

**NIKE, Inc. Annual Shareholder Meeting Transcript**  
**September 18, 2014**

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**PRESENTATION**

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Good morning. I'm Phil Knight, and it's my great pleasure to welcome you to NIKE's 34th meeting as a -- 34th Annual Meeting as a public company. To start with, I will name the directors that sit before you. Up high on the left is Tim Cook, who is probably the most famous businessman in the world. A lot of days that he wish he wasn't quite so famous.

Next to him is John Connors, the former CFO at Microsoft. Next to him Orin Smith, the former CEO at Starbucks. Next is Phyllis Wise, the Chancellor at the University of Illinois; John Lechleiter, the CEO of Eli Lilly; Michelle Peluso, the CEO of Gilt; Mark Parker, your CEO.

Over on this side, John Thompson, the Hall of Fame basketball coach from Georgetown. Doug Houser next, the senior partner in Bullivant Houser in Portland, Oregon. Next to him, John Donahoe, who is the CEO of eBay; and then we have Alan Graf, who is the CFO at FedEx; and then Beth Comstock, the Vice President of a little company called General Electric.

And we have 2 new directors here -- who'd I miss? Oh, John, sorry. Johnathan Rodgers, the former CEO of TV One in Washington D.C. and formerly, Vice President of CBS-TV. Sorry, the lines are a little hard to see.

The 2 new directors, Michelle Peluso is the head of -- CEO of Gilt, an online destination shopping network. And before that, she was a senior officer at Citicorp. She is -- reputation as the Wonder Woman of New York business. She's been on the board since April and is living up to the billing.

And John Donahoe is the CEO at eBay. Before that, he was CEO of Bain Consulting. He came to eBay a couple of -- 3 or 4 years ago and they had a great growth record, but it's slowed and he immediately sent them off on another growth trajectory that's got him named as Business Week's Manager Of The Year for 2013. You basically got 2 new superstars joining a group of superstars who have served you so well over the years.

The agenda for the meeting will be: First, to consider the matters to be voted on by the shareholders; second, Mark Parker will report on the state of the business; and finally, the officers will answer questions from the shareholders.

You should have received a card on which you can write your questions. The question cards will be collected shortly. And at the end of the meeting, we will answer as many questions as time permits.

The results of the balloting will be announced shortly after the voting. John Coburn is the Secretary of NIKE. John, was the notice of this meeting duly and properly given and is a quorum present?

**John Coburn, NIKE, Inc., Corporate Secretary:** Yes, Phil. The notices were mailed in accordance with the bylaws on August 7, 2014. A quorum of both Class A and Class B common stock is present today. They are present in person or by proxy, 99.2% of the total outstanding

Class A shares entitled to vote at this meeting and 88 -- excuse me, 83.7% of the total outstanding Class B shares entitled to vote at this meeting, which in both cases, is more than the required majority needed for a quorum.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Thank you, John. Since a quorum is present, I declare that the Annual Meeting of the shareholders of NIKE, Inc. duly convened. We will dispense with the reading of the minutes of the Annual Meeting and proceed to the matters to be voted on. There are 3 matters to be voted on at this Annual Meeting, each of which is described in your proxy statement, the election of directors, an advisory vote to approve executive compensation and the ratification and appointment of PricewaterhouseCoopers as NIKE's independent auditors for the current fiscal year. I would like to ask the secretary to present the Board of Directors' recommendations to the shareholders at this time.

**John Coburn, NIKE, Inc., Corporate Secretary:** Yes. The first matter we will vote on is the election of directors. The board's nominees for election by Class A shares are Beth J. Comstock, John G. Connors, Timothy D. Cook, John J. Donahoe, Douglas G. Houser, Philip H. Knight, Mark G. Parker, Johnathan A. Rodgers, Orin C. Smith and John R. Thompson, Jr. The board's nominees for election by Class B shares are Alan B. Graf, Jr., John C. Lechleiter, Michelle A. Peluso, and Phyllis M. Wise. I move that these nominees be elected to the Board of Directors.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Is there a second?

**Unidentified Speaker:** Second.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Okay. The company has not received notice of any other nominations as required by the bylaws. Therefore, I declare the nominations closed. The second matter to be voted on, an advisory vote on executive compensation.

**John Coburn, NIKE, Inc., Corporate Secretary:** Yes, and I move that compensation of the named executive officers as described in the proxy statement be approved.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Is there a second?

**Unidentified Speaker:** Second.

**John Coburn, NIKE, Inc., Corporate Secretary:** The final matter to be voted on is the shareholder ratification of the appointment of PricewaterhouseCoopers as the company's independent registered public accounting firm for fiscal 2015. I move that the selection of PricewaterhouseCoopers be ratified.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Is there a second?

**Unidentified Speaker:** Second.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Okay. Does anybody need a ballot? Any shareholder who wants a ballot should raise his or her hand and the ushers will provide a ballot. It is not necessary to ask for a ballot if you've already sent in your proxy. If you have previously sent in a proxy, please do not execute a separate ballot unless you mark your ballot to show that a proxy was previously submitted and that you desire to revoke your proxy. There are separate ballots for Class A and Class B shareholders. If any of you have any questions written on your cards, please pass those to the ushers as they pick them up.

I now declare the polls closed. The inspector of elections will now tally all the votes and measures and return the results to the secretary.

I'll now turn the floor over to Chief Executive, Mark Parker, who will review our performance for fiscal year 2014, and I hope, do a little bragging.

**Mark Parker, NIKE, Inc., President and Chief Executive Officer**: Thank you, Phil. Good Well, good morning, everybody. Are you warm enough? I want to thank you all for coming. It is my honor to host you all this morning.

At NIKE, we're in the business of human potential and serving athletes and consumers by helping them reach their full potential is really what we do. It's our passion. It's our north star, it's really the common thread that really links everything we've been at NIKE since we were founded in 1972. And to be successful at this endeavor, we have to be relentless about fulfilling our own potential, and that means developing deep meaningful relationships and connections with our consumers.

It means delivering unmatched innovation in our products and services and reaching new levels of sustainability as we enhance product performance, and then presenting our products in compelling experiences at retail.

In fiscal 2014, our drive to reach our potential led to great results on the top and the bottom line and great value for you, our shareholders. Across the board, we met or exceeded most of our financial goals. Revenue grew 10% to \$27.8 billion with growth nearly across all key categories and geographies, and this includes a \$1.7 billion revenue increase from Converse, which grew an impressive 16% for the year.

Gross margin increased 120 basis points and earnings per share increased 11% to \$2.97. This outpaced the rest of revenue growth. And as a result, considering the significant currency headwinds we faced during the year, this is a fantastic effort, I think, and a result.

This last result is particularly strong and a real testament to our sound financial management and our ability to leverage the power of our portfolio. To fulfill our potential as the world's leading footwear and apparel company, we start with an ambitious innovation agenda. Our key competitive advantage is our unrivaled ability to turn the insights from our world-class athletes into game-changing products and services for our consumers.

As we prove the key moments throughout the year, no one can deliver innovations like NIKE can. Together with Kobe in Los Angeles, we introduced the KOBE 9 Elite, extending the benefits of Flyknit to basketball. At the Sochi Winter Olympics, we leveraged significant advantages from several categories to deliver high-performance apparel, such as a lightweight hockey game jersey with NIKE Flywire and the NIKE AeroLoft summer jacket.

At the Super Bowl in New York City, we launched the NIKE Vapor Elite cleat, which was our first cleat to take advantage of the revolutionary possibilities of 3D printing. And at the world's premier track meet, the Prefontaine Classic in Eugene, Oregon, NIKE athletes set U.S. records and world's best times in performance racing footwear and apparel.

And throughout the year, leading up to the World Cup, we delivered an unprecedented level of innovation in the world's most popular sport. We launched 10 team kits that achieved new milestones in both performance and sustainability. We introduced 4 new boots, the Hypervenom, the Tiempo V, the Magista and the Mercurial Superfly, all setting new standards for premium football boots.

The power of NIKE's innovation was clear in Brazil stadiums. We had more World Cup players in our boots than all other brands combined. Our goal of being the most innovative company in our industry extends beyond the products we make to include how we make them. And this year, we released our fiscal '12 and '13 sustainable business performance summary and celebrated a significant milestone.

Our multifaceted sustainability initiatives have allowed us to reduce our greenhouse gas emissions even as we have increased our revenues. And the message is clear, profitability and sustainability are not contradictory, they're complementary.

As we increase our sustainability efforts, we can make even better products for our athletes and consumers and deliver more value for our shareholders. We have focused so clearly on extending our investments in innovation because we know that innovation is really the long-term driver of growth.

This past year was an intense period of creativity for us and this is the pace of innovation you should expect from NIKE. I feel very confident in saying our ability to deliver revolutionary products that will benefit athletes across the world has never been greater.

My confidence in our ability to leverage the robust innovation agenda grows when I consider our potential to forge even deeper and more meaningful connections with consumers. We're successful at creating long-lasting consumer relationships because of our category offense and simply put, it's our ability to create clarity and focus by aligning our teams against key sport categories.

The category offense is a uniquely NIKE way of organizing our business to take full advantage of our innovations and our knowledge of our consumers. The power of our category offense was clearly demonstrated in the fiscal 2014 results of our key geographies.

In North America, where our category offense has been in place the longest, revenues grew at a double-digit pace for the fourth consecutive year, increasing by more than \$4.5 billion over that time period to surpass \$12 billion. Our profitability in North America also hit record highs.

In Western Europe, where we restructured the business 2 years ago to align our teams against the biggest opportunities, we saw revenue surge 19% to nearly \$5 billion for the year. Growth occurred across all key categories and in nearly every territory.

And then in China, we made great progress. We're on track to return this market to sustainable double-digit revenue growth. We remain confident that we have the right plan to achieve our objectives in this important growth category and geography.

The category offense puts us in a perfect position to engage consumers when they compete, when they train and then when they express themselves through a lifestyle lens. And as a result, we are nimble and we can achieve great results across categories and other significant areas of focus.

So here are some of the highlights from fiscal 2014. Our Global Football business grew 18% to \$2.3 billion, reflecting the strength of our consumer connections and our innovative product. Growth in the Running category was driven by product innovation, consumer engagement and retail presentations, and focus on these elements drove 8% growth for the year to \$4.6 billion.

Our women's business grew at a faster rate than our men's business, reaching nearly \$5 billion of wholesale equivalent revenues for the year. We achieved this success with elevated product assortment across key categories and new compelling retail presentations. And our own NIKE brand Direct-to-Consumer business, we've been investing to create compelling retail destinations that complement our wholesale business, both in-store and online.

We saw robust returns on this investment as revenue grew 22% over \$5 billion for the year. In an age when consumers have more choices than ever, nothing is easy and everything has to be earned. We're committed to earning the relationship with our consumers everyday by doing 2 things extremely well. One is being the best at understanding what they want and what they need

and two is finding new creative ways to inspire them. The category offense is a tremendous asset as we deepen our connections with the people who buy and use our products and further cement our position as the leader of consumer-driven, athletes-focused market.

As we near the first turn of the new fiscal year, let me highlight one of our most significant initiatives and that's digital. We live in a digital world and our consumers expect NIKE to be as connected as they are. They demand more real-time personalized feedback on their performance. They want easy access to products and services that will help them improve, and they want to be part of a community where they can share and compare information, they can find performance tips and they can motivate each other. And that's why the expansion of our digital ecosystem continues to be one of my top priorities for fiscal 2015 and beyond. This ecosystem starts with the most advanced digital tools to measure, motivate and inspire. Delivered with a soul of sports, this will be the digital platform for lifetime consumer relationships, and our goal is to grow the NIKE plus community from tens of millions to hundreds of millions of members.

But our digital ecosystem goes beyond the digital services we provide, it also includes how we create an ongoing two-way dialogue with consumers. And this dialogue provides insights to drive our innovation that strengthen our consumer connections to our brands and provides a platform for consumers to interact with each other.

And the final element of our digital ecosystem is our e-commerce business. And we know when consumers shop online, they want a seamless premium experience and they want the power to customize their favorite products to meet their unique needs. And to provide this experience, we have made significant investments in infrastructure, in capabilities and geographic expansion, and our efforts are clearly paying off.

And our online business grew 43% in fiscal 2014, with the growth rate accelerating every quarter through the year. The potential for digital is enormous. It is changing how we conduct our business, how we tell our stories and how we engage consumers. It is a rapidly changing landscape and it's a big, big part of our future.

So what is our true potential? We can only answer this critical question when we push ourselves. The athletes we work with never stop trying to get better and we're motivated by this same passion.

NIKE is a growth company. And when I look across our categories, brands and geographies, I see more potential for growth for NIKE today than ever before in our history. This is our commitment to you. We will be relentless in our pursuit of NIKE's full potential, we will remain laser focused on delivering world-class products and experiences for athletes and consumers and tremendous value for our shareholders. We will excite, inspire and no doubt, surprise. That's what you should expect from NIKE in fiscal '15 and beyond.

So thank you very much. And now here's Phil.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Thank you, Mark. John, I see that you have received the report of the inspector of elections. Will you please give the results?

**John Coburn, NIKE, Inc., Corporate Secretary:** Yes, Phil. Holders of 100% of the Class A shares present voted in favor of the election of the board nominees for Class A directors, and holders of 98% of the Class B shares present voted in favor of the board's nominees for Class B directors. Holders of 98.2% of the Class A and Class B shares present and voting together voted to approve the compensation of the named executive officers listed in the proxy statement. Holders of 99.5% of the Class A and Class B shares present and voting together ratify the selection of PricewaterhouseCoopers as the company's independent registered public accounting firm.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** The 14 nominees have been duly elected as directors of this company for the ensuing year. The compensation of the named executive officers has been approved and PricewaterhouseCoopers selection as the company's independent registered public accounting firm for the next fiscal year has been ratified. We will now attempt to answer your questions and I'll need some help from Don Blair, CFO; Hannah Jones, Vice President of Sustainability; Trevor Edwards, President of the NIKE Brand; and of course, Mark.

## QUESTION AND ANSWER SECTION

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:**

Obviously, the priorities are right around here. How do you feel about the Duck's chances for the championship this year? Automatic lock, right? No, it's just -- they've got a good football team that you've got to know them to be good. You got to be a little bit lucky, too. The team has got enough talent, I think, but they got to stay -- well, keep the injuries and down and win some close ones. So it's going to be an interesting year. This is for Trevor. Do the recent athlete incidents change your view on sponsoring professional athletes?

**Trevor Edwards, President, NIKE Brand:** No, I think, obviously, what's going on right now -- that's clearly a very appropriate question and I would start off by really saying that we strongly believe in the power of athletes and sports to inspire people. Having said that, there's no doubt of the recent incidents, both serious and concerning, and at the same time, from NIKE perspective, we've always taken that those views and our views from a case-by-case basis, really looking at that individual situation and making sure that we make our decisions really based on the situation at hand. And importantly, by the facts that we know at the point in time. And so that is how we determine our affiliation with any of those athletes. So yes, we are absolutely -- absolutely believe in the power of athletes and sports.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Hannah, can you give more information on what NIKE is doing in the area of sustainability and decoupling growth from your -- and decoupling growth from constrained resources?

**Hannah Jones, Vice President, Chief Sustainability Officer:** Well, the short answer is I'd encourage people to go and visit the corporate responsibility report that's online. And in that, it really talks about our strategy, as well as the work done to date and the targets we've set ourselves going forward. The longer, but not very long answer, is that I've never been more excited about where we are in our sustainability journey. We have a very dedicated effort to reduce our footprint in terms of chemistry, getting moving to greener chemistry, reducing our footprint on water and waste, energy and always, always thinking about our impact on workers. And embedding and really the focus at the moment is how do we embed into the innovation agenda and combine with the innovation teams to bring out amazing performance product that also has sustainability breakthroughs.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Mark, how is NIKE capitalizing on changing consumer trends and athletic apparel?

**Mark Parker, NIKE, Inc., President and Chief Executive Officer:** Well, first of all, let me say that athletic apparel is one of the biggest growth opportunities we have as a company. We are one of the largest apparel companies in the world, but I still see tremendous growth potential. We're going to apply basically the same approach to apparel as we have in footwear and then to start with the athlete, gain the insights that we need to drive true innovation starting with performance apparel, drive that performance -- apparel into lifestyle apparel to create a unique position for NIKE in that incredible market. But it's one of the areas of the company that I'm most

excited about, frankly, in terms of our future growth potential. We have tremendous talent in this company, creatively, operationally. The leadership here, from an apparel standpoint, is incredible and we're taking steps to actually increase that strength across our categories and geographies, like I spoke to before. So huge, huge opportunity for us in both performance and lifestyle apparel.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Trevor, are you working with junior high and high schools to develop stronger athletic programs and coaching?

**Trevor Edwards, President, NIKE Brand:** Yes. One of the things that's always very important for NIKE is that the world of sport and athletics is always vibrant. And so obviously, working with high schools and junior high schools and really working at college levels, working really at all dimensions of sports really help in sports to be vibrant. So yes, we do work and continue to work with high schools and junior high schools. The obviously concerning thing about this sometimes is that they're not obviously getting as much attention as they deserve. The world of sports is tremendously exciting. So we always want to make sure that we're invested in that area to keep it vibrant.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Don, are you planning to increase the dividend?

**Don Blair, NIKE, Inc., Chief Financial Officer:** Well, that's a great question and that's a decision, as you know, for the Board of Directors. With that said, our strategy has been to deliver cash to shareholders in 2 forms, dividends and share repurchase. And in fiscal '14, we delivered shareholders well over \$3 billion in cash in those 2 forms, dividend and share repurchase. We have a lot of confidence in our ability to generate cash and our strategy is to continuously increase that return. So that is some of the -- those are some of the factors that the board will consider later this year as they make that decision.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** Trevor, how is NIKE's tennis business doing?

**Trevor Edwards, President, NIKE Brand:** Great. One of the things about -- in tennis, we've obviously got just an amazing amount of great athletes and in the tennis category. So obviously, with Roger Federer, you've got Rafael Nadal, you've got Maria Sharapova, you've got Serena. So always having those really exciting athletes, who just bring such joy to people when they're playing. So our tennis business continues to be vibrant in that respect. Recently, actually at the U.S. Open, we had Roger Federer and you saw him actually wearing a collaboration between the Jordan brand and the NIKE brand to actually bring out a great product. And Michael got his first chance to be at the U.S. Open. So you saw some really great things happening there. So yes, we're very excited about tennis and the tennis business and not only for today, but more importantly, for the future.

**Philip Knight, NIKE, Inc., Chairman of the Board of Directors:** There are no other questions. So I would just say that we had a great fiscal year 2014. And I assure you your management team is working very hard to have 2015 be even better. With that, the closing video. We will adjourn this meeting.