

REMARKS AS PREPARED FOR DELIVERY

Q1FY27 NIKE Inc. Conference Call

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[OPERATOR]

Good afternoon, everyone. Welcome to NIKE, Inc.'s First Quarter Fiscal 2027 conference call. For those who want to reference today's press release you'll find it at investors.nike.com. Leading today's call is Paul Trussell, VP of Corporate Finance and Treasurer.

Now I would like to turn the call over to Paul Trussell.

[PAUL TRUSSELL]

Thank you, operator.

Hello everyone and thank you for joining us today to discuss NIKE, Inc.'s First Quarter Fiscal 2027 results.

Joining us on today's call will be NIKE, Inc. President and CEO Elliott Hill, and CFO, Dave Denton.

Before we begin, 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 NIKE's reports filed with the SEC. In addition, participants may discuss non-GAAP financial measures and non-public financial and statistical information. Please refer to NIKE's earnings press release or NIKE's website, investors.nike.com, for comparable GAAP measures and quantitative reconciliations. All growth comparisons on

the call today are presented on a year-over-over basis and are currency-neutral, unless otherwise noted.

We will start with prepared remarks and then open the call for 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 question to one. Thank you for your cooperation on this.

I'll now turn the call over to NIKE, Inc. President and CEO Elliott Hill.

[ELLIOTT HILL]

Before I begin, I want to welcome Dave Denton to Nike. Dave brings deep financial expertise, strong operational leadership and a proven track record of helping world-class companies grow.

I'm excited to partner with him and the rest of our senior leadership team to serve consumers better, accelerate our profitability and create long-term value for shareholders.

For the first quarter, results were in line with our expectations. NIKE, Inc. revenue was within the range we guided to. Gross margin improved, as we said it would. And we managed costs with discipline.

Importantly, the quarter showed the Sport Offense is driving results. Our Nike Brand performance portfolio continued to grow.

Last fiscal year we grew this business to 16 billion dollars. We built on that foundation this quarter, growing Nike performance by another high-single digits. Today, I'll share more about the momentum we're seeing across our key sports.

Despite that progress our Nike Performance business is not yet large enough to offset the pressure we're seeing in Nike Sportswear, Jordan Brand and Greater China. We're taking deliberate actions to strengthen those businesses, but realizing the full benefit of those

efforts will take time. On the call, I'll provide more detail on what we're doing and why.

And finally, Dave and I will share how we're transforming Nike's operating model to scale the success of the Sport Offense across the company. This work has been underway for some time and it's an important part of building Nike the right way for the long-term.

Let me start with Nike Sportswear, Jordan Brand and Greater China. We've identified the areas that need improvement and are actively repositioning these important businesses.

Nike Sportswear, which accounted for just under half of this quarter's revenue, was down low double-digits. The decline reflected a combination of deliberate actions, product underperformance and broader marketplace pressure.

The first factor was one we expected. As planned, we reduced revenue from the Dunk by nearly 50% in the quarter. That resulted in roughly 200-million-dollar headwind in Sportswear.

In addition, some aged, higher-volume Sportswear footwear sold-through below expectations. Looking ahead, that has impacted our future order books as we proactively work with our wholesale partners to work through excess inventory to create a healthy marketplace.

Overall, there's a lack of energy in the lifestyle space right now, which is impacting traffic. Yes, the consumer is cautious, but as the leader in the industry, it's on us to bring more creativity to Sportswear.

The headline decline only tells part of the story. Within Sportswear, several major franchises are healthy and growing.

The Air Force 1, one of the most important sneakers in the world, is now driving a stable, full-price business through new dimensions and seasonal materials and colors.

We also have a handful of Sportswear footwear franchises that have scaled over several

seasons that grew by strong double digits in this quarter, led by our Running-Inspired silhouettes, the P6000 and the V5 runner.

And where we have introduced newness at scale, we've seen early success. We launched Studio Fleece for Women and Solo Fleece for Men during Back-to-School season and the Studio Fleece was the best performing apparel collection of the quarter in all of NIKE, Inc.

The common thread across these successful franchises is clarity. They know exactly who they're serving.

That's the lesson. The Sportswear consumer isn't one audience. It's a collection of consumers with distinct needs, tastes and motivations.

So, we're organizing Sportswear assortments the same way we've organized our performance business: around specific consumer insights. And distinct style preferences.

We're breaking down the Sportswear business into smaller areas of focus to create a more diverse product portfolio and a more differentiated marketplace. We'll see less of a 'sea of sameness' that's hurting the lifestyle marketplace across our brands and our competitors right now.

That's how we believe we'll move from managing a few successful Sportswear franchises to building a deep bench of winners across the entire marketplace.

With Jordan Brand footwear, we're going to get back to leading the scarcity model that we created. Simply put we've been oversupplying our iconic retro product asking them to do too much.

And as we've done with the Air Jordan 1, we will deliberately reduce the volume and frequency of specific Jordan retro launches.

We've discussed it with our wholesale partners together, we will restore balance to the marketplace to create a foundation for more profitable and sustainable growth. In the near

term, North America will feel the biggest impact.

To give you a better sense of the scale of these actions, in Q1, the Jordan Brand represented 13% of our global business with revenue falling by mid teens.

Here's why we're doing this: when consumers see the Jumpman, it should feel special. It should feel earned. And every decision we're making is designed to ensure the Jordan Brand remains as coveted a decade from now as it has been for the past several decades.

Let's turn to Greater China, where for the quarter, revenue declined 26%.

With a new leadership team in place the past 6 months, we have been moving with urgency to alter the landscape and improve our position in the marketplace.

As we announced in July, we are activating a plan to clean up the digital side of this market. We are eliminating distribution through channels that are not aligned with our marketplace strategy which will decrease the deep discounting of our brands.

We will anchor Nike's and Jordan's digital marketplace in China around fewer, higher-quality experiences through the official Nike flagship storefronts on Tmall, JD.com and Douyin, alongside Nike.com and the Nike App.

We believe a tightened digital ecosystem of Nike flagships will enable a more premium brand presentation, with clearer product stories and a more connected consumer journey.

The focus will allow our top partners to concentrate on creating inspirational brick-and-mortar retail experiences. The majority of our partner's physical doors in Greater China have not been refreshed in the past 7 years.

When we elevate the retail experiences and lead with sport, we see results. In Shanghai, our House of Innovation has delivered 10 consecutive months of growth since making that shift.

In the near-term, revenues and profitability in China will be impacted. We expect our digital clean up to take multiple seasons as we continue to take targeted actions with our partners to improve inventory levels.

Taken together, Sportswear, Jordan Brand and Greater China represent significant work ahead. But we know what healthy looks like and we're taking deliberate actions to get there.

These challenges are significant, but they are not the whole story at Nike. At the same time, the Sport Offense is delivering measurable progress against our performance portfolio.

Here's what that looked like this quarter. Running is up double digits again with consistent share gains. Global Football benefited from World Cup energy to drive strong double-digit growth in all four GEOs. Training grew globally, led by EMEA. Basketball was up double digits in North America with expectations that the sport will continue its momentum in Q2. And both Tennis and Golf grew double digits.

In Nike Running, our innovation in Max Cushioning helped reignite this business. Led by the strength of the Vomero franchise, we've nearly tripled our share of the Max Cushioning category over the past year.

Now we're entering the next phase of Nike Running. Over the past two months we've introduced four new footwear innovations. Three in our "racing silo" and one in our Pegasus silo. Each built around a different runner, a distance and a goal.

In August, we launched the Pegasus Plus 2, a fast tempo-training shoe with a curved Air Zoom unit for a quick, smooth ride. In September, we unveiled the Alpha fly 4, a lighter, more energy-giving version of our most celebrated marathon shoe.

And yesterday, we introduced two new shoes that span the spectrum of runners. The Swooshfly, our entry-level marathon racing shoe, designed for the 4-hour-plus runner. And Nike Apex, a super shoe with double-stacked Air Zoom units that deliver an incredible 40% more energy than the Alpha Fly 3.

In Global Football, we're very pleased with our World Cup results as we doubled our World Cup team kit sales compared to the 2022 tournament.

One of our strategies going into the tournament was to use that energy to invest in a much-needed refresh of the global football marketplace. This quarter, the newly elevated marketplace helped drive stronger sales in our Club football kits this quarter, which was up high teens. That's critical, because Club football fans buy season-after-season.

Training is one of Nike's largest untapped performance opportunities because every athlete trains. We're seeing success across the portfolio. Nike Mind has quickly become one of our top-selling franchises.

Nike Pro and Metcon are industry icons and we just introduced the Nike Hybrid footwear system for both running and strength movements to serve the fast-growing world of hybrid training and racing.

The new Hyperslide brings the next recovery innovation from our Nike x Hyperice partnership to a more accessible price point.

In Basketball, where we are the global leaders, one of our most powerful growth opportunities is the women's game. Nike Basketball has grown our women's signature business nearly 500% from FY 22 to FY 26.

Today, we activated the largest women's signature shoe launch in Nike's history: the Caitlin One. It will launch in 5000 doors, twice the average for a Nike Basketball signature shoe, supported by our largest Nike product campaign for the holiday season.

What we've learned through the Sport Offense is that focus wins. When teams get closer to the athlete, the consumer and the marketplace, they make better decisions.

And over the past year, we've taken steps to make certain that the rest of the company can move at the same speed.

That's the thinking behind Pace, a program that brings several operational changes together under one effort.

The purpose of Pace is clear: accelerate the Sport Offense.

It will change how and where we work move decisions and roles closer to the consumer and build capabilities that will allow us to move faster.

The Sport Offense is proving itself. Pace is how we scale it.

The first element is the work that's already underway to evolve our Supply Chain from a mostly fixed structure to one that is more flexible, responsive and cost-effective.

As a next step, we're establishing a new campus in Bengaluru, India.

Its mission is to drive new capabilities and ways of working for Nike. They will work closely with teams around the world to run the business with greater speed and precision. These full-time Nike teammates will span across a number of functions across the company.

As part of Pace, we also plan to organize into three geographies. The Americas, which brings together North America and Latin America. APGC, which combines Asia Pacific and Greater China. And EMEA, Europe, Middle East and Africa, will continue operating as it is today.

We'll reduce layers and move more resources to the countries, territories, and cities and give our local teams more ownership of winning in their markets.

We expect teams to move into this new formation in Fiscal Year 2028.

And the final part of Pace is enhancing the way we work across Nike, which will change the shape and size of our workforce. In some areas, we'll add capabilities to increase speed and scale. In others, we'll eliminate duplication.

Over time, those changes will reduce the overall number of roles across NIKE, Inc.

As Dave will outline, we expect Pace to streamline decision making so we can capture demand faster and improve productivity while also creating greater capacity to invest in what has always set Nike apart: serving athletes, creating industry-leading innovation and building the world's strongest sports brands.

At our Investor Day in November, we will provide a clearer view of our long-term growth algorithm the actions behind our portfolio priorities and how our operating model will support sustainable growth and value creation.

With that I'll hand it over to Dave.

[DAVE DENTON]

Thank you, Elliott. And good afternoon to everyone.

Over the past few weeks, I've had the opportunity to connect with many analysts and stakeholders, but importantly, I look forward to working with all of you as I begin my tenure here at Nike. I've long admired Nike as an iconic brand, not only for its relentless commitment to innovation, but also for the way it inspires athletes through the power of sport. I'm pleased to be joining Nike at such a pivotal time, with so much opportunity ahead of us. It's clear to me that there is an enormous potential to drive significant long-term shareholder value. Nike operates in a growing, vibrant but yet competitive sector, where it remains a clear leader despite recent results that have fallen short of expectations.

A key part of my role is to ensure that our Performance business grows sustainably and profitably over the long-term, while also focusing on getting Sportswear and our Jordan and Converse brands back to financial health. That means ensuring we are appropriately resourcing our priorities, taking the right actions with discipline and urgency, and maintaining accountability across the organization.

We will continue our unwavering focus on driving shareholder value, which requires us to

restore the Nike portfolio of brands back to premium positions, improve the Company's operating margin through enhanced productivity and better ways of working, invest with purpose to drive higher quality top line results and unlock new growth opportunities, and appropriately allocating capital to maximizing shareholder value creation.

Under Elliott's tenure, it's clear we have made significant strides toward our objectives, but we still have more work to do. Our results are below both our expectations and our potential, and we are focused on closing this gap.

And today, I'll cover our financial performance for the quarter. Then I will highlight a key program focused on improving operating margins across the enterprise. And then I'll close with our guidance for Fiscal 27.

Our first quarter results reflected progress in several areas, while also showing where we still have work to do to return our business to a healthier position.

In Q1, revenues were \$11.2 billion, a decline of 4 percent on a reported basis and 5 percent on a currency-neutral basis. By geography, Greater China declined 26 percent, EMEA declined 5 percent, while APLA was flat, partially offset by 2 percent growth in North America.

From a financial standpoint, the quarter continues to be defined by two different realities. Our Nike Performance portfolio delivered strong growth, while Nike Sportswear, the Jordan Brand and Greater China remained significant headwinds to our consolidated results. In fact, Nike Sportswear and the Jordan Brand, including Men's, Women's and Kids, represented a high-single-digit drag on consolidated Nike, Inc.

And if you were to isolate our Nike Performance business, it was up high single digits this quarter, benefitting from the World Cup. Additionally, if we were to exclude the reset in Greater China, Nike Performance would have been up low double digits in Q1. Performance was driven by double-digit growth in Running, Global Football, Tennis and Golf.

Gross margin was 42.8 percent, up 60 basis points compared to LY. The result included

benefits from our supply chain cost management efforts and FX tailwinds, partially offset by increased discounts as well as channel mix.

Importantly, SG&A declined 3 percent on a reported basis. The team has maintained strong discipline on expenses in the quarter while increasing investment in Demand Creation associated with the World Cup.

Earnings per share for the quarter were \$0.48, down 2 percent versus LY.

Overall, our financial results were largely in line with our expectations for the quarter, but clearly below the Company's long-term potential.

The Company's balance sheet remains very strong. We ended the quarter in a net cash position with \$8.4 billion in cash and short-term investments, with leverage at roughly 2 times.

We remain disciplined in how we allocate capital, with an emphasis on prioritizing the investments that can strengthen the business and improving returns on those investments over time. In the quarter, we returned approximately \$610 million to shareholders through dividends, and the dividend remains a significant priority in our capital allocation strategy.

Taken together, the quarter shows a business in transition. We are not where we want to be yet, but we have a strong understanding of the trends throughout the business and importantly, the actions required to improve results over the long-term.

As Elliott mentioned, we are taking strategic actions to build a healthier and more productive operating model that gives us greater flexibility to invest for growth, improve operating margins and create long-term shareholder value through a program we're calling 'Pace.'

Pace is focused on improving how and where work gets done, improving our speed-to-market, streamlining decision making, and sharpening our focus in areas that matter most to both consumers and athletes. We expect this program will enhance productivity and drive a lower cost base at Nike.

We expect Pace will deliver approximately \$2.5 billion in savings. As we move forward with this work, we intend to reinvest a portion of the savings from Pace back into the business with discipline, prioritizing the opportunities with the clearest strategic impact and the strongest returns.

We also expect the cost to implement Pace will be approximately \$1 billion over the program's life, which is in addition to approximately \$300 million of severance costs in Fiscal 26.

We have begun taking actions and expect the majority of the program savings to be realized in Fiscal Years 29 and 30, with the full realization of the program to continue into Fiscal Year 31.

Now, we expect to provide additional detail on these actions, our investment priorities and the measures we will use to assess our progress at our upcoming Investor Day.

Now I'd like to just spend a few minutes discussing our outlook for Fiscal 2027. Before I discuss the outlook, let me share my approach to guidance.

I believe guidance should be grounded in the realities of the business, informed by both the risks and opportunities ahead of us, and set at a level that we believe is reasonable and attainable based on the information we have today and importantly, the actions we're taking to drive the business forward.

One of my objectives is to build on our financial discipline and provide investors with a clear framework for understanding our performance as well as our outlook. To that end, beginning today, we intend to provide a view of our expectations for the full fiscal year and update that perspective as the year progresses.

Today's outlook should be viewed as our initial assessment of Fiscal 27 based on a comprehensive business and financial review conducted over the past several weeks. We expect to provide additional context in November as we further refine our plans as well as

our priorities.

Starting with revenue, for Fiscal 27, we currently expect revenues to decline in the high single digits range.

As Elliott outlined, we are making deliberate choices across portions of the portfolio, particularly in Nike Sportswear, the Jordan Brand, and Greater China, to improve the health of these businesses over time. We will continue to take actions to reduce supply across key parts of the marketplace in support of a healthier marketplace environment and stronger full-price realization. We expect those actions will create pressure on reported revenues for the remainder of Fiscal 27 and into 28.

And as a reminder, in the second quarter, we are also lapping significant promotional activities in EMEA from Cyber Week and a higher comparison of North America sell-in activities versus last year. These two items will represent a headwind of approximately 400 basis points to revenue.

While these decisions can dampen near-term topline results, our focus is on improving the quality of revenue and creating a more sustainable foundation for long-term growth.

Turning to profitability, we currently expect EBIT to decline by a greater percentage than revenue. This outlook reflects continued pressure on gross margin and fixed cost deleverage associated with lower revenue levels, higher input costs, but partially offset by disciplined expense management.

At the same time, we remain focused on the levers we can control. These include improving inventory management, increasing full-price realization, strengthening sourcing and supply chain execution, while managing our cost structure.

We also expect SG&A to remain down year-over-year as we continue to identify opportunities to improve efficiencies, simplify operations, and increase productivity across the organization.

Our priority is to direct more resources toward the consumer, sport, product innovation, and the growth opportunities with the greatest long-term potential.

And finally, with respect to Adjusted Earnings Per Share, we currently expect Fiscal 27 Adjusted Earnings Per Share to be in the range of \$1.15 to \$1.35. This range excludes approximately \$0.15 of impact from the Pace Program.

We look forward to providing additional perspectives on our strategic priorities, investment approach, and our long-term financial objectives in November.

Here's what I've taken away from the last six weeks: we are not at a standing start. Significant and valuable work has already been done to build a better Nike, and we intend to accelerate those efforts over time.

From a financial perspective, I hope you come away with a clear sense of our focus on moving the Company forward with discipline, accountability, and urgency. Our teams are working with purpose to restore the business to stronger financial health, while prioritizing the long-term strength of the Company and positioning Nike for sustainable success.

And with that, I'll pass it back to Elliott. Elliott?

[ELLIOTT HILL]

A few weeks ago, the University of Texas hosted Ohio State in what many called the biggest game of the college football season.

Most people will remember how Texas came back from a 20-point deficit against the number one team in the country.

But what stood out to me wasn't the final score. It was how they got there.

A series of methodical drives. A few calculated risks. Extra effort in critical moments. They

stayed committed to the plan. And eventually the scoreboard caught up.

That resonates with me. Because as Dave and I just shared, we have a lot more work to do. That's just the reality we're in.

Increasingly, I see signals that remind me why our strategy is right. That happened in Austin. And it happened off the field.

For six days leading into Saturday night, we helped turn the football game into a broader consumer moment.

We activated every dimension of Nike, bringing together Running, Training, Football and Sportswear. We leveraged Blue Ribbon Elite, Nike's program for NIL athletes, and our retail partners to capture the attention of an entire campus.

Students went for a guided run along Lady Bird Lake with our EKINs. They did yoga with our trainers on the South Lawn. They got a special invite to work out at the Texas Football Weight Room.

They lined up at 5:30AM to shop at our NIKESkims pop-up on Speedway. They customized Studio Fleece and Solo Fleece designed specifically for Texas, and we sold through the collection. We seeded custom Vaporposite cleats with our top athletes.

And we announced new 13 new NIL athletes across 8 sports. Even UT-legend Kevin Durant showed up to welcome new athletes to join Team KD.

This was Nike surrounding a moment, deploying our full Sport Offense. Something no one else can do. It was the kind of focus on the ground game that helps us become more locally relevant.

And when you have 1,000 partnerships like we do, across universities in North America that reach over 13 million students it's clear to me that Austin wasn't a destination. It was a reminder of what's possible. Of a larger opportunity in front of us. Of what happens when

Nike plays to our strengths.

Now, one week in Austin doesn't change the work in front of us. We have a lot to prove.

But it reinforced something special. The closer we get to the athlete. The closer we get to the consumer. The more opportunities we uncover to serve them.

This is Nike using our partnerships in bigger, more creative ways.

We can do it with Texas, The Ohio State, and soon Miami in Football. With the upcoming German Football Association partnership or with FC Barcelona and Paris St. Germain in Global Football. At our major marathons. And at March Madness.

That's how we create more value for athletes and fans. Strengthen our brands. And that's how we expand the opportunities ahead for Nike and our shareholders.

With that, Dave and I will now answer your questions.

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