

PREPARED REMARKS / UNOFFICIAL TRANSCRIPT – Q4FY19 NIKE, Inc.

June 27, 2019

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Operator:

Good afternoon, everyone. Welcome to NIKE, Inc.'s fiscal 2019 fourth 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 Nitesh Sharan, Vice President, Investor Relations and Treasurer. Before I turn the call over to Mr. Sharan, let me remind you that participants on this call will make forward-looking statements based on current expectations and those statements are subject to certain risks and uncertainties that could cause actual results to differ materially. These risks and uncertainties are detailed in the reports filed with the SEC including the annual report filed on Form 10-K.

Some forward-looking statements may concern expectations of future revenue growth or gross margin. In addition, participants may discuss non-GAAP financial measures, including references to constant-dollar revenue. References to constant-dollar revenue are intended to provide context as to the performance of the business eliminating foreign exchange fluctuations. Participants may also make references to other non-public financial and statistical information and non-GAAP financial measures. To the extent non-public financial and statistical information is discussed, presentations of comparable GAAP measures and quantitative reconciliations will be made available at NIKE's website, <http://investors.nike.com>.

Now I would like to turn the call over to Nitesh Sharan, Vice President, Investor Relations and Treasurer.

Nitesh Sharan:

Thank you, operator.

Hello everyone and thank you for joining us today to discuss NIKE, Inc.'s fiscal 2019 fourth quarter and full year 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. Chairman, President and CEO Mark Parker, 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. Chairman, President and CEO Mark Parker.

Mark Parker:

Thanks, Nitesh. Hello and good afternoon, everyone.

Nike delivered strong results in Fiscal Year 19, growing 11% on a currency-neutral basis, which outpaced our expectations from the beginning of the year.

Our results are further proof that the demand for sport performance and athletic lifestyle product is thriving and our Consumer Direct Offense is capturing more of that opportunity every day.

What's most exciting is that we delivered broad-based growth through our complete portfolio. We saw that balance across our Geographies, men's and women's and key categories.

Overall, Fiscal 19 was a defining year for Nike, as we accelerated the high-impact capabilities of Innovation, Direct and Speed...that fuel our Triple Double.

Innovation continues to win with consumers, not only in performance product, but also in sportswear. In FY19, new innovation platforms drove roughly 100% of our total incremental growth, which is exceeding the long-term target we laid out at Investor Day 2017.

In Digital, we know we're just getting started. Nike is accelerating our digital advantage and that focus led to 35% digital revenue growth.

Speed remains an incredible opportunity. We're well on our way towards cutting our product

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creation cycle in half. And we're investing in responsive manufacturing, connected inventory and optimizing data to capitalize on real-time consumer demand.

And finally, throughout the year, our brand connected emotionally with a wider audience in more meaningful ways.

Our focus on the Triple Double is especially important in an environment like we're in right now where geopolitical dynamics have led to trade tensions and foreign exchange volatility. We're certainly mindful of the risks, and, more importantly, we're in command of the conditions that are under our control. And that's serving the consumer and managing the levers we have, delivering great product, engaging experiences and building our brand.

Our Greater China business is the blueprint for how all those dimensions come together. We added more than 1 Billion dollars of incremental growth in the geography this past year. We are and remain a brand "of China, for China." Nike is proud of the investments we've made and the relationships we've developed in this energizing marketplace. And we're confident that we'll continue to grow sport and our business in China for decades to come.

Now, let's go deeper on the three capabilities that are Nike's greatest catalysts for growth: Innovation, Direct and Speed.

I'll start with Innovation. The consumer continues to tell us that they want innovation to perform better as well as innovation that creates distinction in their lifestyle product. We're fueling that demand with styles like the Max 270, VaporMax and Max 720, which were amongst Nike's top volume drivers for the year.

The React platform, too, expanded into sportswear led by the React Element 55, 87 and the Presto. Both React and AIR innovations helped fuel the Sportswear category to another 20% plus-growth quarter in Q4. Looking ahead to FY20, we see great opportunity for both platforms to continue to carve out new space in the lifestyle market.

In performance footwear, basketball accelerated in Q4. The greatest growth continues to come from Nike's owned digital platforms where we have the most direct connection with the

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passionate basketball consumer.

And signature shoes continue to lead the way with KD, LeBron and Kyrie all growing double-digits. Next month, we're looking forward to adding another exciting personality to the mix with the addition of Yannis and his first signature collection, following his incredible MVP season.

Jordan Brand had a very strong year, growing 12%. Jordan returned to a pull market in North America after we reset the marketplace earlier in the year.

The Air Jordan I continues to be a global phenomenon as we see success in both high-heat and inline styles. In China, we see a healthy balance between Jordan lifestyle and performance product, and we know there's still more opportunity for performance footwear in all geos. The new chapters of the Jordan growth story, apparel, women's and international are showing great potential.

It's hard to overstate how important this year has been to the evolution of the women's offense at Nike. The business grew double digits in Fiscal 19 accelerating in the back half of the year. Our momentum in Women's is a great example of how our renewed focus is really moving the needle through thoughtful design, powerful brand messages and digitally-led distribution.

You're obviously seeing it now with all the energy around World Cup. To start the tournament nearly two-thirds of the teams wore Nike kits and half the players wore our boots. The exposure is driving outstanding sell-through in kits high performance bras and lifestyle extensions. In fact, the USA Women's Home Jersey is now the #1 soccer jersey, men's or women's, ever sold on nike.com in one season.

For me, personally the groundswell of support around the world for the athletes and teams has been truly inspiring. Tomorrow, all eyes are going to be on the U.S. versus France. I know I can't wait to watch these two Nike teams in what should be one of the top matches of the tournament.

We're equally focused on delivering for the everyday athlete, as we continue to fuel the broader movement of health and wellness around the world. Across the portfolio, we're serving women

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in more dimensions. This quarter, we claimed the #1 position in market share for Bras in North America for the first time in Nike's history. Through tech fleece and women's-specific sneakers like the Air Max Dia, we fueled sportswear footwear and apparel to strong double-digit growth this quarter and we're expanding our inclusive sizing collections with over 90 styles across run, train, and live. And later this year, we'll unveil geography-specific women's apparel for the Asian market, based on our research of body types and sizes.

One question I get asked a lot is how we plan to accelerate the growth in our women's business. In addition to the right product and inspirational brand experiences, the major unlock we see over the next several years is the opportunity that digital provides.

Distribution is often one of our biggest barriers, and we continue to find that when we present product in more future-forward ways, we're able to take the female consumer someplace new. And they're responding. Our Women's business in Nike Direct and through our digital platforms continues to outpace our performance in wholesale channels. Digital and where digital meets physical retail will be tremendous sources of growth in Women's moving forward.

Another massive opportunity that we continue to obsess is apparel. At Nike, we have a number of advantages in our favor that we leverage. We work with the best athletes, leagues and federations and we celebrate them through moments like the World Cup, leagues like the NBA and partnerships like Jordan with PSG.

We have multiple categories that surface deep consumer insights. Our apparel business this quarter grew double digits across basketball, training and women's and we have a world-class design team that connects culture to sport in creative ways. In FY 19, we grew Nike Sportswear apparel over 20% into an over 3 billion-dollar business.

With our Core footwear business, we've talked about the importance of refreshing our collections for today's demanding consumer. Looking ahead, we're doing that with a steady flow of new Core footwear that features Air Max and Zoom Air. And we'll introduce more innovation in the space, one example being our Renew platform. You'll also see added retail support for many of the new collections in this price range.

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As we start Fiscal Year 20, we're reloading with new platforms that'll shape our innovation agenda for years to come. This week, we launched a new shoe that merges two of our most-celebrated platforms, the Air Max React 270. And we have more hybrids in footwear on the way for the next several seasons and at the end of Q1, we'll unveil Joyride, a platform that I'm incredibly excited about. This new approach to cushioning will deliver a personalized feeling for runners at every level. I've been wearing different versions over the last year and it's extremely comfortable. We think the design has great potential to stand out with the consumer in both performance and lifestyle.

And finally, as we head into the back half of the fiscal year, we'll give a full view into Nike's Innovation pipeline for the Tokyo Olympics. We'll evolve 4% -- a shoe that's dominated medal stands - into Next %, which will deliver even greater measurable benefits to more athletes. You'll see sustainability that plays an even more elevated role in our design and we'll deliver collections with more commercial potential than any other Olympics in our history.

As we look ahead, these innovations will serve as the foundation for Nike products and collections well into FY21 and beyond. These platforms are the launchpad for the future growth of our company.

Fiscal 19 was also a year that saw Nike accelerate our digital advantage. I noted earlier that 2X Direct is catalyzing our growth. Within Direct, it's Digital. Within Digital, it's Mobile. And within Mobile, it's our Apps. And all of this leverages and builds membership.

Our investments are enabling us to identify and better serve our members personally, which is driving higher consumer lifetime value. We've just passed 170 million total members in the Nike Plus eco-system, ahead of the pace we communicated at Investor Day.

The SNKRS app has become an incredible asset to our brand, with users checking in daily, and has acquired more new members than any other digital channel for Nike. For the fiscal year, SNKRS more than doubled its business, doubled its number of monthly active users and now accounts for roughly 20% of our overall digital business.

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The Nike App – our most comprehensive, one-stop shop for Nike product – is expanding quickly with triple digit revenue growth in Q4. And in the first half of FY20, we will launch the Nike App in China and in 13 new markets in EMEA. This will be an incredible addition to our business through a potential pool of hundreds of millions of new members.

The digital opportunity alone is tremendous but just as promising is how digital and physical environments are intersecting and amplifying one another.

Our most effective test case thus far has been the Nike App at Retail – which links features of the Nike App to our physical retail experiences. The Nike App at Retail is live in over 30 doors across the US, the UK and France. And we'll be scaling considerably throughout FY20, including in select Factory Stores.

A few of the insights we've gained in our early pilots are that physical retail can be an exponential driver of membership, product scans in-store, often fuel online purchases later, and in-store exclusive offers through mobile tend to drive higher conversion rates and outsized spending.

We're in the early stages of this elevated way of serving the consumer in our own environments. At the same time, we're moving quickly to scale these features and connecting inventory with our wholesale partners. A stronger use of digital in physical retail is everyone's opportunity. Seamless, frictionless shopping is what the consumer expects today.

This quarter, we introduced a new digital concept to address one of the most significant problems consumer's face...sizing in footwear. Our solution - Nike FIT – scans the foot either through your smartphone camera or through an in-store experience.

We believe a more accurate understanding of a consumer's size will not only minimize returns, reduce costs and drive healthier growth, the insights we gain will also improve the way Nike designs and manufactures product. We're excited to roll out Nike FIT in the US and EMEA later in 2019.

Our success through digital also relies on getting product to market faster.

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One way we do that is through more responsive manufacturing. This summer, we're making a significant investment in our manufacturing capabilities, with an additional Nike AIR Manufacturing center in the United States.

The consumer demand for Nike AIR is currently outpacing supply. This investment will help us better meet that demand and accelerate new innovations for one of our most distinct platforms. We'll have more details coming in July.

We also continue to build our capabilities in data and analytics, digital demand sensing and connected inventory to create a supply chain that anticipates and responds to shifts in consumer demand quickly.

Beginning in Q1, we've placed RFID in nearly all Nike footwear and apparel – which is hundreds of millions of products. RFID gives us the most complete view of our inventory than we've ever had. It's quickly become the most precise tool in our arsenal...to meet an individual consumer's specific need, at the exact right moment. We'll go live with this capability in Q1 across 20 Nike Direct Doors, and then continue to scale across the fleet.

Our sharper understanding of what's selling will also continue to inform our Express Lane, which is already driving higher full price sell-through and better gross margins. In EMEA, the Express Lane now totals over 20% of their business.

A smarter use of data is also providing even more value to our most-engaged Nike consumers.

One new model we're testing offers "concept car" footwear innovation from Nike's leading designers to our most valued members in North America. This is a great opportunity to leverage member insights to serve them better and inform which products to scale.

Finally, 2019 was a year in which the Nike brand rose above and connected emotionally with consumers on another level. We broke through with a number of Just Do It Campaigns that celebrated our athletes' "Dreams." Over the course of FY19, Just Do It generated an unprecedented 1.5 Billion consumer engagements across our geographies. And versus last year, google search volume for the words Nike and Just Do It increased well over 100%.

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This quarter, we also released our Impact Report showing the various ways that Nike is taking meaningful action to protect the future of sport.

We're working with communities of young people to increase activity with programs like Made to Play that reached 16 million kids. And we're investing in the training of over 100,000 coaches this year to mentor girls worldwide.

We're also minimizing our environmental footprint, with a target of 100% renewable energy globally by 2025.

And we're driving sustainability at scale through recycled material in our AIR-Soles, diverting 50 million pounds of waste from landfills each year.

These are the kinds of steps and transparency that consumers expect today. And as we share our stories, we're bringing even more dimension and value to the Nike brand.

Nike excels in making amazing products inspiring through an iconic brand...and leading through a digital advantage. We're pushing the pace in all three facets...and added up, it's a formula for creating strong shareholder value.

We're proud of the results our team delivered in Fiscal 19. But more importantly, with an eye to the future, we're confident that Nike is investing in the right areas to extend our competitive advantage and continue to deliver sustained growth over the long-term.

With that, here's Andy.

Andy Champion:

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

As we close FY19 and look ahead to FY20, three key themes stand out from a financial perspective:

First, Nike is a growth company. Growth is how we measure the value we are creating for consumers and growth is paramount in terms of how Nike creates value for shareholders.

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Second, Nike's growth is being fueled by strategic transformation. Transformation is about deliberately driving acceleration toward what you aspire to be in the future, not about just extrapolating what you are today. Accordingly, transformation requires innovation, it requires continuous learning and it requires investment.

Third, especially in times of geopolitical and FX volatility, Nike's currency neutral financial performance provides a clear view into our fundamentally strong growth, expanding profitability and potential to create extraordinary value for shareholders.

Let's first go a little deeper on growth.

At our Investor Day in October 2017, we said that our new Consumer Direct Offense would generate high single digit revenue growth on average over the next five years.

In our first full year executing this new strategy, we accelerated out of the blocks, with growth in FY19 that exceeded expectations. For the full year, NIKE, Inc. Revenue grew 11% on a currency neutral basis, and 10% in the most recent quarter. At Nike's scale, that is roughly \$4B of incremental Revenue in just one year.

Our growth is also broad-based, with all four Geographies growing at or above the long-term targets that we communicated for each Geography at our Investor Day.

That brings me to the second key theme: our growth is being fueled by a strategic transformation of Nike globally.

At our Investor Day, we said that over the next five years, we aspire to double the cadence and impact of innovation to operate with greater speed and agility and to double our direct connection to consumers, leading with digital.

These three pillars of our strategy were designed to drive global transformation and growth across our 12 key cities and 10 key countries. To help gauge the quality and impact of our growth, we also communicated several Key Measures of Success. Today we are on pace to exceed expectations on all of those measures.

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Take, for example, Innovation.

In FY19 we have already doubled the percentage of total revenue generated by recently launched innovation platforms, as compared to FY17. We are delivering 2X innovation by prioritizing investment in platforms like React and Air that have greater potential to scale across both performance and sportswear.

As for Direct, we are also ahead of pace. Nike Direct drove roughly 50% of our incremental revenue growth in FY19, with Nike Digital growing 35% for the full year. Digital commerce, owned and partnered, is on track to comprise at least 30% of our business by 2023. And, longer term, we see digital driving the majority of our business.

This kind of transformational growth doesn't happen by accident. Transformation requires investment.

In FY19, we invested over \$1B in new capabilities and consumer concepts. That includes significant investment in the SNKRS App, the Nike App, new store concepts leveraging digital, our NikePlus Membership platform, and enterprise-wide data and analytics capabilities that are helping us serve consumers in new and better ways.

With these long-term focused transformational investments equating to nearly all of our incremental SG&A versus prior year, we are clearly also editing and shifting within our legacy expenditures.

As for the SNKRS App, we acquired VirginMega two years ago, and have since invested organically in the team, digital tools, content creation and the geographic rollout of SNKRS into 22 countries. And the returns on our investment have been extraordinary. The SNKRS app has accelerated from less than \$70M in Revenue in FY16 to an annual run rate of over \$750M based on Q4 FY19 performance.

We have also invested significantly in the Nike App. The Nike App has extraordinary growth potential, offering broader mobile access to Nike's portfolio of products. In North America, Nike App revenue is growing triple digits, and we are just starting to roll it out globally. As Mark

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mentioned, we will launch the Nike App in Greater China in FY20.

We are also investing in new store concepts that leverage digital, including our two new Houses of Innovation in New York and Shanghai, and the smaller digitally-enhanced format, Nike Live. These store concepts are exceeding planned revenue as they bring to life new ways of serving the consumer through use of the Nike App at Retail.

That brings me to the significant investments we are making in our NikePlus Membership platform. These investments have been largely organic, focused on building capabilities that help us know our consumers better to serve them in new ways. That said, we also acquired both Zodiac and Invertex roughly one year ago to accelerate our membership offense. Zodiac has accelerated our ability to measure the impact of targeted service and product offerings on an individual's consumer lifetime value. Invertex brought us computer visioning and volumetric-based data and analytics capabilities that helped us create and bring Nike Fit to market within just one year.

As I said earlier, the third key theme from a financial perspective is that, in times like these, Nike's currency neutral financial performance offers a clear reflection of Nike's fundamentally strong growth, expanding profitability and potential to create value for shareholders.

18 months ago, it appeared that harmonized global growth was beginning to turn foreign exchange into a slight tailwind. However, geopolitical dynamics over the past year have led to dollar strengthening, fueled largely by uncertainty around Brexit and US-China trade. Within FY19 alone, dollar strengthening drove FX headwinds of over \$1.4B on reported Revenue vs. our plan entering FY19, and nearly \$300M in EBIT after taking into account hedges.

We know that the foreign exchange headwinds of late may be transient, so we have remained primarily focused on the levers we can control and executing our strategy. And you see that in our currency neutral performance. Our strong currency neutral growth and margin expansion reflect Nike's brand heat and distinction in North America and in all key international markets, the strength of our product portfolio, and the transformation we are driving in the marketplace leveraging digital.

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Our SG&A growth in FY19 was a function of accelerating the investments required to drive transformation, while gaining leverage in our core legacy expenditures. We are editing and shifting to gain leverage most notably within our Geographies where we are creating differentiated consumer experiences leveraging digital, while optimizing undifferentiated retail. That includes, for example, shifting many wholesale customers to what we call Nike.net, an efficient digital platform for buying at wholesale. We are also testing new digital business models with respect to off-price sales and optimizing our Nike Factory Store fleet. Over the next 3 years, as we scale digital and drive more focused growth, we will increasingly edit and shift resources in targeted areas.

One key financial measure that reflects Nike's unrivaled ability to turn strategic investment into competitive advantage and growth is Return on Invested Capital. In FY19, Nike's industry-leading adjusted ROIC, expanded over 400 basis points.

Going forward, we see continued strong growth, expanding margins, and high returns on invested capital as we drive strategic transformation through the Consumer Direct Offense.

But, before I share our outlook for FY20, let's briefly touch on our strong Q4 results.

- NIKE, Inc. Q4 Revenue increased 4% on a reported real dollar basis, and 10% on a currency-neutral basis, with both meaningfully exceeding the expectations we communicated 90 days ago. For the full year, NIKE, Inc. revenue increased 7.5% on a reported basis, as strong 11% currency-neutral growth was partially offset by FX headwinds.
- Gross Margin expanded 80 basis points in Q4, also exceeding our guidance. Margin expansion was driven by strong full-price sales, enhanced product profitability and Nike Digital growth. For the full year, gross margin expanded 90 basis points.
- SG&A grew 9% in Q4 and 10% for the full year, as we drove brand distinction through the Just Do It Dream Crazy campaign, and by amplifying the biggest moments in sport, while accelerating our investment in Nike's digital transformation.
- Our Effective Tax Rate was 20.4% for the quarter and 16.1% for the full year, slightly

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above our guidance driven by earnings mix and quarterly volatility associated with the impacts of US tax reform.

- Fourth quarter Diluted EPS was \$0.62, and full year diluted EPS increased to \$2.49.

As of May 31st, Inventories were up 7%, reflecting continued strong full price sell through and tight supply in support of strong forward-looking demand.

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

In North America, Q4 revenue grew 8% on a currency-neutral basis, with Nike Digital leading all channels, up strong double-digits.

While Nike Digital continues to power our growth, Nike is also growing double-digits and gaining significant share with our strategic wholesale partners. That includes strong double-digit growth for Nike within Footlocker, Dick's Sporting Goods, and Nordstrom. Growth and share gains within these leading wholesale partners reflect Nike's brand heat and distinction in North America and the strength of our product portfolio. Our Footwear innovation continues to resonate, and in Apparel, we see very strong demand, in some classifications so strong that it is putting pressure on our supply.

For the full year North America's revenue increased 7% amplified by strong gross margin expansion.

Let's move to EMEA, where the Nike Brand continues to lead and drive meaningful separation. Revenue grew 9% in EMEA on a currency-neutral basis in Q4, driven by double-digit growth in Nike Direct, across footwear and apparel, and in all territories.

In EMEA, the Nike brand is stronger than ever. We are the #1 brand in all 5 key cities in the region, and as we speak we are creating an even deeper emotional connection to consumers through the Women's World Cup in France.

Nike Digital continues to lead, up 35% in the fourth quarter. Yet, EMEA is another market where we are truly just getting started. As Mark mentioned, we will more fully leverage the

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power of mobile launching the Nike App into 13 additional countries in FY20.

The strength of the Nike Brand in EMEA is also translating into strong double-digit growth and significant share gains with our strategic wholesale partners, most notably JD and Zalando.

Note that our strong overall growth in EMEA in Q4 was also comping strong Football Apparel growth in the prior year fueled by the Men's World Cup.

For the full year, currency-neutral revenue grew 11% and was amplified by strong gross margin expansion. On a reported basis, FY19 revenue grew 6%.

Next, let's turn to Greater China, which grew 22% on a currency-neutral basis in Q4. This marks the 20th consecutive quarter of double digit in growth in China. Growth was broad-based across Men's and Women's, Performance and Sportswear and led by Digital.

Nike Digital grew 37% in Q4, fueled by the SNKRS App and the strength of Nike-branded experiences with partners such as Tmall and WeChat.

For the full year, revenue in Greater China increased 24% on a currency-neutral basis. On a reported basis, FY19 revenue was up 21%.

We see continued strong growth in China in FY20. As a Brand of China, for China, we are building deep and meaningful relationships with the Chinese consumer. We are investing in our local team and talent, creating product specifically designed for the Chinese consumer, sponsoring China's top athletes, federations and teams, and working closely with the Ministries of Sport and Education to fuel the passion for and increasing participation in sport and fitness in China.

On that note, we are excited to amplify consumers' passion for Basketball around the FIBA World Cup coming to China in Q1.

Let's turn to APLA, where Q4 revenue grew 9% on a currency-neutral basis. Growth was strong across nearly all territories.

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Nike is the #1 favorite brand in all three of our Key Cities in this diverse geography: Tokyo, Seoul and Mexico City. Nike is also the leading brand in Southeast Asia, growing strong double digits.

Our growth in APLA is led by Digital, fueled by the entrepreneurial mindset we are taking with digital partners such as Zozotown, Flipkart and others. Looking ahead to FY20, we will significantly expand our Nike-owned Digital footprint, through the scaling of our app ecosystem.

For the full fiscal year, APLA revenue increased 13% on a currency-neutral basis and 2% on a reported basis.

And finally, at Converse, FY19 revenue increased 3% on a currency-neutral basis and 1% on a reported basis, fueled by China and Converse's new Digital Commerce platform. Looking forward, we have a new energized leadership team at Converse focused on fueling growth through product diversification, including reigniting Converse's authentic brand positioning in Basketball. That began with the launch of the All Star Pro BB basketball shoe in Q4.

With that, let's turn to our outlook for FY20.

FX has intensified over the past couple of months, creating more of a headwind on a reported basis than we envisioned when we spoke with you last quarter. That said, our currency neutral outlook continues to improve. Taking these offsetting dynamics into account, we are reiterating our guidance for FY20.

Our outlook for full-year reported Revenue growth remains in the high single digit range, slightly exceeding our reported revenue growth in FY19. We expect another year of broad-based growth, with all four Geographies delivering on our long-term financial model.

As for Gross Margin, we expect expansion, potentially approaching 50 basis points. To be clear, we see continued strong operational margin expansion that would otherwise exceed our long-term financial model but for two items. Foreign exchange and strategic supply chain investments, such as RFID and expanding Air Manufacturing Innovation, will create a roughly 50 basis point headwind. That headwind is factored into our guidance.

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As for SG&A, we currently expect strategic investment offset by productivity initiatives to result in very slight SG&A leverage in FY20. SG&A should essentially grow in line with Revenue growth.

As for OIE, net of Interest Expense, we expect \$50M to \$100M of income for the year.

We see our Effective Tax rate in the mid-to-high teens range. That said, we expect continued quarterly volatility based on the publishing of guidance relative to US tax reform and other discrete items.

Our primary focus is on the full year and long term. However, I will provide a few specifics with respect to dynamics impacting Q1.

In Q1, we expect reported Revenue growth, in line to slightly above our reported revenue growth in Q4. We expect currency-neutral revenue growth squarely within the high single-digit range offset by 4 points of FX headwinds. Based on current FX rates, the FX impact on revenue should largely abate from Q2 forward.

It is also worth noting that in Q1 of FY19, we were already scaling React and Air Max 270, which had been launched in late FY18. In FY20, we will launch Joyride at the tail end of Q1, with scale and the launch of other new innovative products coming from Q2 forward.

As for Gross Margin, we expect to deliver flat to potentially 25bps of gross margin expansion in Q1. This reflects very strong underlying margin expansion fueled by Nike Direct growth and strong full-price sales. That said, FX will be an anomaly within Gross Margin in Q1. FX will be a 50-75bps headwind, based on year over year Foreign Exchange rates, which moved significantly within Q1 of last year, as well as the timing of our hedge gains and losses. Assuming current rates, we expect the impact of FX on margin to be much less material over the balance of the year.

As for SG&A, we are projecting growth in the high-single digit range in line with the rate of currency-neutral revenue growth.

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As for OIE, net of Interest Expense, we expect roughly zero to \$15M of income in Q1.

We see our Effective Tax rate in the mid-to-high teens range in Q1.

As we enter FY20, we are poised for another year of strong, sustainable, profitable growth and value creation. The Nike Brand is stronger than ever, we have a robust pipeline of innovation to bring to market, and we will continue to strategically transform Nike and extend our digital advantage.

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