

## **PREPARED REMARKS / UNOFFICIAL TRANSCRIPT – Q1FY23 NIKE Inc.,**

***September 29, 2022***

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### **[Operator]**

Good afternoon, everyone. Welcome to NIKE, Inc.'s fiscal 2023 first quarter conference call. For those who want to reference today's press release you'll find it at [investors.nike.com](https://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, [investors.nike.com](https://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 2023 first 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](https://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.

Before we get started, I want to give a special shout-out to the Greatest of All Time, Serena Williams, following her final tournament at the U.S. Open. Serena doesn't like to use the word "retired," so I won't either. But on behalf of the entire Nike family, and sports fans around the world, we are going to miss seeing her play. We're thrilled to see what she does next, as she continues to serve as an inspiration in everything she does. Serena: thank you.

Turning to our Q1 performance our teams continue to prove their ability to operate through volatility, while also staying focused on the long-term.

For the quarter, our revenue growth was 4% on a reported basis and 10% on a currency-neutral basis, led by double-digit growth in our North America, EMEA and APLA geographies.

I'm proud of our results this quarter, as our brand momentum, culture of innovation and proven operational playbook delivered another quarter of strong revenue growth. Our brand strength continues to give us confidence in sustaining our top-line momentum.

These results reflect our deep connection to consumers around the world, as we keep them in the center of all that we do. Our Consumer Direct Acceleration strategy enables us to create value around consumer creation, consumer demand and an entire marketplace fueled by the lifelong relationships we maintain.

The significant momentum we're seeing is fueled by structural tailwinds that continue to create energy for us. Nike's growth is strengthened, quarter after quarter, by...the expanded definition of sport; the societal movement toward comfort and health & wellness; and the fundamental shift in consumer behavior toward Digital.

These advantages along with our scale, the strength of our portfolio of brands and the right strategy renew our confidence in a more-populated competitive landscape. As the world's largest sports apparel and footwear company, we are happy to set the pace in serving the consumer.

At Nike, our focus remains to not only grow market share but also to invest to grow the entire market. Nike's ability to expand the world of sport our ability to create the future of sport itself is why I wouldn't trade our position with anyone.

As we look at this quarter's strong results, we can see our brand momentum and global portfolio come to life. This is true across the three areas I'll walk through today: our brand that deeply connects with consumers, fueled by authenticity in sport; our culture of innovation that drives a continuous pipeline of new product; and our competitive advantage across the marketplace, as one of the few brands that can connect with and serve consumers at scale.

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

Consumers continue to rate us as their #1 cool and #1 favorite brand, as we connect directly and deeply with consumers worldwide. No matter the macroeconomic dynamics, no matter the competitive landscape, the Nike Brand indeed, all three of our brands, including Jordan and Converse have created meaningful relationships with consumers across age, gender, ethnicity and more. This brand momentum is fueled time and again by our athletes and teams. No other brand in the world can match our roster, as we help them perform at their very best. Just look at Women's football this quarter. Two international tournaments ended with Nike federations on top, with England winning the Euro Champs and Brazil winners of COPA America. What's particularly exciting is that these two wildly popular teams will compete in the inaugural Women's Finalissima, a first-of-its-kind women's match between the European and South American champions. This historic match is slated for February 2023, and we can't wait.

And speaking of "can't wait," we're beyond excited for the Men's World Cup later this year and the Women's World Cup next summer. This will be one of the greatest 18 months in football history, and Nike will be there in full force.

Our brand strength and consumer connection will continue to be driven by storytelling through sport in a way that only Nike can.

In tennis, I mentioned Serena's farewell to the sport at the U.S. Open, but the new generation made some noise there too. Carlos Alcaraz won the Men's side at 19 years old to become the youngest Men's Number 1 ever. Along with Frances Tiafoe and Jannik Sinner, the future of Men's tennis was on full display with Nike proud to represent this next generation of exciting players.

Also in the quarter, the Las Vegas Aces won the WNBA title, led by Coach of the Year Becky Hammon, Kelsey Plum and league MVP A'ja Wilson.

American football is now back, with the Swoosh worn by all 32 NFL teams and Nike and Jordan representing 21 schools in college football's Top 25.

And finally in the Berlin Marathon last week, Eliud Kipchoge smashed his own world record, running the marathon in an incredible two hours, one minute and nine seconds while wearing the Alphafly NEXT% 2.

Simply put, we have a roster of athletes, teams, leagues and federations that represents the best in sport, creating inspiration for consumers worldwide.

Let's move to innovation. As we've said before, Nike's relentless pipeline of innovative product continues to create separation between us and our competition.

Today we have incredible momentum in key products and franchises across the spectrum of lifestyle and performance. And what excites us even more is the energy and anticipation we're feeling for the innovative product that's next in the pipeline. We are now starting to see the product that reflects our shift two years ago to our new consumer construct of Men's, Women's and Kids and the impact it's had is remarkable.

We're also excited about how we'll be connecting this product to the consumer. Today, we're working toward being more "seasonally relevant" across the full assortment. So, the energy we're creating from an innovation standpoint when combined with how we plan to story-tell and connect it throughout the marketplace gives us immense confidence as we look ahead.

Earlier I mentioned this landmark 18 months for global football we've got coming up. We created a football boot to match the moment. So, during the Women's Euro Champs this past summer, we debuted the Air Zoom Mercurial, which for the first time adds a Zoom Air bag to what was already our fastest football boot. This gives the footballer an even greater sense of snappy, propulsive energy return.

The new Mercurial and the energy around it is Nike at our best as product, storytelling, the marketplace and elite athletes come together to connect this innovation to consumers. With our best boot ready for the biggest stages of the world's most popular game not to mention a full line-up of federation kits we're thrilled about translating this energy into commercial opportunity.

Our culture of innovation is fueled not just by what we make but also how we make it. We are always looking to increase the pace and precision of product creation. New VR design software and simulation tools allow our designers and engineers to collaborate in real-time like never before.

This transformative path to continuous new innovation is highlighted by the new Air Max Scorpion. The Scorpion an eye-catching shoe that offers our most Air ever, in terms of pounds per square inch follows a development timeline of just 18 months. In fact, our digital transformation investments directly led to Scorpion's breakthrough innovation within our iconic Air franchise.

How? Thanks to computational design, pioneered by Nike for industrial design uses, Scorpion introduces a radical new system for Air bags moving from simple forms into complex new geometries for a unique underfoot sensation that has to be felt to be believed. Moving forward, we plan to accelerate the use of our industry-leading digital creation tools to bring new excitement to our biggest franchises.

Now, during last quarter's call, I mentioned a new platform that we believe has the potential to change the apparel industry. As some of you may have seen with its launch last week, I'm talking about Nike Forward, our biggest apparel innovation since Dri-Fit 30 years ago. Nike Forward revolutionizes apparel creation to make premium, sustainably minded product that offers a brand-new comfortable sensation. The truth is, Nike Forward feels different because it is different.

Forward is being introduced in hoodies and crewnecks for men and women that feature raw-cut pockets, minimal seams and a modern silhouette. This innovative product is warm yet lightweight with a future-forward look that consumers have responded to since its unveiling last week.

And as the consumer focus on comfort continues to gain momentum, we see vast opportunity ahead for scaling Forward and our entire performance-driven sportswear apparel business.

From performance to sportswear to sustainability, Nike has always married the art and

science of product creation as we use innovation and design to connect with and inspire consumers all over the globe.

My third and final point today is our competitive advantage across the marketplace. We are continuing to accelerate against our One Nike Marketplace approach, in which we directly connect with the consumer no matter where they shop with each channel playing an integrated role in the consumer journey. Our approach starts with Nike Digital as that's where most consumers begin their shopping journeys. It's augmented by our strategic wholesale partners who share our vision to provide a premium, consistent and seamless consumer experience. And last but not least are our monobrand stores, which continue to play the key role of supplementing where there are gaps in the marketplace, such as Women's or Jordan.

Now this quarter, we delivered Nike Digital's highest net revenue quarter ever. We see consumers continuing to vote for Nike Digital, as the Nike commerce app had its highest traffic in history during Q1.

And we keep elevating our ability to serve them. For example, new membership tools we put in place in FY22 that went live in Q1 create 1:1 connections at scale by delivering personalized consumer journeys and experiences which in turn drive first purchases and increased loyalty.

And the SNKRS app continues to fuel energy to our growing audience of high-value members. We are bringing this community an almost daily flow of compelling content and product launches. In Q1, for example, SNKRS saw its most member entries ever for the Travis Scott AJ1 that dropped in July. With a record 3.8 million member entries for just a single shoe, SNKRS continues to impress as it offers the perfect intersection of content, community and commerce.

Second, our partners are and will remain a vitally important part of our strategy. Partners enable us to serve consumers with expanded access, choice, and convenience ... and above all, letting us know and serve these consumers across the full marketplace. Today, we are seeing growth through our partners in improved retail sales. Back to

School was strong as supply continues to improve and traffic and sell-through continues to accelerate.

As we continue to focus on giving consumers personalized experiences regardless of channel, the key remains connected membership. This model gives shoppers the benefits of Nike membership in partner stores accelerating in-store conversion, engagement and improving customer lifetime value.

Now as you know, connected membership began last year with Dick's Sporting Goods before two of our key partners in Greater China joined in: Topsports and Pou Sheng. And today, we're excited to announce that we're now extending connected membership to EMEA with Zalando and JD Sports, as increased opportunities for connected data and inventory make us even quicker and more precise in jointly serving the consumer.

In fact, just two days ago, we hosted a Nike Partner Summit, in which we brought to Beaverton a group of 24 of our top retail partners representing 76 countries. The summit was a great opportunity for us to accelerate into the future together with a unified vision and belief in partnership and collaboration.

And it's clear that our partners were excited to get a sneak peek at upcoming product as well as getting a deeper dive on our strategy. Nike will continue investing to deliver the best brand in the industry to elevate our collective game with the right product, experiences and unmatched storytelling through content and insights to help win with the consumer.

These strategic partnerships are truly win-win, with plenty of opportunity still ahead.

And finally, we continue to build a compelling retail footprint in our own brick-and-mortar fleet. As Direct becomes an even bigger part of our business, we are investing in becoming a better retailer as we pursue our goal of being "world class" in this space.

In a dynamic retail environment, our global traffic is up, thanks in large part to the unique Nike experiences we offer across our assortment of retail concepts. In July, we opened our first Nike Rise door in EMEA, Nike West London, following the success of Nike Rise in China and Korea.

All three Nike Rise doors use real-time shopping insight and a community focus to deliver tailored in-store experiences for consumers. Nike West London uses local sports like football and running along with data on the city and its athletes to create something that cannot be replicated elsewhere.

In the end, our strong brand momentum speaks to our continued belief that these are times when strong brands get stronger. We are supercharging how we serve consumers with innovation, direct connection and experiences that create lifelong relationships with our brand. There's never been a better time to be in the sport and wellness business, and I'm confident in our ability to not just stay at the front of the pack but to also expand our lead.

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

**[Matt Friend]**

Thanks John, and hello to everyone on the call.

Our first quarter of Fiscal '23 demonstrated again the deep consumer connection and strong demand for Nike, Jordan and Converse. In a dynamic operating environment, we delivered topline results ahead of plan, more than offsetting foreign exchange headwinds. With industry-leading digital growth, positive retail traffic in our stores and online, and more product available for consumers across the marketplace, the power of Nike's portfolio continues to fuel business momentum.

At our core, Nike is a growth company, built on a passion for serving athletes. Fifty years later, this passion inspires consumers worldwide through our commitment to innovation and our belief that sport can change the world. Today, Nike's potential for growth has no limits as we create our future through a steadfast focus on serving the consumer.

At the same time, we are closely monitoring an operating environment that continues to be disruptive. So, before discussing our first quarter financial results, let me provide a deeper view into the latest shifts we are seeing and the actions we are taking to manage our business for the long term.

Over the past three years, we have leveraged our operational playbook to manage through supply chain disruption and COVID-related store closures. I could not be more proud of how our team continues to adapt to changing circumstances with a relentless focus on getting the right product, to the right place, at the right time.

This quarter, it became clear to us that conditions in North America are shifting once again. Earlier ordering by retailers, driven by strong consumer demand and less predictable delivery timelines, has led to elevated inventory levels broadly across consumer goods. Then transit times began to rapidly improve, with signals that further improvement may be coming. At the same time, consumers are facing greater economic uncertainty, and promotional activity across the marketplace is accelerating, especially in apparel. As a result, we face a new degree of complexity.

Demand for Nike, Jordan and Converse continues to be uniquely strong, with positive consumer response and high full-price realization on fresh seasonal assortments and key product franchises. In September, month-to-date retail sales are up double-digits versus the prior year, following a strong back-to-school season.

However, our North America inventory grew 65% versus the prior year, with in-transit inventory growing approximately 85%. This reflects the combination of late delivery for the past two seasons, plus early holiday orders that are now set to arrive earlier than planned, and a prior year that was impacted by factory closures in Vietnam and Indonesia.

As a result, we are taking decisive action to clear excess inventory, focusing on specific pockets of seasonally late product, predominately in apparel. While we expect this to have a transitory impact on gross margins this fiscal year, we believe this cost will be far outweighed by the benefit of clearing marketplace capacity to align seasonally-relevant product, storytelling, and retail experience.

Time and again, this is how Nike responds to adversity: we adapt, we compete, and we

accelerate forward. With strong brand momentum, improving deliveries, and a robust innovation pipeline, we're acting now to set the stage for future seasons of sustainable, profitable growth.

Looking ahead, we are especially excited about the breadth and depth of our product pipeline. This includes:

- Innovation platforms that break new ground in performance and sustainability...
- Women's apparel completely redesigned for fit, sensation, and support...
- A renewed focus on serving everyday runners with the world's best running innovation across price points...
- A total refresh of our signature basketball line across Brands...
- New sportswear collaborations with the leaders of youth culture...
- And the next chapters of our most iconic product franchises.

Nike's authenticity as the champion for athletes and sport has always been one of our greatest strengths. Over the next eighteen months, we'll drive consumer energy through new product and storytelling in essence, doing what Nike does best.

Nike's competitive advantages are also growing as the Consumer Direct Acceleration transforms our operating model, driving deeper and more direct connections through digital.

Nike membership serves as a catalyst for digital growth, driving greater engagement and higher lifetime value in our highest-margin channel. This quarter, repeat buying members grew by over 30%, with increased buying frequency and demand across total Nike members. In fact, many of our most important membership benchmarks – reflecting how well we convert, engage, and retain buying members – are at near all-time highs. These trends give us confidence that we have a strong and loyal member foundation to drive digital growth ahead.

Since Fiscal '19, our Digital business has nearly tripled to exceed \$10 billion in revenue, representing 24% of Total Nike Brand Revenue in Fiscal '22. Over this period, Nike Direct

gross margins expanded through the combination of rapid digital growth and improvements in channel margin profitability – ultimately fueling Nike’s overall gross margin expansion, despite being partially offset by transient headwinds experienced through the pandemic. While we continue to manage through short-term dynamics, these structural tailwinds give us confidence that we are making progress toward our long-term financial goals.

Now, let me turn to our NIKE, Inc. first quarter financial results.

In Q1, NIKE, Inc. revenue grew 4 percent and 10 percent on a currency-neutral basis. This was led by 14 percent growth in Nike Direct, and 8 percent growth in Wholesale. Nike Digital grew 23 percent, with double-digit growth across EMEA, North America, and APLA, fueled by increasing traffic, higher conversion, and growth in average order value.

First quarter reported gross margins declined 220 basis points to 44.3 percent. This was primarily due to elevated freight and logistics costs, plus higher markdowns across the marketplace in North America, and unfavorable changes in net foreign currency exchange rates.

SG&A grew 10 percent in Q1, primarily due to wage-related expenses, strategic technology investments, increased Nike Direct costs, and increased demand creation expenses.

Our effective tax rate for the quarter was 19.7 percent, compared to 11.0 percent for the same period last year, primarily due to decreased benefits from stock-based compensation.

First quarter diluted earnings per share was \$0.93.

Finally, inventories were \$9.7 billion, up 44% compared to the prior year, driven by volatility in transit times in North America, strategic decisions to buy inventory for future seasons earlier, and lower inventory levels due to last year’s factory closures in Vietnam

and Indonesia.

Now, let's review the operating segments.

In North America, Q1 revenue grew 13% and EBIT declined 4%. Nike Direct grew 13% versus the prior year, outpacing the broader market with double-digit in-store and digital traffic growth. Nike Digital grew 19%, fueled by member demand and the Nike App. Wholesale revenue grew low double-digits, with strong growth from strategic partners such as Dick's and JD/Finish Line, as well as our authenticator partners.

Nike continues to lead as the #1 cool and #1 favorite brand in North America. We're driving momentum across key consumer and sport dimensions, including positive consumer response to Pegasus 39, Invincible 2, and Infinity 3 in performance running... high sell-through and full-price realization across key footwear franchises, such as Air Force 1, Dunk, and Air Max 270... and broad-based growth across Men's, Women's, Kids, and Jordan on improved inventory supply.

As I previously discussed, we started to increase promotional activity in the first quarter and expect the broader marketplace to be promotional at least through the end of the calendar year. We expect that total inventory in North America peaked in Q1, and we anticipate seeing sequential improvement over the year as we rebalance supply and continue serving strong demand. As we prioritize a healthy pull market, we are confident that our brand strength and decisive action positions us well to compete and capture market share.

In EMEA, we saw record results. Q1 Revenue grew 17% on a currency-neutral basis. EBIT grew 11% on a reported basis, with broad-based growth and strong gross margin expansion, driving the most profitable quarter in EMEA history, despite significant foreign exchange headwinds.

Nike Direct grew 20% on a currency-neutral basis and Nike Digital grew 46%. Running delivered solid growth, with strong consumer response to Pegasus 39, Invincible 2, and

the Peg Trail 4. We also celebrated our most successful Mercurial launch ever... and an unforgettable moment for women's sport at the European Championships, with our "Never Settle, Never Done" campaign driving over 450 million impressions.

Since Fiscal '19, EMEA gross margins have expanded more than 500 basis points, with Nike Digital increasing its penetration from 7% to 20%, nearly tripling its share of EMEA Nike Brand Revenue. It's another great proof point for how our consumer-led digital transformation is accelerating Nike's growth and profitability.

Next, I'll provide some color around our results in Greater China. In Q1, revenue declined 13% on a currency neutral basis and EBIT declined 23% on a reported basis. Nike Direct declined 2% on a currency-neutral basis, with a 5% decline in Nike Digital.

While COVID-related disruption had meaningful impact on store operations and retail traffic, business performance and inventory management are ahead of plan as we continue to proactively recalibrate supply and demand.

Brand strength is our competitive advantage, with Nike setting the pace as Chinese consumers' #1 cool and #1 favorite brand, further extending our lead among teens. Product innovation remains a key differentiator, with strong sell-through from Alphafly NEXT% 2, Pegasus 39, the GT Cut 2, and other performance products. Jordan Brand's momentum was another highlight, with year-over-year growth driven by a standout Luka 1 launch, key franchise strength, and the energy of Jordan's 25<sup>th</sup> anniversary campaign.

We continue to deepen connections with Chinese consumers in locally relevant ways, from elevating the street dance community with hyperlocal product and storytelling to igniting youth basketball culture through the lens of the Chinese High School Basketball League. With Gen Z member demand growing more than 25% versus last year on Nike digital platforms and the newly-launched, localized Nike App already leading as the #1 brand shopping app we're more encouraged than ever about Nike's opportunity to serve Chinese consumers with distinct, premium, and localized experiences.

As mentioned last quarter, we are taking a cautious near-term approach in Greater China

given the ongoing risk of COVID-related disruption. However, our brand and business momentum gives us increasing confidence that Nike's unique value proposition will fuel long-term growth in China.

As we turn to APLA, Q1 Revenue grew 16% on a currency-neutral basis and EBIT grew 4% on a reported basis. We delivered our third consecutive quarter of double-digit currency-neutral growth, led by Southeast Asia and India, and Korea.

Nike Direct grew 30% on a currency-neutral basis, led by 29% growth in Nike Digital and 31% growth from Nike-owned stores. Our Member Days offense continues to accelerate member\_engagement, tripling repeat buying versus prior year.

Women's continues to deliver outsized growth, with momentum in performance running footwear, bras, and sports style innovation footwear like Air Max. Performance fueled strong growth in Men's, with the launch of Pegasus, Infinity and Invincible in running and Mercurial in global football.

In addition, we have now transitioned our businesses in Argentina, Chile, and Uruguay to a distributor model.

Now I'll turn to our updated financial outlook for Fiscal '23. To date, we continue to see strong consumer demand for our portfolio of brands across our geographies. We are closely monitoring consumer confidence and behavior, and ultimately the implications of high inflation on consumer demand.

We've managed through cycles like this before, and we know these are times to stay on the offense, leveraging our financial strength to prioritize a quicker return to a healthy pull market. In this environment, strong brands set the pace – and we are confident Nike will emerge even stronger. We are focused on what we can control as we take a measured approach against an uncertain macro outlook. Accordingly, we will tighten up second-half buys and liquidate excess inventory more aggressively beginning in the second quarter, focusing the flow of new product to our strategic partners and Nike Direct.

Headwinds from foreign exchange have also shifted significantly in the last 90 days as the trend of U.S. dollar strengthening has accelerated. Based on current spot rates, net of hedging activity, we estimate the full-year negative impact of foreign exchange on reported revenue and EBIT to now be approximately \$4 billion and \$900 million, respectively, creating a wide divergence in constant versus real dollar performance.

We continue to expect currency-neutral Revenue growth of low double-digits, equating to reported Revenue growth of low to mid-single digits versus the prior year, assuming 800 basis points of foreign exchange headwinds.

We now expect gross margin to decline between 200 to 250 basis points versus the prior year. This reflects approximately 150 basis points of annual impact from higher markdowns and higher off-price mix to liquidate elevated inventory... a second straight year of more than 100 basis points of headwinds from elevated freight and logistics costs... and foreign exchange pressure now a 70 basis-point headwind on the full year.

We now expect SG&A to increase high-single digits, as we prioritize investment in new transformational capabilities to serve consumers directly and at scale, partially offset by tighter expense control and limited headcount growth across the business.

We now expect the Fiscal '23 effective tax rate to be in the mid-to-high teens range, primarily due to decreased benefits from stock-based compensation.

For the second quarter specifically, we expect reported Revenue to grow low-double digits on strong consumer demand, despite 900 basis points of foreign exchange headwinds.

We expect second-quarter gross margin to decline approximately 350 to 400 basis points versus the prior year, the largest impact across the fiscal year, as we discount out-of-season product more aggressively in a largely promotional marketplace. This will require higher markdowns in our own channels and through wholesale partners. The second quarter also compares to last year's record levels of full-price realization; and includes headwinds from freight, logistics and other supply chain costs, as well as foreign

exchange.

As we look toward the rest of our fiscal year, we are confident in our strategy – and in our opportunity ahead. While we expect circumstances to remain dynamic, we are optimistic as we continue to make progress toward our long-term financial goals.

Our brand momentum is strong. The power of our portfolio is unrivaled. And our vision of Nike's limitless potential is clear.

On that note, I'd like to close by thanking our 79,000 Nike, Jordan and Converse teammates around the world, who serve our mission with a passion for sport and a culture of innovation unlike any other. They represent our true competitive advantage and our greatest reason for confidence as we create Nike's future.

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

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