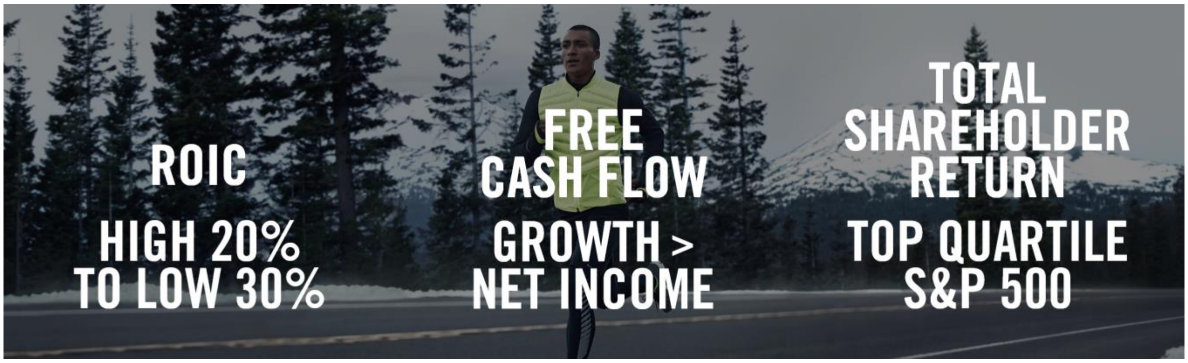
It's also important to note that while we are targeting slight leverage in our total SG&A, our actual levels of investment will vary from year to year. As we balance delivering appropriate near-term profitability with seizing the opportunity to invest to fuel innovation and growth over the long term.

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

Strong revenue growth and disciplined financial management obviously work together to deliver expanding profitability and strong cash flow. Accordingly, we expect to deliver EPS growth in the mid-teens range over the next 5 years.

In the near term, EPS growth will be somewhat dampened by the stronger U.S. dollar. That said, our FX risk management programs afford us the time to effectively manage all of the levers within our portfolio of businesses to continue driving growth and profitability.

As for return on invested capital and free cash flow. Our outlook going forward is slightly improved versus our long-standing financial model. We now expect ROIC to average in the high 20s to low 30s over the next 5 years and that free cash flow will grow faster than net income.



That is a function of continuing to manage our working capital efficiently as well as our efforts to identify and prioritize investments with the highest potential to drive growth and strong returns. That is how we will, one, create value for consumers and two, capture that value financially. We are also committed to delivering that value to shareholders. That includes continuing to consistently increase our cash returns through share repurchases and dividends. We believe that this combination provides us both appropriate flexibility in terms of the use of our cash, and at the same time provides shareholders with consistently higher fixed cash returns. For the dividend specifically, we are targeting a payout ratio of 25% to 35% over the next 5 years. All in, we continue to target total shareholder returns in the top quartile of the S&P 500.

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