Operator:

Good afternoon, everyone. Welcome to NIKE, Inc.'s fiscal 2022 third 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 Paul Trussell, VP of Investor Relations and Strategic Finance. Before I turn the call over to Mr. Trussell, 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 Paul Trussell.

Paul Trussell:

Thank you, operator.
Hello everyone and thank you for joining us today to discuss NIKE, Inc.'s fiscal 2022 third quarter 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 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 question to one. 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, Paul, and hello to everyone on today’s call.

I first want to acknowledge the deeply troubling crisis still unfolding in Ukraine. It is a time of great concern for all of us, and it is simply devastating to see the impact it is having on the lives of so many people. As always, our primary focus is the safety and wellbeing of our teammates and their communities, and we remain hopeful for a peaceful resolution, soon.
Now turning to our Q3 performance… More than two years since the start of the pandemic, our teams continue to prove their ability to operate through volatility, while also staying focused on the long-term … and we once again demonstrated that agility in Q3.

It’s clear that business results that reflect our deep connection to consumers around the world. Thanks to our brand momentum, culture of innovation and proven operational playbook, we stay in the lead and continue to drive further competitive separation.

I’m proud of our results this quarter. We met … and even exceeded … what we said we would deliver 90 days ago. For Q3, our revenue growth was 5%, led by double-digit growth in Nike Direct.

This success, amidst a dynamic macroeconomic environment, is what continues to give us confidence in our long-term outlook. It’s why I wouldn’t trade our position with anyone. The power of Nike is our consistency and the strength of our global portfolio. Our investments are making us stronger, and we’re excited by what we see as we execute against our growth opportunities.

As a team, we’re driven by our shared purpose to move the world forward through the power of sport. Earlier this month, we released our fiscal 21 Impact Report. This report, which marks our 20th year reporting on our environmental and social impact, is our first since we set new quantifiable ESG targets last year. We’re focused on a wide range of priorities, from building a diverse, inclusive team and culture, to meeting the challenges of climate change, to helping kids access the joy of play and movement. I encourage everyone to learn more about the measurable progress we’ve made at purpose.nike.com, as we continue to create long-term value by shaping a better future through sport.
Of course, 2022 isn’t just an anniversary for our Impact Report – it’s also a big year for Nike itself. This May, Nike will be celebrating our 50th anniversary as a company. Fifty years ago, our journey began with a dream to serve athletes. Today, we’re humbled by what we’ve achieved, and thrilled and excited by what’s to come.

Looking at Q3, Nike’s growth was, and will continue to be, the result of three areas I’ll touch on today:

- First, connecting with consumers through our strong portfolio of brands,
- Second, driving a relentless flow of new product innovation,
- And third, expanding our Digital advantage to create the marketplace of the future.

Let’s start with Nike’s strong brand and our connection to sport, which differentiates us all over the world.

Nike’s connections with consumers are driven by sport and cultural authenticity. Our roster of athletes is second to none.

- Rafael Nadal made history by becoming the first male tennis player to win 21 majors with his victory at the Australian Open, and he now stands alone at the top of the men’s game.
- Aaron Donald, Cooper Kupp and Odell Beckham Jr. led the LA Rams to a thrilling Super Bowl victory.
- And in the NBA All-Star Game, a face-off between Team LeBron and Team KD ended with LeBron hitting the game-winner. I was able to attend the game and loved getting to see the league’s showcase of its 75th anniversary team. It was just an awesome reminder of the power of sport and what sport has meant to so many of us over the years.

The quarter also saw the Winter Olympics and Paralympics produce some
extraordinary athletic performances. Nathan Chen won gold for the U.S. in Men’s singles figure skating … with Chloe Kim won gold for the U.S. in the halfpipe, making her the first woman to win two gold medals in the event. And throughout the Olympics, our “Never Done” brand campaign … which in Greater China featured snowboarder Cai Xuetong … saw an incredible response with 6.1 billion impressions in the geo.

We’re in the middle of an amazing March Madness, with NIKE Inc. having more teams still alive across the Men’s and Women’s brackets than all other brands combined. But there’s one familiar face to the Sweet Sixteen I wanted to acknowledge. As you know, Mike Krzyzewski is coaching in his final season at Duke, having already announced his retirement as the winningest coach in NCAA men’s basketball history. Coach K has been a member of the Nike family for nearly 30 years, and his leadership and clear set of values have meant so much to this company, and to me personally. My leadership role models have always been head coaches … leaders that serve their players, serve their programs, and serve a broader cause … and Coach K has been right up there at the top of that list. So, from the entire Nike family, happy retirement, Coach.

This was also a quarter where the world was reminded of how the Nike brand drives the culture around sport. In January, Sotheby’s auctioned off 200 pairs of the Louis Vuitton/Air Force 1 by Virgil Abloh … and reported that it set the record for most valuable “sneaker and fashion” auction ever, at more than $25 million, with all proceeds going to the Virgil Abloh “Post-Modern” Scholarship Fund. The auction drew the most bidders of any auction in Sotheby’s history and was their most valuable charity auction over the past decade. It’s simply another reminder of how the Nike Brand, our most iconic product franchises and our partnerships can come together for the kind of power and cultural energy and excitement that only Nike can create.
In fact, that power was also felt on one of the biggest stages of the quarter. During the halftime show of the Super Bowl, in front of the largest U.S. TV audience of the last five years, we saw Nike, Jordan and Converse footwear all on-stage during the performance – which was simply an incredible moment for our portfolio of brands. Our portfolio is one of our best advantages, fueling energy to consumers worldwide.

We also connect that energy to consumers through the investments we make. Driven by your commitment to women’s sport, this quarter we furthered our 25-year commitment to the WNBA by becoming an equity investor in the league. We’ll work together to deepen WNBA storytelling and bring more girls into basketball at the local level. The consumer response to our long-standing commitment has been clear. This season, we sold more WNBA jerseys on nike.com on launch day alone than we did over the entire previous year … and this is just simply the latest example of how driving the sport of basketball to a new generation of fans connects us to a vast market with plenty of growth ahead.

As you know, at Nike, everything starts with innovation. And our relentless pipeline of innovative product continues to create separation between us and our competition.

We don’t just create new franchises … we grow them to global scale. Take a look at FlyEase. We’ve talked before about our hands-free accessibility line, and we’re excited by our work to scale this innovation across our entire portfolio.

Here’s just three examples, from Q3:

• As part of the medal stand look for Team USA’s Olympians and Paralympians, we designed the ACG [GUY-uh-dome] Gaiadome FlyEase
boot – FlyEase’s firstcrossover into our celebrated outdoor ACG line.

- FlyEase also moved into Converse for the first time, with the Chuck Taylor All Star CXFlyEase … as Converse now joins Nike and Jordan in adding the hands-free innovation to footwear icons.

- And in Kids … where helping make spontaneous play easy is one of our goals …the new Dynamo Go uses FlyEase to help kids quickly get their shoes on and off. Dynamo Go debuted in Japan, Korea and Greater China to become one of the season’s top 5 sellers, and we have a North America launch scheduled for April.

By driving impact across platforms, our work to scale FlyEase catalyzes growth. We expect FlyEase to be roughly a quarter-of-a-billion-dollar business by next fiscal year, with vast opportunity for even greater growth and value still to come.

Looking at performance innovation, in Q3 we launched the ZoomX Streakfly, our lightest road racing shoe yet. The Streakfly offers an engineered knit upper and responsive ZoomX midsole, all designed for speed in the middle distances. Also in Running, the Pegasus 38 saw very strong sell-through in the quarter, continuing the Peg’s lineage as one of our powerhouse franchises.

We’re also always innovating in apparel. I mentioned the Olympics earlier – the hockey jerseys worn by our federations, including the U.S. and Canada, were designed using brand-new 4D body mapping technology from our Nike Sports Research Lab. This 4D body mapping … which gives our teams a fast, accurate and high-detail way to design … offers a hint of the future as we stay focused on bringing new technology into our growth opportunity in apparel.

And last but not least, we continue to set the standard for sustainable product creation. A few weeks ago, we announced the Nike ISPA Link, a new proprietary
platform where shoes are built with interlocking modules and connected without any glue. From a manufacturing standpoint, ISPA Link is revolutionary in its simplicity. One pair takes about eight minutes to assemble – a fraction of the time needed for a traditional sneaker – and doesn’t require energy-intensive processes like heating, cooling and conveyer-belt systems. With no sacrifice to comfort or stability, the ISPA Link will be available at retail in June … and we can’t wait for consumers to give it a try.

Now, let’s move to marketplace, as we align our business to build deeper and more meaningful relationships with consumers.

Our marketplace strategy is a growth strategy. It is driven by the consumer, fueled by their expectations of a consistent, seamless, and premium shopping experience. Our approach begins with the understanding that consumers expect us to know who they are regardless of channel … online or offline … and across the full array of monobrand stores, Nike Digital and our wholesale partners.

Our wholesale partners continue to play a very important role in our marketplace strategy, so let me start there.

Last quarter, we announced a new partnership model that makes real our vision to give consumers personalized experiences regardless of channel. It gives shoppers the benefits of Nike membership to unlock exclusive offers, products and experiences in partner stores. It also recognizes the importance of onboarding members in stores, which in turn accelerates in-store conversion and improves customer lifetime value.

This quarter, we extended this model globally, including two new connected partners in Greater China: Topsports and Pou Sheng. This is an exciting step on our journey
within our marketplace strategy because it continues to prove how powerful it is when brands and retailers work together for the benefit of consumers. We value the strong strategic relationships we have with our partners, particularly through our shared vision of connected data and inventory.

This approach lets us serve consumers with the greatest access to the best of Nike … and to do so with speed and convenience in a more personalized, engaging, and sustainable way.

What’s more, in Greater China, this partnership model takes us into a new era of marketplace transformation. Moving forward, all of our existing contracts with our NSP partners in the geo will follow this connected membership model. Over time, we plan to convert all partner monobrand doors into digitally connected Nike retail concepts, as we unlock the benefits of data and inventory across the Greater China marketplace.

We’re excited by the promise of this new model. We strongly believe it will elevate the entire marketplace and drive growth for both Nike and our partners over the long-term.

Next, let’s dial a little deeper on our increasing Digital advantage. As we create the future of retail, we build on our own Digital capabilities that connect and serve consumers at scale. In Q3, Digital revenue was up 22% on a currency-neutral basis, as we continue to drive greater competitive separation, particularly through our app ecosystem. The Nike Mobile App was up more than 50% in the quarter and overtook Nike.com on mobile for our highest share of Digital demand. And SNKRS continues to gain momentum, particularly as its strong consumer engagement leads to improved conversion. The livestreaming on SNKRS remains incredibly popular, with new features continuously coming online. For instance, we’ve started to drop
product launches within livestreams … helping lead the audience to quadruple since our livestreaming began last fiscal year.

In December, the AJ11 “Cool Grey” launch on SNKRS was the largest for a single style in the history of Nike Direct. We drove this unprecedented demand by engaging with consumers in new ways, including leveraging Snapchat’s “Try On” lens, a #InMyJs Instagram activation and a Fortnite partnership with custom skins and a digital scavenger hunt.

Looking forward, we’re excited about the opportunity for SNKRS to continue to explore new dimensions in experiences like livestreaming, and to do so particularly for Women’s product and/or apparel. More to come here soon, as we continue to use Digital to engage all consumers in ways that integrate culture, commerce, sport, and innovation.

At the same time, our growing participation in new digital platforms lets us create innovative ways to connect with consumers … letting them unlock virtual experiences, products and rewards as we expand access points to Nike across the digital ecosystem.

For instance, to celebrate the Super Bowl, we collaborated with EA Sports, giving Nike members who ran five miles in our Nike Run Club rewards and unlocks within the Madden game. Members had to link accounts between Nike and EA to join the challenge … representing the first instance of account linking with our gaming partners. The number of new members we acquired surpassed our expectations, and the framework we developed with EA Sports will allow future membership connects to come to life even more efficiently with new partners. We expect this in turn will lead to increased engagement, membership and revenue growth down the line.
During NBA All-Star week, LeBron visited NIKELAND on Roblox to inspire its community toward physical movement and play. On the NIKELAND court, LeBron coached and engaged with players, and participants were rewarded for physical gameplay with the ability to unlock virtual products. Since its launch, a total of 6.7 million players from 195 countries have visited NIKELAND on Roblox, and we plan to continue driving energy there with virtual products like LeBron 19 styles special to ROBLOX.

In addition, we announced Nike Virtual Studios this quarter, following the acquisition of RTFKT. With Nike Virtual Studios, our vision is to take our best-in-class experiences in Digital and build Web3 products and experiences to scale this community so that Nike and its members can create, share and benefit together.

In Q3, RTFKT released the first official Nike-branded NFT, our first step into the world of digital product creation. We’re pleased by the positive momentum and energy we’re already seeing in this space, and we’re excited by the future as we continue to extend our Digital leadership in the industry.

In the end, Nike is doing what we always do: we are staying on the offense. Our confidence as we look long-term hasn’t changed one bit. We’ve been resolute in fueling innovation, and our brand is as strong as ever. Nike’s unique strengths continue to set the pace… and keep us in the lead.

And with that, I’ll now turn the call over to Matt.

Matt Friend:

Thank you, John, and hello to everyone on the call.
Nike has become more agile, responsive, and resilient over the past two years, through the operational capabilities and playbook that we have developed to navigate the unexpected. This past quarter, the operating environment shifted rapidly as the latest COVID variant presented new challenges to business operations, and our teams around the world were prepared to do what was necessary to continue to serve the consumer.

Our ability to optimize near-term performance through heightened levels of volatility, while continuing to make strategic progress on Consumer Direct Acceleration, reinforces Nike’s positioning as a portfolio of leading brands with unlimited potential.

Marketplace demand continues to significantly exceed available inventory supply, with a healthy pull market across our geographies. When inventory supply is available in region, we are quickly moving it to the appropriate channels to serve consumer demand. Consumers continue to shift towards Digital to find the products they love, and Nike’s digital experience continues to build deep consumer connections and capture digital market share.

Now let me briefly update on the supply chain.

All factories in Vietnam are operational, with total footwear and apparel production in line with pre-closure volumes and our forward-looking demand plans. Nearly all of our supplier base is operational without restrictions, and we are working closely with our partners around the world to navigate through the most recent risks related to COVID. Inventory supply in our geographies is beginning to improve from here.

Transit times, however, remain elevated. And in the case of North America, transit times in the third quarter have worsened. We have taken numerous actions to address these challenges, and in many cases to protect against lead times
increasing even further.

Despite these ongoing challenges, we have been able to mitigate our transit delay impact by nearly four weeks versus industry averages.

I am so proud of how our teams continue to respond, demonstrating how to win in a dynamic and rapidly changing environment.

Now consumer demand for all three of our brands – Nike, Jordan and Converse – remains incredibly strong. Our growth in the third quarter would have been even higher if we had greater quantities of available inventory to meet marketplace demand.

Across the marketplace, holiday retail sales finished strong. And Spring retail sales are off to a great start fueled by strong demand for performance Men’s Running, Air Jordan 1, Classics footwear and our apparel fleece franchises. We are also sustaining a higher full price mix, with year-over-year improvement in markdown activity. Nike Digital has seen improvement in conversion rates and lower customer returns despite having lower levels of inventory in our most desired product franchises. In Greater China, we saw improvement in full price realization versus the prior season.

Speaking of product, we continue to refresh and reimagine our most iconic franchises through design, collaboration, and creative storytelling. We are expanding the contribution of our Express Lane in all geographies to make more locally relevant product on shorter lead times, yielding higher rates of sell-thru and profitability for Nike and our partners. We continue to deliver a consistent flow of product innovation in performance sports like Running, Basketball and Training, and through platforms like ZoomX, FlyEase and Space Hippie with the Crater Foam. Our product is our most valuable form of demand creation, and we have a
highly loyal and engaged audience eager to share in the stories we have to tell around our athletes and products.

This quarter, the NIKE brand registered as both the #1 cool and #1 favorite brand in all twelve of our key cities around the world. Recent product announcements ranging from our collaboration with Drake on the NOCTA line of apparel and sneakers, to the Ted Lasso AFC Richmond kits for the show’s third season, speaks to the depth of our cultural reach. Our brands live at the intersection of sport, media, music and increasingly technology, enabling us to be highly relevant to today’s youth.

As I’ve said repeatedly over the past year, Nike’s market opportunity is larger than ever. Consumer interest in sport, health and well-being has never been greater. And consumers’ desire to wear athletic inspired footwear and apparel in more moments of their lives is here to stay. Nike will always be a growth company... fueled through innovation to help all athletes* achieve their full potential.

Now, continuing with the theme of growth, John said earlier that our Marketplace strategy is a growth strategy. And so I’d like to go a little deeper on where we are in our journey to create the marketplace of the future, including how we have managed our wholesale portfolio.

Over the past four years, we have reduced the number of wholesale accounts worldwide by more than 50 percent, while delivering strong revenue growth through Nike Direct and our remaining wholesale partners. We are now moving into the next phase of our marketplace strategy. We have finished communicating the big account pivots and our go forward growth plans are aligned with our wholesale partners.
Wholesale partners play an integral role in our future marketplace, first to authenticate our brands, and then to create scale of distribution through a consistent consumer experience across a larger retail footprint. We will drive healthy wholesale growth without remaining wholesale partners and recapture dislocated demand by elevating our partners’ retail environment and digitally-connecting Nike membership with their retail experience.

Take for example, our collaboration with James Whitner’s Whitaker Group, owner of Social Status and other sneaker boutiques. We recently partnered with the Whitaker Group to develop unique silhouettes of Jordan and Dunk products, as well as produce SNKRS live content to connect our brand to important communities. We are committed to driving growth with partners like this, as they create authentic, deeply connected consumer concepts in key cities and communities around the world.

Nike Digital continues to be our fastest growing component of the marketplace. This quarter Downloads of the Nike mobile app accelerated, and member buying frequency and average order values improved again as we continue to test member engagement across activity, content, community, and commerce. In Q3, Nike-owned Digital gained 3 points from prior year and now represents 26 percent of our total Nike Brand revenue.

We are investing in Nike stores to specifically address gaps in distribution to serve the growth opportunities we see in Women’s, Apparel and Jordan. Our Nike Live concept is showing promising levels of productivity per square foot, store profitability and new member acquisition. We continue to obsess over the consumer experience and perfect the concept for Her, to maximize the incremental growth opportunity in the marketplace. We will also begin testing a Jordan-only concept in North America in fiscal 23, leveraging a popular consumer experience that has been wildly successful.
in Greater China, the Philippines, and Korea. Our approach is to first pilot these new concepts, iterate and perfect, and then move to scale.

Since the onset of the pandemic, we have seen how creating the marketplace of the future will deepen our connections with consumers, fuel marketplace growth and expand the profit pool for Nike and our wholesale partners.

Now let me turn to the details of our third quarter financial results and operating segment performance.

NIKE, Inc. Revenue grew 5 percent, and 8 percent on a currency-neutral basis, led by 17 percent growth in Nike Direct. Wholesale returned to growth, up 1 percent on a currency-neutral basis. Nike Digital grew 22 percent, fueled by strong demand throughout Nike App. Nike-owned stores grew 14 percent with significant improvements in traffic during the quarter.

Gross Margin increased 100 basis points versus the prior year, driven primarily by higher Nike Direct margins due to lower markdowns, favorable foreign currency exchange rates, and a higher full price mix, partially offset by increased freight and logistics costs.

SG&A grew 13 percent versus the prior year primarily due to strategic technology investments, normalization of investment against brand campaigns, wage related expenses and digital marketing investment to fuel heightened digital demand.

Our Effective Tax Rate for the quarter was 16.4 percent compared to 11.4 percent for the same period last year. This was due to a shift in our earnings mix, effects of stock-based compensation and recently finalized U.S. tax regulations.
Third quarter Diluted Earnings Per Share was $0.87.

Now let’s review the operating segments.

In North America, Q3 revenue grew 9 percent and EBIT was flat. NIKE continued to drive momentum through key product franchises across Men’s, Women’s, and Kids. This was highlighted by double-digit growth in key Men’s running franchises, like Pegasus, as well as updates on franchises like Winflo and Vomero.

Nike Direct grew 27 percent versus the prior year, led by NIKE digital delivering industry-leading growth, increasing 33 percent versus the prior year, driven by double digit growth in traffic, strong growth in new members and member engagement, and improvements in member buying frequency. NIKE digital in North America now has the highest penetration of all the geographies, representing one-third of total North American revenue in the quarter. NIKE-owned stores grew 16 percent, due to traffic improving towards pre-pandemic levels, and successful activations in key cities during moments like the Super Bowl in LA.

North America continues to experience strong full price realization and low markdown rates across the marketplace as inventory supply begins to improve. NIKE-owned inventory levels increased 22 percent versus the prior year, with in-transit inventory now representing 65% of total inventory at the end of the quarter, as transit times are now more than six weeks longer than pre-pandemic levels, and two weeks longer than the same period in the prior year. In order to ensure the right assortment of products arrive on time for the Fall selling season, we have moved forward our buying timelines to accommodate for longer transit times.

In EMEA, Q3 revenue grew 13 percent on a currency-neutral basis, with growth
across all consumer segments, and EBIT grew 34 percent on a reported basis. Retail sales across the marketplace grew strong double digits, with improvements in full price realization and lower average markdown rates.

Team sports continues to make its comeback, and the continuation of the Champions League Tournament enabled global football to drive energy across the region. The momentum behind the Jordan Brand in EMEA is also driving strong growth across all consumer segments, led by Women’s.

Nike Direct grew 22 percent on a currency-neutral basis, led by growth in Nike-owned stores of 44 percent, as we compare to uneven store closures due to COVID-related government restrictions in the prior year. Nike Digital rose 11 percent fueled by member-only access and App exclusive releases, and another quarter of strong double digit growth in full price demand. Wholesale revenue grew 10 percent, led by even stronger growth rates from our strategic accounts.

As John mentioned in his remarks, we remain focused on the safety and wellbeing of our teammates regarding the deeply troubling crisis unfolding in Ukraine. Our owned stores and digital commerce operations remain paused in Russia and Ukraine. As a note, our business in both countries represents less than 1 percent of total company revenue.

In Greater China, Q3 revenue declined 8 percent on a currency-neutral basis and EBIT declined 19 percent on a reported basis. Our results for this quarter were in line with our expectations with sequential improvement versus the prior quarter. As we continued rebuilding local brand activities again this quarter, Nike was rated the #1 cool and #1 favorite brand in China, creating separation and distinction versus the competition. And as I said earlier, we are observing continued improvement in full price realization.
Greater China delivered over $2 billion in revenue this quarter, driven by the Lunar New Year period, as NIKE.com saw record weekly traffic. We leveraged our Express Lane capabilities to design hyperlocal products with the year of the Tiger elements resulting in strong sell-through across Men's, Women's, Kids', and Jordan.

Speaking of Jordan, the Brand had a record quarter for revenue in the region, growing versus the prior year through momentum in both footwear and apparel.

Nike Direct was down 11 percent on a currency-neutral basis, with declines in both digital and physical retail channels. COVID-related lockdowns continue to create challenges for retail traffic. Nike-owned stores were down 5 percent, and Digital declined 19 percent, due to the ongoing supply delays that negatively impacted timing of product launches. We created marketplace energy with the opening of Nike Beijing, the first connected partner-operated Rise door, and two new Unite doors that set consecutive records for Global opening sales.

Our relentless focus on sport, product innovation and our most iconic product franchises, combined with local athlete storytelling remains a competitive advantage for us in Greater China. We are closely monitoring the current situation regarding the virus, but we are encouraged by the momentum we are building in the marketplace.

Now moving to APLA. Q3 revenue grew 19 percent on a currency-neutral basis and EBIT grew 17 percent on a reported basis. This quarter was the largest and most profitable in the history of the APLA region. We saw double-digit currency-neutral growth across nearly all territories, led by Korea, Mexico, and SOCO. We’re winning with the consumer in sport across performance and lifestyle, demonstrated by strong growth in Running, Fitness, Jordan, and Classics.

Nike Direct grew 39 percent, led by Nike Digital growth of 61 percent, due to
recordsetting Member Days across a number of territories, delivering more than 2.5x the demand versus a typical week. Nike-owned stores grew 17 percent, while the wholesale channel grew 9 percent.

Our focus on localized product and content, particularly the launch of our Kwondo 1 collaboration with K-pop star G-Dragon, demonstrated yet again our deep connection to consumers. It was APLA’s biggest hyperlocal launch ever, reaching 91 million users on social and 3.8M entries across SNKRS and marketplace partners.

Now let’s turn to our financial outlook.

We continue to expect Revenue for the full year to grow mid-single digits versus the prior year. As you know, comparing quarters to prior periods has not been intuitive, so we continue to look at the size, trend and health of our business, market share and profitability relative to pre-pandemic periods, and we remain confident we are on track towards our long-term financial goals. Specifically, for the fourth quarter, in North America we expect a decline in revenue due to year-over-year comparisons. And in Greater China, we expect to see another quarter of sequential improvement, while we closely monitor the operational impact related to recent COVID lockdowns.

We now expect gross margin to expand by at least 150 basis points versus the prior year, as strong consumer demand continues to fuel high levels of full price realization, low markdown rates and low customer returns. Benefits of strategic pricing expected in Q4 are being partially offset by elevated product costs, primarily due to higher macro input costs, supply chain costs, and strategic actions to expedite delivery of product in North America. Despite the recent strengthening of the US dollar, we continue to expect foreign exchange to be a 55-basis point tailwind versus the prior year.
We now expect SG&A to grow mid-teens for the full year, as our spend normalizes and we continue to advance our capabilities to support our ongoing digital transformation. We continue to expect our Effective Tax Rate to be in the low teens for the Fiscal year.

As we look ahead to Fiscal 23, we are optimistic as our Brand strength is unparalleled, with a strong product pipeline and momentum against our largest growth drivers. Marketplace demand continues to exceed available supply, as inventory supply begins to normalize in the fourth quarter against the context of a healthy pull market, setting the foundation for another year of strong growth. We are focused on what we can control while there are several new dynamics creating higher levels of volatility. As a result, we will provide more specific financial guidance for Fiscal 23 during our fourth quarter earnings call.

In closing, our strategy is working. NIKE’s brand strength and consumer demand remains at an all-time high, and we are confident in our business momentum. Our deep focus on the consumer and sport is what sets us apart from the rest. We continue to leverage the same principles for how we are strategically and financially managing the company. As we approach our 50-year anniversary, we are reminded of Nike’s rich history of delivering consistent results, even through periods of uncertainty, as we build Nike for the future.

With that, let’s open-up the call for questions.

Operator:
And I’d like to turn the call over to Paul for any closing remarks.

Paul Trussell:
Thank you. We appreciate everyone joining us today and we look forward to speaking with you next quarter. Take care!