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PRESENTATION

Operator:


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, Vice President, Investor Relations and Treasurer:

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.

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.'s Chairman, President and CEO, Mark Parker.
Mark Parker, Chairman, Chief Executive Officer and President, NIKE, Inc.:

Thanks, Nitesh. And, hello and good afternoon, everyone. NIKE delivered strong results in fiscal year 2019 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 2019 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 fiscal 2019, 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 and we're well on our way towards cutting our product 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 and more meaningful ways.

Our Triple Double, 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 leverage 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 of incremental growth in the geography over this past year. We are and remain a brand of China and for China. NIKE is proud of the investments we've made and the relationships we've developed in energizing this 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 and that's Innovation, Direct, and Speed, and I'll start with Innovation.

The consumer continues to tell us 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 Sportswear to another 20% plus growth quarter in Q4. Looking ahead to fiscal year 2020, 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 own digital platform where we have the most direct connections with the passionate basketball consumer. And signature shoes continue to lead the way with KD, LeBron and Kyrie, all growing double-digits. And next month, we're looking forward to adding another exciting personality to the mix, with the addition of Giannis and his first signature collection, following his incredible MVP season.

The 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 1 continues to be a global phenomenon as we see success in both high-heat and in-line 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 2019 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 team 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 U.S.A. Women's Home Jersey is now the number one soccer jersey, men's or women's ever sold on NIKE.com in one season.

For me personally the ground swell of support around the world for athletes and teams has been truly inspiring. Tomorrow all eyes are going to be on the U.S. vs. 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 in more dimensions. This quarter, we claimed the number one 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 markets, 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 a more future-forward way, we're able to take the female consumer some place new and they're responding. Our Women's business in NIKE Direct and through our digital platforms continues to outpace our performance in the wholesale channels. Digital and where digital meets physical 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 and 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 very creative ways.

In Fiscal year 2019 we grew NIKE Sportswear Apparel over 20%, into an over $3 billion business. With our Core Footwear business, we 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 from many of the new collections in this price range.

As we start Fiscal 2020, 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.

In the end of Q1 we'll unveil Joyride, which is a platform that I'm incredibly excited about. This new approach to cushioning will deliver a more 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 full view into NIKE's innovation pipeline for the Tokyo Olympics. We'll evolve 4%, a shoe that dominated metal stands into what we call Next Percent, 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 fiscal 2021 and beyond. These platforms are the launch pad for the future growth of our company. Fiscal year 2019 was also a year that we saw NIKE accelerate our digital advantage. I noted earlier that the 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 just passed 170 million total members in the NIKEPlus ecosystem, 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. The NIKE App, our most comprehensive one-stop shop for NIKE product is quickly expanding, with triple-digit revenue growth in Q4, and in the first-half of fiscal year 2020 we will launch the NIKE App in China, and in 13 new markets in EMEA. This will be an incredible addition to our business, for 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 each other. 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 U.S., the UK, and France, and will be scaling considerably throughout fiscal year 2020 including in select factory stores.

A few of the insights that we 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 and 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 consumers face, and that’s 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 cost, 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 U.S. and EMEA later in 2019.

Our success through Digital also relies on getting product to market faster. One way we do that is through more responsive manufacturing. This summer we’re making significant investment in our manufacturing capabilities with an additional NIKE Air manufacturing center here 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's 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 that we've ever had. It's quickly becoming 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. The 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 athlete's dreams. Over the course of fiscal 2019, 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%.

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 which is 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 2019, but more importantly, with an eye to the future, we're confident that NIKE's investing in the right areas to extend our competitive advantage and continue to deliver sustained growth over the long-term.

With that, here is Andy.

**Andy Campion, Executive Vice President & Chief Financial Officer:**

Thank you, Mark and good afternoon to everyone on the call. As we close fiscal year 2019 and we look ahead to fiscal year 2020 three key themes stand out from the financial perspective. First, NIKE is a growth company. Growth is how we measure the value we're creating for consumers and growth is paramount in terms of how NIKE creates value for shareholders. 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 our 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 fiscal year 2019 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 scale, that is roughly $4 billion 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 category at our Investor Day.

Now 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 on all of those measures. Take for example, Innovation. In fiscal year 2019 we've already doubled the percentage of total revenue generated by recently-launched innovation platforms, as compared to fiscal year 2017. 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're also ahead of pace. NIKE Direct drove roughly 50% of our incremental revenue growth in fiscal year 2019 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 fiscal year 2019 we invested over $1 billion 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 NIKE 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're clearly also editing and shifting within our legacy expenditures.

As for the SNKRS App, we acquired Virgin Mega two-years ago, a little over two-years ago and have since invested organically in the team, digital tools, content creation and the geographic rollout SNKRS into 22 countries and the returns on our investment has been extraordinary. The SNKRS App has accelerated from less than $70 million in Revenue in fiscal year 2016 to an annual run rate of over $750 million based on Q4 Fiscal year 2019 performance. We’ve 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're just starting to roll it out globally. As Mark mentioned, we'll launch the NIKE App in Greater China in fiscal year 2020. We’re 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 the use of the NIKE App at Retail.

That brings me to the significant investments we're 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. While Invertex brought us computer-visioning and volumetric-based data and analytics that helped us create and bring NIKE Fit to market in 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 for NIKE; however geopolitical dynamics over the past year have led to dollar strengthening, fueled largely by uncertainty around Brexit and U.S. China trade.

Within fiscal year 2019 alone, dollar strengthening drove FX headwinds of over $1.4 billion on our reported revenue versus our plan entering fiscal year 2019 and nearly $300 million in EBIT after taking into account our hedges. We know that the foreign exchange headwinds of late may be transient, so we’ve 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.

Our SG&A growth in fiscal year 2019 was a function of accelerating the investments required to drive transformation while gaining leverage in our core legacy expenditures. We're editing and shifting to gain leverage most notably within our Geographies, where we're 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're also testing new digital business models with respect to off-price sales and optimizing our NIKE Factory Store fleet. Over the next three-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 fiscal year 2019, 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 at NIKE through the Consumer Direct Offense, but before I share our outlook for fiscal year 2020 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 and heat 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 above our guidance, driven by earnings mix, and quarterly volatility, associated with the continuing impacts of U.S. Tax Reform. Fourth quarter diluted EPS was $0.62 and full year diluted EPS increased to $2.49.

As of May 31, 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 Foot Locker, 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's putting pressure on our supply short-term.

For the full year, North America's Revenue increased 7% amplified by strong Gross Margin expansion.

Now, 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're the number one brand in all five key cities in this region and as we speak, we're creating an even deeper emotional connection to consumers through the women's World Cup in France. NIKE Digital continues to lead in EMEA 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 power of mobile launching the NIKE App into 13 additional countries in fiscal year 2020.

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, fiscal year 2019 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 growth in China. Growth was broad-based across Men's and Women's, Performance in 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, FY 2019 Revenue was up 21%.

We see continued strong growth in China in fiscal year 2020. 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 products 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're 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. NIKE is the number one favorite brand in all three of our key cities in this diverse geography; Tokyo,
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 mind-set we're taking with digital partners such as Zozotown, Flipkart and others. Looking ahead to fiscal year 2020 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, fiscal year 2019 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, and that began with the launch of the All-Star pro BB Basketball shoe in Q4.

With that, let's turn to our outlook for fiscal year 2020. 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 fiscal year 2020. Our outlook for full year reported revenue growth remains in the high-single-digit range, slightly exceeding our reported revenue growth in fiscal year 2019. 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 on margin. That headwind is factored into our guidance.

As for SG&A, we currently expect strategic investment, offset by productivity initiatives, to result in very slight SG&A leverage in fiscal year 2020. SG&A should essentially grow in-line with Revenue growth.

As for OI&E net of interest expense we expect 50 million to $100 million 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 U.S. Tax Reform and other discrete items.

As we enter fiscal year 2020, 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, I'll now open up the call for your questions.
The first question comes from Bob Drbul with Guggenheim Securities. Your line is open.

<Q – Bob Drbul>: Hi. Good morning. I mean good afternoon, sorry. Been a long day. I guess just the first question I have is on China, I was just wondering if you could go a little deeper in terms of strength of Basketball in China, Apparel, Running, and just sort of what you see on the ongoing basis with the strong results and your expectation. I think you said continued growth for the next decade. Just are you seeing any pressure there from the consumer around American brands? It doesn’t appear so in the numbers but I'm just wondering if anything is changing from that perspective and just wondered if you could maybe just update us a little bit on how you guys are thinking about some of the trade discussions that continue to unfold here in the U.S.?

<A – Andy Campion>: Great. Thanks for the question, Bob. First, your first question, which was around the drivers of growth in China, categorically. The short answer is over the course of fiscal year 2019, all categories drove growth in China with the exception of Global Football and that relates to the comp versus last year’s World Cup. The primary driver of growth, the biggest drivers of growth were NIKE Sportswear, Basketball, Jordan, Running grew, Training, but in general, extremely broad-based across Men's and Women's and while led by Digital also broad-based across the marketplace. Then to your question about seeing an impact from the U.S. China dynamics of late. We have not seen any impact on our business to-date and we continue to see strong momentum as we enter fiscal year 2020.

<Q – Bob Drbul>: Got it.

<A – Mark Parker>: The consumer sentiment around NIKE in China has been actually quite strong. We've made a lot of effort through the years to connect with the marketplace to take insights to use to drive innovation and messaging that is really as we said of and for China, so we're seeing that continue and it's showing up in the results and I'm really proud of the team in China we have and the Complete Offense kind of results that we're seeing coming out of China.

<Q – Bob Drbul>: Got it and just on Basketball, I was wondering if I could just zone in on a follow-up, but it sounds as if NIKE has capitalized on the NBA jersey opportunity recently created by Zion and RJ Barrett. Ahead of the NBA free agency what raw material colors have you guys staged? Blue and orange or purple and gold? Can you just give us some insight in terms of how you're positioning for this weekend and the next few weeks?

<A – Mark Parker>: Good one.

<A – Andy Campion>: Okay, you obviously figured out Mark's and my hometown.

<A – Mark Parker>: We got the coast covered. Well, okay. We've got the spectrum covered, the color spectrum so we're ready for anything. Certainly, blue and orange and purple and gold, but no other insights other than I think we've got the basics covered.

<Q – Bob Drbul>: Thank you, good luck.

Nitesh Sharan>: Thanks. Operator, we'll take the next question, please.

Operator: Your next question comes from Lauren Cassel with Morgan Stanley. Your line is open.

<Q – Lauren Cassel >: Great. Thanks so much. Could you maybe quantify the impacts that the Supply Chain investments had on gross margin during the fourth quarter and then my second question is just where do we fit here at the end of the fiscal year in terms of your manufacturing exposure to China, what percentage of that is coming into the U.S. and then just any commentary on if you would raise prices, et cetera, should live four go through.

<A – Andy Campion>: Hello, Lauren I'll take your first question on Supply Chain investments. The short answer is
roughly 30 basis points in the fourth quarter and just to clarify, that is because we capture investments that maybe for the long-term in our other cost of goods sold within margin, so it can be somewhat distorted in terms of current quarter product profitability.

Nitesh Sharan>: And Lauren your second question again sorry was pricing levers with respect to China?

Q – Lauren Cassel >: Yes, just the current manufacturing exposure to China. I think you guys have been actively sort of trying to diversify. Just where do we fit at the end of the year and how much of that is coming into the U.S.?

<A – Andy Campion>: Sure, I'll take that one, as well. We continue to source product in China. We do externally report that we produce about a quarter of our product in China for the globe. Our exposure in terms of product produced in China to North America is relatively modest. At the same time, we see a great opportunity to continue and potentially expand the production of product in China for China, and for other markets. The short of it is we've got a relatively agile approach to sourcing, multiple nodes from a production and distribution perspective and so while the dynamics are certainly, while it is certainly dynamic out there with respect to trade, we're relatively well-positioned as we always have been for macro dynamics.

<A – Mark Parker>: We see China continuing to be a critical part of our source base for China but also other parts of the world and that will continue.

Q – Lauren Cassel >: Thank you so much.

Nitesh Sharan>: Thank you, Lauren. Operator, we’ll take the next question, please.

Operator:

Your next question is from Brian Nagel with Oppenheimer. Your line is open.

Q – Brian Nagel >: Hi. Good afternoon, thank you for taking my questions, appreciate it. So first I want to talk a bit...clearly, your currency-neutral results were quite strong here, actually very strong. There were indications of weakness elsewhere in the United States. The question I have on that is as you look at the data, closer than we could, was there any, were there anymore top-line challenges through the period, maybe not totally reflected in the results?

<A – Andy Campion>: One challenge from a top-line perspective is frankly a nice problem to have, Brian which is as we enter the year, we've got a particularly strong demand. It's broad-based and a couple of the areas where we have very strong demand relate to Air, NIKE Air, which is obviously a distinctive innovation relative to NIKE, so to your point about dynamics out there in the marketplace, we've got an innovation that is obviously closely tied to and really powerful within our portfolio, that being NIKE Air, and as Mark mentioned, in his remarks, we are actually expanding our investment in Air manufacturing in the U.S. and that is directly related to demand that we weren't able to fully capture in the second-half of this past year.

Another area is in Apparel. Got very strong growth in Apparel and we're ramping up supply with respect to a few classifications where our revenue growth could have been greater based on the demand in the marketplace particularly around fleece and then just overall, when we speak about our growth we said that it's not really an extrapolation, it's not just a correlation to what's going on in the market but it's about a transformation in NIKE and most notably, that transformation is being fueled by innovation, so we're creating something new and different in the marketplace and digital. Again, we're creating something new and different in the marketplace in terms of the digital connection we have with consumers.

<A – Mark Parker>: You know a couple other areas I'd call out quickly. There's the performance has actually been very strong, but I think there's more opportunity for us going forward. I mentioned Women's and how we have double-digit growth for the year and it's been accelerating through the fourth quarter, but we're actually very bullish on the opportunity in Women's going forward, as we move into fiscal 2020 and then also called out Core Product, under $100 price-point product, within Footwear, and we have a whole refresh coming in the sort of Core zone, not only with existing technologies being leveraged in that space, but unique design work that is going to refresh about
75% of that, the styles in that product zone for NIKE so that's going to create some more opportunity for us.

Q – Brian Nagel >: Thank you.

Nitesh Sharan>: Operator, we'll take the next question, please.

Operator:

Your next question is from Omar Saad with Evercore ISI. Your line is open

<Q – Omar Saad>: Hi. Thanks for taking my question. Two questions, actually. I wanted to ask first about your comment on RFID, inventory, sharing of inventory and the wholesale channel. Kind of wondering what you're thinking about longer-term how you see inventory and inventory management evolving, what the opportunities are to either manage it differently, especially if you talk about matching kind of more diverse consumer demand more accurately, and then my second question on the SNKRS App obviously explosive growth there. How do you think about as you scale that platform? I don't know that saturation is the right word but how do you keep it growing and also keep it special? Do you see, how big is that runway to kind of create those unique experiences for consumers through that platform before it starts to lose its specialness? Thanks.

<A – Mark Parker>: Let me just touch on the RFID question first, Omar. As I mentioned, we're launching RFID across essentially all of Footwear and Apparel beginning in the Fall 2019 season and that's going to enable all of Footwear, the majority I should say of non-licensed Apparel through RFID and the QR technology, so that's a big upside for us in terms of our capability to dramatically improve our inventory visibility and accuracy I think across the marketplace and throughout the Supply Chain and ultimately that's going to allow us to serve consumers with the product that they want when they want it so the consumer upside on this is actually quite powerful.

Then we're going to roll out through fiscal 2020 and scale the capabilities that we have within RFID globally across our own doors and over time I think we see RFID as a key capability throughout owned and partner Retail Supply Chains, so I think this will help us create the capability to grow profitably across the breadth of the portfolio and ultimately again it's putting ourselves in a position to serve consumers in a way that gets them the product that they need when they want it and where they want it.

<A – Andy Campion>: And then Omar I'll take your question on SNKRS. We still see tremendous opportunity with respect to SNKRS. I'll give you some dimension on where we see that opportunity. In terms of what you referred to as the kind of special nature of the product that we're launching on SNKRS, we still supply a very small percent of the demand that we're seeing on SNKRS. In fact, just this morning we launched a few pretty unique collaborations and again, saw sell-out within minutes. That's both fantastic in terms of the heat that some of our styles create but also an opportunity. A couple of other areas of opportunities within SNKRS are Apparel. What we've done with Apparel in the limited cases where we've launched apparel either collaboration or apparel innovation, we've seen incredible demand and we really have, it's almost overstating it to say we've scratched the surface in terms of the heat we can create and connectivity to consumers around Apparel.

Women's is another great opportunity through the SNKRS App and then two last dimensions I'd speak to: product creation that's done with the membership data that we get through the SNKRS App in mind. We launched a shoe in this past year based on data and analytics relative to the Dominican community in New York which was incredibly well-received, very strong demand and brand heat around that. We also see the opportunity as Mark touched on to launch innovation directly to members, sneaker heads or just people who love the innovation that we provide in the App, and then finally what both of us touched on is we often focus on the businesses that we have here in North America, because we all experience some as consumers in North America, but we've got a tremendous potential to continue to expand the SNKRS App globally and geographically in-markets around the world.

<A – Mark Parker>: I have to add that the core answer to your question about sustaining the heat in SNKRS is going to be the product itself, so the strength of the product, how we refresh it, making sure supply-and-demand is in the right ratio and then the whole experience on SNKRS is going to continue to evolve, I think to make it a very compelling kind of have to check back in day-to-day kind of experience.
Nitesh Sharan: Thank you, Omar. Operator we'll take our next question, please.

Operator: Your next question is from Jim Duffy with Stifel. Your line is open.

<Q – Jim Duffy>: Thanks. Hope you're all doing well. I'm interested the comments on the digital and physical intersection and how successful that's been recruiting new customers to the digital ecosystem. Does that make you rethink the role of physical Retail in the go-to-market strategies, and then maybe this will dovetail with my second question. With respect to the key city strategies are there cities you would highlight as being further along in demonstration of the efficacy of that strategy?

<A – Mark Parker>: Well, we see first of all, the intersection of physical and digital is going to continue to be more and more intimate relationships. I think we're looking at a lot of experimentation, trial and error, learning from some of the tests that we're doing. Ultimately, it's about making the experience physically or digitally a richer, more dimensionallized experience for consumers, and we're seeing where we have those digital connections through like NIKE App at Retail, we're seeing engagement from consumers rise significantly, and the actual spend per consumer in those cases actually jumps up dramatically. So, this is something that we don't think is just, it's not just a current trend. This is the future of the fusion of digital and physical is going to continue, and this is a huge priority. It's a source of investment for us. It's ultimately around how do we better serve customers, members, and you'll continue to see us evolve that dramatically and our ambition is to lead in that space.

<A – Andy Campion>: And then to your question on key cities. We're seeing over-indexing growth in our key cities as compared to the countries in which they are. We're also seeing over-indexing results from a brand perspective. Our brand is the number one brand in each of those key cities. I would tell you that in terms of prioritization which I think was the spirit of your question, our priorities have been in bringing our Consumer Direct Offense to life first in London, New York, and Shanghai and so that's where you see us having invested in the new Houses of Innovation in New York and Shanghai, which do, that is a bit of a segue from what Mark was just speaking to, merging physical and digital in an experience that the consumer really hasn't had from NIKE or anyone else in the marketplace. Those experiences have well exceeded our expectations. LA is another market where we've started to bring this to life with our smaller format concept, NIKE Live. So, I would say to answer your question in short, London, New York, and Shanghai, I think are the cities where we're furthest along, but we've got really energized teams in each of the key cities. In fact, we just had all of our key city teams, not just GMs together here a couple of weeks ago, at our headquarters to share best practices and learning and align on how to leverage what we can create globally, or in one key city and another key city, so we really feel great about the progress we're making against that offense.

Nitesh Sharan: Thanks, Jim. Operator we'll take our last question, please.

Operator: Your last question comes from Sam Poser with Susquehanna. Your line is open.

<Q – Sam Poser>: Thank you for taking my question. I was really wondering about how you view your brands, as a follow-up on how you view your brands perceived in China. Somebody said that you were perceived other brands were perceived as American or U.S. brands or German brands, but NIKE is perceived as NIKE. I'd love to just get your comment on that and I have one other question.

<A – Andy Campion>: Sure, Sam. Thanks for the question. I'll start. As both Mark and I said, our approach has been to be of China, for China and that's not a new approach. That is not based on dynamics of late. That's been the approach we've had in China for two, three decades, and it ranges from the strong leadership team we have in place there with local talent that understands the consumer. Obviously in our history it dates back to our sourcing product in China. Over the years, it's been about us fueling the passion for sport and participation in sport, not simply being a commercial enterprise in China, but having a bigger view in terms of the purpose and the impact that we could create in terms of the lives of consumers in China, and then that last point extends to our relationship with the Ministries of Sport and Education. Our partnerships there as well as our partnerships we're probably out in front in terms of the global impact of the teams, athletes and Federations in China, but why we're invested and sponsoring those teams and athletes and Federations is because of their impact on local consumers in China.

<Q – Sam Poser>: Thank you and then secondly...
<A – Mark Parker>: I’d also add the insights we’re getting for China are actually helping us create China or product that's more relevant for China but also other parts of the world so this isn't about importing western concepts into China as much as it is trying to actually take the insights we gain in China, and use it to enrich our global position as a brand and as a product offering. So, it's truly not just local for local. It's China putting us in a position to be a better global company.

<Q – Sam Poser>: Thank you and then just to follow-up on a prior question. The RFID, does this mean with your core partners, Nordstrom, Foot Locker, and so on, Dick's and so on, that you will be able to over time interact with them and maybe interact between your systems to be able to make your inventory access hold more efficiently?

<A – Andy Campion>: Yes. Oh, sorry, Sam did you have more to that question? Go ahead.

<Q – Sam Poser>: Well yes and I'd love color and I may have something else, but I'll go from there.

<A – Andy Campion>: Yes. RFID provides us an opportunity to do what we aspire to do which is connect the marketplace and do that through our NIKE Direct business, but also through strategic wholesale partners, partners that we view as being part of the NIKE network of the future. We are already testing the use of RFID in being able to give consumers greater visibility into product down to the style, color, and size that they're looking for, and I'd say that's probably the sharpest and most intuitive aspect of this opportunity is visibility into the inventory for a company like NIKE with the breadth and depth of our portfolio is somewhat limited across our broad distribution within the marketplace. Being able to leverage our RFID to give almost 100% visibility into what we have by style, color, and size, across our marketplace, is an incredible opportunity in terms of meeting consumer demand real-time in the moment.

<Q – Sam Poser>: And then lastly for your speed initiative, with your speed initiative, how long until you get double the speed or beyond that, this RFID will certainly help that.

<A – Mark Parker>: Yeah, well you know that’s one of the measures of success. We feel really good about the progress we’re making doubling the percentage of product in what we call one-half the time-to-market. We’ve seen some really strong results over the past year and we expect that to continue through the next year, and a lot of that effort is led by what we call Express Lane and Express Lane is, I mentioned I think I commented that 20% of our product revenue in EMEA is actually coming from our Express Lane initiative, so we see the speed initiative for NIKE, the time-to-market cut in half initiative really accelerating through this next fiscal year, and it's ultimately going to be a big competitive advantage for us.

Nitesh Sharan>: Thank you, Sam, and thank you, everybody. Thank you for joining us today and we look forward to speaking with you next quarter. Take care. Bye.

Operator

This concludes today's conference call. You may now disconnect.