

PREPARED REMARKS / UNOFFICIAL TRANSCRIPT – Q1FY21 NIKE, Inc.

September 22, 2020

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Operator:

Good afternoon, everyone. Welcome to NIKE, Inc.'s fiscal 2021 first 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 Andy Muir, VP, Investor Relations. Before I turn the call over to Ms. Muir, 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 Andy Muir, VP, Investor Relations.

Andy Muir:

Thank you, operator.

Hello everyone and thank you for joining us today to discuss NIKE, Inc.'s fiscal 2021 first 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. President and CEO John Donahoe, and our Chief

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Financial Officer, Matt Friend.

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 one. 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. President and CEO John Donahoe.

John Donahoe:

Thank you, Andy, and hello to everyone on today's call.

Before I get into our Q1 performance, I want to take a moment to acknowledge the passing of John Thompson last month. "Coach," as many of us called him, was a beloved member of the Nike family, having served on our Board of Directors for almost 30 years. He was a true leader and an icon in the world of sport. We will miss him.

Here on the West Coast, we are also continuing to deal with the wildfires that have hit Oregon, Washington and California. Health and safety remain our first priority, so we've closed facilities and stores where appropriate. For those teammates who have been impacted by evacuation orders, we have made additional benefits and support available. And the Nike Foundation has donated \$1 million to provide relief efforts for the Oregon wildfires, focusing on both immediate and longer-term needs.

Looking at our business results this quarter, we continue to demonstrate Nike's full competitive advantage. Over the past several months we have established clear objectives for our business. We have been relentless in our focus on those objectives, and the results are reflecting that.

Our revenue trend is improving with Q1 flat to prior year on a constant currency basis. Greater China, EMEA, Japan and South Korea have already returned to growth. But more than the financial results, it's the continued strength of our brand, the response we're seeing from

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consumers and our unique position to be able to capitalize on our potential...that excites me even more.

We're getting stronger in the places that matter most. Even in the midst of disruption, we are on the offense. We've continued our unmatched pace of launching innovative product, generating a continuous flow of brand moments that connect with consumers and opening groundbreaking retail concepts as we unlock significant long-term opportunity in a dynamic environment.

We can navigate, and in fact thrive, in this environment thanks to our digital advantage and the full breadth of our global portfolio. Building on our foundational strengths, there are three structural tailwinds that play to Nike's advantage:

- The accelerated consumer shift toward digital is here to stay.
- The definition of sport is expanding to include all facets of health, wellness and fitness.
- And it's the deeply connected, authentic brands with scale that will win.

Nike's strengths amid these evolving conditions help keep us in the lead. These advantages allow us to stay aggressive. And it's why I continue to believe that no company is better positioned to emerge from this period than Nike.

Over the last quarter, we continue to prove this out across four key areas:

- As always, it starts with product innovation. As I mentioned, our innovation pipeline and cadence has not slowed, even during this uncertain environment.
- Second, our brand continues to deeply connect. Through the power of sport, we are creating hope and inspiration at a time when the world needs it.
- Third, we continue to take greater advantage of our vast digital opportunity as the shift in consumer shopping behavior accelerates.
- And fourth, this digital focus is guiding how we create the future of retail as we continue to launch seamless, premium brick-and-mortar experiences.

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Let's briefly go deeper on each of these four themes.

Our belief in innovation is embedded in everything we do. New innovation continues to resonate with our consumers with key innovation platforms becoming an even bigger part of our mix in Q1.

We had many product highlights this quarter. Let's just take a look at a few.

- We continue to bring fresh points of view to our most beloved footwear – Air Force 1, Air Jordan 1 and our deep line-up of Air Max. By continuously adding new styles, we expand these popular platforms. We are also focused on fueling a constant cycle of new scalable, distinct platforms. For instance, we re-energized the iconic Air Max 90 this year and it was one of the quarter's top growth drivers.
- We also push what's possible in sport, as seen in the latest launch of our Nike NEXT% footwear platform. Eliud Kipchoge broke the two-hour barrier in a prototype of the Air Zoom Alphafly NEXT%, and now that consumers have access to this innovation, we've heard from many that they're running their fastest times ever. This summer we also released a training shoe, the Air Zoom Tempo NEXT%, bringing the measurable benefit of NEXT% to runners focused on pace and endurance.
- And we are continuing to execute on the incredible opportunity we see in Women's apparel. In Q1, we launched Nike (M), Nike's first dedicated maternity collection. We also introduced a new Nike Yoga collection that serves all genders and body types with performance fabric innovation that's the result of more than two years of development. The response to this best-in-class yoga collection has been amazing and is already driving incredible growth for our Women's yoga business.
- Last, our sustainable footwear platform known as Space Hippie saw incredible sell-through in our highest-heat innovation launch ever. Coupled with the popularity we saw for VaporMax 2020, we are seeing real consumer appetite for sustainability, especially

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with our younger consumers. Sustainability will continue to be a key aspect of our innovation agenda moving forward.

This is how Nike leads. Innovation is ingrained in this company. Over these past three months, as most companies are focused on just surviving, we are consistently bringing new, compelling product to market. Our innovation pipeline demonstrates both our strength as well as our endurance. At Nike, innovation is a systemic approach – and it's how we extend our lead.

Second, the power of the Nike brand continues to be felt all over the world. In all 12 of our key cities, Nike remains consumers' #1 favorite brand. In challenging times, we know how to drive meaningful connections with our consumers. You can see this in our market share gains across the Nike and Jordan Brands. Most notably, during the pandemic we've seen an acceleration of share gains in U.S. women's and apparel, two areas of strategic focus.

As always, we connect with consumers through the power of sport. We continue to see strong consumer engagement with the "You Can't Stop Sport" campaign with over 2.6 billion impressions, as we've reached more than 800 million unique consumers. Our latest films celebrate sport as a source of inspiration, from Serena and Venus Williams in "You Can't Stop Sisters" to a spot celebrating Kobe Bryant, who continues to inspire athletes all over the world, on and off the court. The consumer energy around this broader campaign is testimony to Nike's brand appeal at a time when so much is going on in the world.

At the same time, we create services and experiences that inspire and enable our members to keep pushing themselves further. In Q1, we saw an all-time high of the percentage of our members working out on the Nike Training Club app, with more than 50% of members worldwide starting a workout in Q1. And in the Nike Running Club app, we've seen four consecutive months of more than a million downloads each month of our Audio-Guided Runs. For those who've missed the camaraderie of group runs during the pandemic, runners are telling us they're enjoying the connection and extra push offered by this feature. And in Q1, for the first time ever, women completed more of these runs than men.

We are also connecting through our purpose and values as our brand continues to be culturally

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embedded throughout the world of sport and beyond. Our athletes are doing the same. Just this month you saw Naomi Osaka give voice to the Black Lives Matter movement by sitting out the finals of the tournament just prior to the U.S. Open before then returning for the U.S. Open and winning it. With leadership from global sports icons like Naomi and NBA players like LeBron and Giannis as well as thousands of others who have stood up and spoken out our athletes are having a profound impact on our society.

All in all, from the cultural resonance of our brand to our expansion of what sport can mean, Q1 was a quarter that showed our relentless focus on deepening connections with our consumer.

Third, I continue to be excited by the opportunity I see for Nike in digital. We know digital is the new normal. The consumer today is digitally grounded and simply will not revert back. Our Nike Digital business is already meeting our mix goal of 30% – nearly three years ahead of schedule – and we will continue to grow from here.

This quarter, our owned digital channel grew 83% on a currency-neutral basis, driving almost \$900 million of incremental revenue versus the prior year and an acceleration versus the prior quarter even as our doors at retail reopened.

Our engagement and our membership metrics show incredible momentum. For example, we are seeing almost 200% growth in demand for our Nike commerce app with triple-digit growth in monthly active users. This is significant for us as it speaks to the increasing consumer adoption of our apps.

While we've had tremendous success in digital and quickly pivoted to the accelerated consumer shift, I truly believe Nike is still just scratching the surface of what's possible. With our breadth and depth, no one has the advantage in this space that Nike has to directly connect with consumers.

Nike's digital transformation strategy is not easily replicated. Scale matters. Nike leads – and we will continue to lead – in this space for all the reasons I've mentioned already: our size our incredible product our brand strength and affinity the direct consumer relationships we deepen

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every day and our ability to create seamless and differentiated shopping experiences. That is how we drive continued separation.

Now, we know this is a multi-year journey. We have a bright future and lots of opportunity, but in many ways, we're just getting started. To date, we've done some impressive things to achieve scale, highlighted by our app ecosystem, our RFID investment and our omnichannel distribution centers.

And as part of the Consumer Direct Acceleration, we have some clear immediate priorities, including scaling O2O, improving personalization and creating a consistent end-to-end technology platform. And of course, we remain focused on increasing member engagement to unlock value for both Nike and our consumers. After all, we know a consumer who connects with us on two or more platforms has a lifetime value that's four times higher than those who don't.

In particular, I'm focused on how we will leverage consumer data and insights and our digital ecosystem to understand and serve consumers better and ultimately increase our competitive advantage. We will use data to stay a step ahead and help us create better product, as consumer insights power our business end-to-end toward even greater growth.

Fourth and finally, digital is fueling how we create the future of retail.

This is the first quarter since the start of the pandemic where our retail was essentially opened. As more consumers returned to our stores, we saw impressive conversion in-store – even as our digital business accelerated even further.

Our store traffic and sales are improving quarter over quarter. We are also seeing consumers increasingly self-identify as a member during checkout – as we call it, a “linked transaction” – which is leading to more engagement on our apps and an elevated O2O journey. This is our vision for the marketplace – a digitally connected experience where membership is a true differentiator.

Just as with our continuous product pipeline, we continue to innovate in the retail space. We are

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accelerating the shift we discussed last quarter to One Nike Marketplace, as part of our Consumer Direct Acceleration. As you recall, our One Nike Marketplace approach leads with Nike Digital and our owned stores, as well as a smaller number of strategic partners who share our vision to provide a consistent and seamless consumer experience. In fact, during the quarter, we took focused actions to proactively shift the North America marketplace as part of our strategy to serve consumers more consistently and more personally.

We are on the offense and accelerating toward this future vision. This is evident by our new and innovative retail concepts amplified by an elevated O2O consumer journey.

Just in Q1, we launched new stores in Guangzhou, China; Seoul; Los Angeles; and Paris, with two new doors in New York City coming in the next few weeks. These stores range across many different formats, from our House of Innovation concept in Paris to a new Nike Factory Store model in the Watts neighborhood in LA, as we deepen our connections in key cities. And all these concepts are underpinned by digital.

I'll go a little deeper in one as an example. Our new store in Ghangzhou is a data-powered store concept that curates a 1-to-1 personalized shopping journey. We're already seeing member checkout in our Ghangzhou store significantly outpace the rest of the fleet. This is just one reflection of how digitally enabled our future of retail is and how membership is a critical differentiator.

Personally, one of the things I'm most thrilled about is the return to organized sport. There was a day earlier this month when you could watch the NBA, NFL, Major League Baseball, WNBA, NHL, tennis' U.S. Open, a golf tournament and about six different global football leagues – all taking place within the same 24 hours. Though health and safety remain paramount, you can just feel the optimism and the excitement of sport coming back. As we look to the Tokyo Olympics next summer, Nike remains in a unique position to serve our consumers and fuel their passion for sport.

As you can see, even during market uncertainty, we are not slowing down. Nike is staying on the offense and looking to extend our leadership position. We have that ability. As I've said

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before, these are times when the strong get stronger, and I am energized by our incredible potential.

In closing, I want to thank our teammates around the world who continue to innovate, execute and show tremendous resilience through a challenging year. I could not be more proud of them, and I can't wait to show you what we do next.

With that, I'll now turn the call over to Matt.

Matt Friend:

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

Nike entered the pandemic with unparalleled Brand and business momentum. And while we continue to navigate through uncertain dynamics sport has returned interest in health, fitness, and wellness has never been greater consumer connection and engagement with our brands is growing and Nike is transforming the way we operate to better serve all consumers.

Looking forward, we believe that Nike is stronger and now even better positioned to drive separation than prior to the pandemic.

As I reflect on Q1, there are three key strategic and financial themes that stand out:

- First, Nike is recovering faster fueled by Brand momentum and our relentless focus on execution.
- Second, we are accelerating investments in capabilities and services that will create value for the consumer, while simultaneously accelerating productivity
- And third, our consumer-led Digital transformation is clearly a catalyst for long-term revenue and earnings growth.

Let me take a few minutes to walk through each of these points.

First, as discussed on previous earnings calls, we implemented an enterprise-wide operational plan at the onset of the pandemic. Our teams have navigated with agility and focus to

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recalibrate supply and demand, to increase digital distribution capacity, to secure liquidity, and to tightly manage costs all while ensuring the health and safety of our employees and consumers.

As a result, Nike, Inc. first quarter reported Revenue declined 1% versus prior year and was flat on a constant currency basis and reported EBIT grew 13% versus prior year, a sharp acceleration from last quarter and exceeding our internal plans.

There are a few elements that are important to highlight here:

- Despite ongoing uncertainty, more countries are emerging from containment and have returned to growth China, Japan, South Korea, the UK, France, and Germany, just to name a few.
- Marketplace inventory is healthy and within our targeted guardrails.
- Nike inventory levels have improved since May, with Q1 inventory growing 15% versus prior year, as compared to 31% growth in Q4, and on track to be normalized in the next 60 days.
- We are reducing excess inventory at lower promotional levels relative to the overall marketplace highlighting the strength of our Brand and the value of our key product franchises.
- And, we ended Q1 in a net cash position, generating positive free cash flow and increasing our liquidity to over \$13 billion.

These financial results offer clear evidence of a faster marketplace recovery for Nike, fueled by consumer demand for all our brands. Our momentum is building and more importantly our market share is accelerating around the world.

We now expect Reported Revenue to be roughly flat versus prior year in the first half of fiscal 21.

This leads me to the second theme: we are accelerating investments in capabilities and services that will create value for the consumer, while simultaneously accelerating productivity.

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As you have seen over the last two quarters, our priorities are clear. We will continue to both accelerate investment against our digital transformation and prudently manage other spend. At the same time, we are focused on amplifying our Brand impact.

Over the past two quarters, as we have seen demand for our Digital business rapidly accelerate, we've invested to further increase digital fulfillment capacity and inventory visibility:

- Our new regional service center near Los Angeles went live this month and uses predictive modeling to anticipate consumer demand and ensure the product our consumers want is available and will arrive within 1 to 2 days. We will achieve this level of service at a lower fulfillment cost over time.
- We scaled ship from store capabilities in North America's Nike Brand Inline Stores, which now represents over 20% of revenue in enabled doors. These capabilities will be enhanced by our RFID investments, highlighting dramatic improvement we are making in our O2O service performance.
- We are scaling robotics and automation in our logistics operations, accelerating digital throughput and cutting order cycle time by up to 50%. Especially during times of heightened safety measures due to COVID-19, this allows us to serve higher levels of digital demand with greater efficiency and precision. We've already deployed this automation in NA, Japan and EMEA and will continue to scale these critical improvements further as delivery becomes increasingly important in consumer buying decisions.

And while we double down on the strategic capabilities required to fuel our Digital acceleration, we are simultaneously driving a sharper prioritization and sequencing of our investments.

For example, we drove significant leverage in our Demand Creation spending versus prior year, creating fewer but significantly more impactful Brand campaigns in the first quarter. We were also able to increase the return on performance marketing investment, driving accelerated digital demand and greater digital engagement. The Nike and Jordan brands are stronger than

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ever, delivering historic records of engagement through nearly 5 billion social media impressions just this quarter.

Another example is how our organizational restructuring will simplify the way we work, eliminate duplication and redundancy, and re-align our resources to focus on our biggest growth opportunities. While we will incur a non-recurring charge to effect this plan in fiscal 21...this restructuring will also create a similar level of recurring annual cost savings that will help fuel the acceleration of our digital transformation.

In this moment, the pandemic has allowed us to accelerate where and how we will invest. Ultimately, we will drive deeper consumer connections and continue to amplify our Brand strength using technology to operate more efficiently at greater scale.

This brings me to my final theme, our consumer-led Digital transformation is clearly a catalyst for long-term revenue and earnings growth.

Our Digital business grew 83% in Q1 on a currency neutral basis and, as John mentioned, Digital across owned and partner now represents over 30% of our total business, up more than 10 points of share versus the prior year. But more importantly, we saw tremendous momentum in the measures of success that matter most to create scale and drive long term profitability. These include member engagement and owned digital market share.

In Q1, Nike active members increased nearly 60% with even higher growth in buying members. We also drove strong double-digit growth in contactable members. We saw owned digital market share gains across both the US and key countries in EMEA, which gives us confidence in our ability to sustain and grow our Digital penetration even as physical traffic continues to recover.

What's even more important though is that we can see several strategic and financial benefits from accelerating our digital transformation.

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- First, leveraging data to enhance membership, personalization and consumer oriented O2O services across the marketplace drives greater inventory efficiency and unlocks accelerated growth in key opportunities like Women's and Apparel.
- Second, we earn a roughly ten points higher gross margin rate on our Digital Revenue versus wholesale. While we will need to continue investments to expand digital fulfillment capacity, we can drive added value through predictive modeling tools, data-driven member personalization and inventory staging.
- And finally, we will manage digital transformation within our SG&A guardrails. As we accelerate the pace of investment, a technology foundation will enable us to unlock operating efficiency through automation and increase productivity across the organization. Further, as we grow digital engagement and retain a higher proportion of members with increased buying frequency, we will be lowering customer acquisition costs, increasing return on ad spend, and changing the shape of our demand creation investment.

As John said earlier, we know that Digital is the new normal and as we drive continued separation in the market through connected, seamless and modern consumer experiences, we will fuel growth and profitability.

Now, let's turn to the details of our first quarter financial results and operating segment performance:

- NIKE, Inc. Q1 Revenue declined 1% and was flat on a currency neutral basis, as Nike Direct grew 13% led by strong Digital growth, offset by declines in our wholesale business.
- Gross Margin decreased 90 basis points in Q1 versus the prior year as a result of impacts from COVID-19, including higher promotions to reduce excess inventory across the marketplace and higher supply chain costs. These factors were offset slightly by

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favorable full price product margins and the reversal of certain reserves associated with purchase order cancellations due to higher than anticipated consumer demand.

- SG&A declined 11% in Q1. We tightly managed operating expenses, including lower and more effective marketing spend as live sporting events slowly started to resume...while investing to support accelerating Digital growth and transformation.
- Our Effective Tax Rate for the quarter was 11.5% compared to 12.4% for the same period last year primarily due to benefits from stock-based compensation offset by a reserve for a discrete tax matter.
- First Quarter Diluted Earnings Per Share was \$0.95, up 10% versus prior year.

With that, let's turn to our reported operating segments:

Despite varied recovery curves and macroeconomic dynamics, our geographies have some key themes in common in Q1:

- First, strong Digital growth and increasing member engagement.
- Second, Women's outperformance versus Men's, and a growing Jordan Brand.
- And third, lower physical traffic in our Nike-owned stores versus last year although substantially improved versus prior quarter. Traffic trends were partially offset by higher conversion rates and higher spend per transaction.

In North America specifically, Q1 revenue declined 1% on a currency-neutral basis and EBIT increased 18% on a reported basis.

Digital was up nearly 100%, driven by triple digit growth in full-price sales and fueled by strong momentum in iconic styles like the Air Force 1 and Air Jordan 1, along with Women's Apparel, which grew nearly 200% in the quarter. Demand on the Nike App grew 150% in Q1, highlighting

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the continued shift to mobile experiences.

Finally, as we cut purchase orders to recalibrate supply and demand in North America during the first half of fiscal 21, we shifted product allocations to fuel higher demand in Nike Digital and our smaller group of strategic wholesale partners. The result was high single digit growth in differentiated wholesale offset by a decline of over 20% in undifferentiated wholesale, all with a higher full price realization versus prior year. This is a trend that we expect to continue throughout this fiscal year as we change the shape of the North America marketplace.

In EMEA, Q1 revenue grew 5% on a currency-neutral basis and EBIT grew 14% on a reported basis. Recovery in Italy and Spain continues to lag recovery across the rest of Western Europe.

Nike Direct grew over 25% with over 100% Digital growth, driven by lifestyle products as the consumer focus on comfort continues.

Apparel in EMEA grew 11% on a currency-neutral basis, led by the performance categories of Running, Training, Basketball, and Global Football, which featured our biggest club launch ever with Liverpool FC.

EMEA also continues to lead globally with our Express Lane offense, maximizing supply availability and actively managing inventory while capturing emerging trends. Express Lane drove revenue growth and generated higher full-price realization.

With that, let's turn to Greater China, which continued its strong momentum with 8% growth on a currency neutral basis, with mainland China delivering double-digit growth.

Nike Direct grew over 20%, with more balanced channel growth as Digital grew nearly 30% and Nike-owned stores were up double-digits, fueled by key consumer moments like 6/18, where Nike was the number 1 sports brand on Tmall.

Nike Sportswear and Basketball drove double digit growth in the quarter, with strong sell-through of key innovation launches like Alphafly NEXT%, Space Hippie and the AJ1 Flyease.

Retail sales in the marketplace are accelerating with an increasing proportion of full price sales.

PREPARED REMARKS / UNOFFICIAL TRANSCRIPT – Q1FY21 NIKE, Inc.

September 22, 2020

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Physical retail traffic continues to grow and is approaching prior year levels. And we are also well positioned for Singles Day in November.

Finally, in our APLA geography, Q1 revenue declined 12% on a currency neutral basis, including Digital growth that exceeded 90%.

We continue to see varied impacts of COVID-19 across countries in the region, with growth in the Asia Pacific region, led by Japan, Pacific, and South Korea, while recovery in Latin America and certain countries in Southeast Asia continues at a slower pace.

Performance footwear resonated with consumers in APLA this quarter as we saw strong results from the AlphaFly NEXT% and the Pegasus 37. Jordan has also continued to excite the consumer with locally relevant product like the AJ34 Rui Hachimura, which was Japan's bestselling basketball launch ever.

As I said last quarter, fiscal 21 will continue to be a time of uncertainty because virus containment patterns around the world remain volatile. Therefore, each market recovery will not be linear, and the comparisons with prior year will become increasingly less intuitive.

We are focused on what we can control, deepening our consumer connections while we manage risk and uncertainty in this environment, we are tightly buying inventory and are focused on ensuring the long-term health of all of our brands and product franchises. With the first quarter now complete, I will update our full year financial outlook.

Despite the continued uncertainties, we expect Revenue to be up high single digits to low double digits versus prior year. Stronger than anticipated demand for our brands will be constrained in the near-term due to supply decisions we took in the face of the pandemic, with growth in the second half to be up significantly versus prior year.

Our Gross Margin outlook will continue to be a function of prioritizing a return to normalized inventory levels by the end of Q2. In the second half, we expect to begin seeing sequential improvement in full price sales, but we do expect a continuation of higher markdown activity in our factory stores to sustain conversion rates on lower traffic. For the full year, we now expect

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gross margin to be flat versus prior year, including 40 basis points of foreign exchange headwinds.

We expect SG&A will be flat versus prior year, including approximately \$200 to 250 million of non-recurring execution costs incurred in the first half associated with simplifying our organizational structure.

Nike is poised to emerge from the current environment stronger and better positioned, with a sharper focus, a clearer view of our Brand's long-term future, and with a team that is energized to compete and win. At the same time, we are managing our business to deliver financial results that will set a strong foundation for growth and profitability in fiscal year 22 and beyond.

The future for Nike is bright. I wouldn't trade our position with anyone.

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