

REMARKS AS PREPARED FOR DELIVERY

Q1FY26 NIKE Inc. Conference Call

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[OPERATOR]

Good afternoon, everyone. Welcome to NIKE, Inc.'s First Quarter Fiscal 2026 conference call. For those who want to reference today's press release you'll find it at investors.nike.com. Leading today's call is Paul Trussell, VP of Corporate Finance and Treasurer.

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 First Quarter Fiscal 2026 results.

Joining us on today's call will be NIKE, Inc. President and CEO Elliott Hill, and EVP and CFO, Matt Friend.

Before we begin, 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 NIKE's reports filed with the SEC. In addition, participants may discuss non-GAAP financial measures and non-public financial and statistical information. Please refer to NIKE's earnings press release or NIKE's website, investors.nike.com, for comparable GAAP measures and quantitative reconciliations. All growth comparisons on the call today are presented on a year-over-over basis and are currency-neutral, unless otherwise noted.

We will start with prepared remarks and then open the call for 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. Thank you for your cooperation on this.

I'll now turn the call over to NIKE, Inc. President and CEO Elliott Hill.

[ELLIOTT HILL]

Thank you, Paul. It's great to be here with everyone today.

Before we begin, I want to start with a thank you. I want to thank my NIKE INC teammates around the world.

Because of their passion, commitment, and determination, we've made tangible progress from where we were 11 months ago driven by our Win Now actions that focused our team on our culture, product, brand, marketplace, and our ground game.

This quarter, our Win Now actions drove momentum in the areas we prioritized first Running, North America, and Wholesale Partners. It showed that we're making the right choices. Consumers are responding. We're getting some wins under our belt.

What you can't see in the results is the effort that I've seen in our stores, distribution centers, and offices around the world. Since my return, not a day has gone by that I haven't asked each of my teammates to commit themselves fully to building a better Nike.

That takes a lot of work, and this quarter in particular, we asked even more from our teams as we re-aligned approximately 8,000 teammates to our Sport Offense, which I will explain shortly. It's a massive achievement for everyone involved.

What I want this audience to know is that our teams also understand how much we still must do to meet our full potential.

Because the truth is, Nike's journey back to greatness has only just begun.

There is significant work ahead especially in the areas of Sportswear, Greater China, and Nike Direct. And as I've said to the team, progress won't be perfectly linear, but the direction is.

On our last call, I said it was time to turn the page and I believe this quarter reflects the many ways we're doing just that.

As you've heard me say, it's imperative to bring our entire organization closer to the athletes we serve. That's why the Sport Offense is going to be so critical to our success.

This new formation and ways of working will align our three brands Nike, Jordan and Converse into more nimble, focused teams, by sport.

We'll gain sharper insights to fuel innovation and storytelling and connect with the communities of each sport in more meaningful ways.

Collectively, we'll have a better-coordinated attack with each brand forming a distinct identity and delivering a clear intention to serve different consumers.

In the marketplace, organizing by sport gives us a much clearer point of view. The House of Innovation in New York is a great example where we redesigned a retail experience by sport. I walked the floors in early September and we're now able to take consumers into a World of Jordan, a World of Nike Running, or a World of Nike Global Football. It's an immersive sport experience and the refresh has already led to double digit revenue increases.

That clarity works in small format doors as well. We recently redesigned our South Congress store in Austin to focus only on running and training and sales have increased significantly.

Ultimately, the Sport Offense will maximize NIKE Inc's complete portfolio. It is designed to drive growth across all of our dimensions. We believe the opportunity to serve so many athletes across sports with three distinct brands in retail channels at every price point is an advantage that no one else has in our industry.

Now, let's take a deeper look into where we're driving progress. Our Running business gives us an early window into the kind of impact we expect out of the Sport Offense.

Our Running team moved fastest into our new formation and was the first to get sharper on the insights of their athletes. It turns out Runners mostly want three things from their running shoes big cushioning, stability, or an everyday shoe that returns energy.

In response, we moved with a sense of urgency and completely redesigned the Vomero, the Structure, and the Pegasus to solve for these 3 insights integrating our industry-leading innovation platforms – like Nike AIR, Flyknit, Zoom X and React X.

Having a consistent structure of silos and price points allows us to introduce at least one new major running footwear style each season.

Our Running business continues to be a strong proof-point of progress. We're getting back to delivering a relentless flow of innovation that serves real athlete needs and we're pulling it all the way through the marketplace in consumer-friendly ways. The early results have been positive with Nike Running growing by over 20% this quarter.

Our opportunity is to quickly seize the benefits of a Sport Offense and apply them to more sports and sport culture, including Global Football, Basketball, Training and Sportswear. I will remind you that each sport is in a different stage of development.

Our Global Football team is preparing for the energy of the 2026 World Cup and is ready to move forward.

We will utilize the world's biggest sports stage to debut an exciting new apparel innovation platform that will later be leveraged across other sports. And we will connect with a younger consumer by launching several football sportswear collections.

As we're doing in Running, Football boots are also fueled by 3 silos at multiple price points addressing the needs of three different styles of play. This quarter, we launched the revamped Phantom 6 with great sell-through. And we'll follow that up with a new Tiempo in Q3 and a new Mercurial in Q4.

And finally, we reset the Nike Football brand identity this quarter with our Scary Good campaign.

From a Football innovation and brand standpoint, we're ready to go. In the marketplace, we're moving quickly to improve our position to tell Football innovation stories in more inspiring ways at point of sale.

The longer-term vision is for the impact of the Sport Offense to be felt far beyond the traditional sports where we currently compete. We now have dedicated teams to bring our creativity to additional market opportunities. These are spaces for us to take design risks to be innovative and to be irreverent, which is so important to our brands' DNA.

Nike ACG, for example, has brought an athletic, youthful approach to outdoor product for nearly 30 years. As more people stay active outdoors, we will invest in Nike ACG to address the opportunity.

This quarter we launched an elite ACG Race Team, who have helped us make high-performance outdoor product.

Together, we just revealed some exciting innovation – a breathable apparel innovation platform called Radical Air and a trail-tuned super shoe with the ACG Ultrafly.

ACG professional racer, Caleb Olson, wore both innovations in his victory at the Western States 100 Race finishing with the second fastest time in the history of the race.

Our new partnership with SKIMS is another opportunity to bring something unexpected to a new consumer. Nike's innovation expertise and SKIMS dedication to inclusive apparel has the potential to create performance training product with a very different look. We debuted the product line last week with 58 silhouettes and early consumer response was very strong.

The opportunity exists to create more dimension around even the most established sports as well. Look at this year's US Open of Tennis as an example. Over the course of the 3-week tournament we celebrated the wins and on-court looks of Alcaraz and Sabalenka, we designed custom dresses for Naomi's incredible comeback and for Sharapova's induction into the Tennis Hall of Fame, we excited sneaker fans with a retro launch of Agassi's Tech Challenge sneakers, and we brought it all together in New York's House of Innovation in an immersive Tennis experience.

In the past 10 months alone, as part of our Win Now actions, we've activated 12 sport takeover moments that connected the inspiring performances of our athletes and teams, to commercial assortments in the marketplace.

This quarter that included: the England Women's National Football Team winning the European Championship, Sinner's Wimbledon title, Scottie's Open Championship title, and Chelsea winning the Club World Cup.

Sport and the world's greatest moments will always be Nike's runway. And only we can bring it all together across three brands, so many sports performance AND lifestyle. This is Nike maximizing the full power of our portfolio.

While the sport performance teams are finding a higher gear, our Sportswear teams have work to do to get sharper on the consumers we're serving and we see it in our results our business continues to decline.

Continuing to build a clear product construct in Sportswear, as we're doing in our performance sports, remains a priority. We do have pockets of strength, especially in our deep vault of Look of Running footwear.

But we are still in the process of putting our largest classic franchises into a healthier position for the Nike, Jordan, and Converse brands.

Air Force 1 is stabilizing

Air Jordan 1 inventory levels are returning to health

The Dunk continues to be managed aggressively down in all geos.

And the Chuck Taylor is in the early stages of a global marketplace reset.

With Converse we just put new leadership in place and we're going to take aggressive actions to better position the brand for profitable growth in the future.

Of the priority Win Now Actions elevating the full marketplace is in the early innings. The positive is that North America, where we invested first, took some big steps forward this quarter.

The team continues to give more consumers access to the Nike brand in more premium environments.

We reset over 1,300 running spaces in the quarter, from Dick's to Nordstrom to Heartbreak Hill. And we were also pleased with the launch of the Nike Brand Store on Amazon, where we're driving stronger engagement and sales than anticipated.

While our NA teams are setting the tone, we're still far from our ultimate goal of elevating an integrated marketplace digital and physical wholesale and Nike Direct in ALL Geographies.

Greater China, as I mentioned on the last call, is facing structural challenges in the marketplace. Our business was down 10% for the quarter. Seasonal sell-thru continues to underperform our plans, requiring larger investments to keep the marketplace clean.

My leadership Team and I were in China a few weeks ago. We traveled to three cities spending time with our Greater China Leadership Team, consumers, and our partners.

We are even more committed to the opportunity for growth in China. They are a nation that's passionate for the games of Basketball and Global Football and a nation that is embracing a healthy lifestyle through Running and Training.

When we lead with exciting innovations like the Vomero 18 or the Jordan Game Shoe or have athletes like Ja and LeBron visit key markets we drive traffic and demand!

It is even more clear that our path to winning in China is through sport. Our team is moving with urgency to develop consistent plans across all sports and refresh some of our retail environments into distinct sport experiences. With over 5,000 mono-brand stores in China, this will take investment and it will take time.

Globally, Nike digital, is still working to find solid ground. We made the strategic decisions to become less reliant on classic franchises and pull back on our promotions for the long-term health of our

brands and our marketplaces in all geographies.

Organic traffic has slowed. We are working to find the right assortment and marketing mix to consistently bring consumers back to our digital eco-system.

For a company of our size with three brands that serves consumers in nearly 190 countries not all sports, channels or countries will recover on the same timelines.

I've spent a lot of time reflecting on the last several months. What keeps me grounded is every time I return from a major sport event, meeting with athletes, or being in the marketplace I'm even more convinced that the Win Now Actions are absolutely the right focus for our teams.

With that said, we're also realistic that we are turning our business around in the face of a cautious consumer, tariff uncertainty, and teams that are still settling into the Sport Offense.

We know we have a lot left to prove.

What gives me confidence is that through the Sport Offense we're hyper-focused on the athlete, the creative ideas keep coming, and we're covering a lot of ground in the marketplace.

Like I said at the start, the Nike team, this team, we have a lot of fight in us.

I look forward to what we're about to do together.

Thank you, and I'll pass it to Matt.

[MATT FRIEND]

Thanks Elliott, and hello to everyone on the call.

Ninety days ago, I said the fourth quarter of Fiscal 25 would reflect the largest financial impact from our Win Now actions, and that we expected the headwinds to revenue and gross margin to begin to moderate from there.

At the end of our first quarter, we are encouraged by the progress we have made, as reflected in our results and yet we still have much work to do.

Today, I will review our financial results. Then I will highlight the progress we have made with our Win Now actions across the geographies. Last, I will provide guidance for Q2, as well as some additional insights to bring shape to our near-term financial performance.

I'll begin with our financial results.

This quarter, revenues were up 1% on a reported basis and down 1% on a currency-neutral basis. Nike Direct was down 5%, with Nike Digital declining 12% and Nike Stores down 1%. Wholesale grew 5%.

Gross margins declined 320 basis points to 42.2% on a reported basis, due to higher wholesale discounts, higher discounts in our Nike factory stores, increased product costs including new tariffs, and channel mix headwinds.

SG&A was down 1% on a reported basis. This was driven by lower brand marketing expense, reflecting prior year investment around key sports moments, partially offset by higher sports marketing expense. Operating overhead was flat compared to the prior year.

Our effective tax rate was 21.1% compared to 19.6% for the same period last year, primarily due to decreased benefit from stock-based compensation.

Earnings per share was \$0.49.

Inventory decreased 2% versus the prior year, as we have made steady progress on our plans for a healthy marketplace by the end of the first half of Fiscal 26.

As I shared last quarter, and as you just heard from Elliott, our geographies are at different stages of progress against our Win Now actions and business recovery is trending on different timelines. Therefore, I will focus my geography remarks on the specific context and insights of our Win Now progress.

In North America, Q1 revenue grew 4%. Nike Direct declined 3%, with Nike Digital down 10%, and Nike Stores flat. Wholesale grew 11%. EBIT declined 7% on a reported basis.

North America is building momentum through sustained brand activity across Sport, leveraging our leading portfolio of sports marketing assets. North America is furthest ahead in taking steps to elevate and transform the marketplace for future growth.

Running, Training, and Basketball each delivered double-digit growth. Sportswear grew in the quarter but there is still work to do, with momentum in apparel and looks of running footwear, while managing a 30% decline in our classic footwear franchises.

As it relates to the North America marketplace, Wholesale returned to growth in the quarter, partially due to shipment timing in the prior year, as well as higher liquidation volume to value channels. Additionally, the strategic actions taken to expand distribution and reach new consumer segments contributed to growth and are showing initial promise. Headway was also made in repositioning Nike Digital - reducing the number of days of sitewide promotion by more than fifty, and lowering markdown rates as well as increasing share of demand at full price.

On inventory, North America drove continued progress through the first quarter. Units declined versus the prior year, while dollars were flat, primarily due to new US tariffs. Closeout mix is approaching normalized levels.

In EMEA, Q1 revenue grew 1%. Nike Direct declined 6%, with Nike Digital down 13%, and Nike Stores up 1%. Wholesale grew 4%. EBIT declined 7% on a reported basis.

EMEA has largely cleaned the marketplace, even as promotional activity has increased across the industry. Nike's momentum is building in Sport and with our wholesale partners. EMEA is furthest ahead in repositioning Nike Digital to a full price business, however, traffic and demand remain soft.

In Q1, our performance business continued to build momentum, driven by double-digit growth in Running, and low-single-digit growth in Global Football and Training footwear. Sportswear declined low single digits, as headwinds in our classic footwear franchises more than offset growth in apparel, and new dimensions of footwear.

Over the last 90 days, we've seen promotional activity increase in key countries across EMEA. In

order to stay aligned with our partners and manage marketplace inventory, we selectively leveraged additional discounts on Nike Direct.

With respect to inventory, EMEA closed the quarter with units down mid-single digits versus the prior year and a normalized level of closeout mix.

In Greater China, Q1 revenue declined 10%. Nike Direct declined 12%, with Nike Digital down 27%, and Nike Stores down 4%. Wholesale declined 9%. EBIT declined 25% on a reported basis.

Greater China created energy with consumers in the quarter through new product innovation and Nike athlete activations on the ground with Ja, Sabrina and Lebron. Aggressive marketplace actions have reduced owned and partner inventory, however, store traffic and in-season sell-thru continues to be a headwind.

Running is a bright spot in China, growing high single digits in the quarter with strong consumer response to new innovations such as the Peg Premium and the Vomero 18.

In the marketplace, traffic declined versus the prior year in both Nike owned and partner stores, resulting in lower in-season sell-thru rates. Digital remains a highly promotional marketplace in Greater China, with consumer shopping moments extending longer on local platforms with deeper discounts.

Inventory was down 11% versus the prior year, however closeout mix remains elevated.

Our priority in Greater China is to improve seasonal sell-thru trends by refreshing store concepts around sport, creating greater brand distinction at retail with more productive merchandising assortments, and reducing the mix of aged inventory with our partners.

In APLA, Q1 revenue grew 1%. Nike Direct declined 6%, with Nike Digital down 8%, and Nike Stores down 5%. Wholesale grew 6%. EBIT declined 13% on a reported basis.

APLA continues to deliver mixed results across countries, with pockets of elevated inventory requiring higher levels of promotional activity and proactive management of supply in the marketplace.

In the quarter, performance dimensions delivered strong growth, led by double-digit growth in Running and high-single digit growth in Training. This momentum was offset by low-single-digit declines in our Sportswear business.

In the marketplace, Nike Digital delivered sequential improvement in markdown rates across all territories.

Inventory across APLA grew high-single digits this quarter, and so we are taking additional actions to rebalance inventory levels with retail sales trends in certain countries and tighten buys on Nike Direct.

Next, I will spend a moment to provide an update on tariffs.

Last quarter I shared that the newly issued tariffs represented a meaningful cost headwind for Nike since the new reciprocal tariffs are stacked on top of the mid-teens rate Nike already paid on imports. And I also outlined the actions we are taking in response, balancing impact on the consumer, our partners, our Win Now actions, as well as the long-term positioning of our brands in the marketplace.

Since our last earnings call, new reciprocal tariff rates have been increased for certain countries. With the new rates in effect today, we now estimate the gross incremental cost to Nike on an annualized basis to be approximately \$1.5 billion, up from the \$1 billion we shared 90 days ago.

Given the magnitude and timing of the most recent rate increases, we now expect the net headwind in Fiscal 26 to increase from approximately 75 basis points to 120 basis points to gross margin. We continue to evaluate and implement the actions I described last quarter to mitigate these new costs over time.

We are monitoring developments closely, and I remain confident in our ability to leverage our strengths, our scale, and the deep experience of our leadership team, to navigate through this disruption.

Now I will turn to our second quarter guidance.

As Elliott said, we are operating in a dynamic environment, both for consumers and our global business. We remain focused on what we can control, principally, to make forward progress on our Win Now actions and activate our sport offense, for the long-term health of our brands.

Our outlook reflects our best assessment of these factors based on the data we have available today.

We expect Q2 revenues to be down low-single-digits, including one point of benefit from foreign exchange.

We expect Q2 gross margins to be down approximately 300 to 375 basis points, including a net headwind of 175 basis points from the new incremental tariffs.

We expect Q2 SG&A dollars to be up high-single-digits, with an acceleration of demand creation investment, and low-single digit increase in operating overhead.

We expect other expense, net of interest income, to be an expense of \$10 to \$20 million in the second quarter.

We expect the tax rate for the second quarter and the full year to be in the low 20 percent range, due to anticipated changes in earnings mix.

Finally, with an additional ninety-days of execution against our Win Now actions, I'll close with some insights that should bring shape to Nike's financial performance for the balance of Fiscal 26.

We see momentum building with our Wholesale partners. Our Spring order book is up versus the prior year with growth led by Sport, and as a result, we expect Wholesale revenue to return to modest growth for Fiscal 26.

At the same time, we continue taking steps to reposition Nike Digital as a full price business. Organic traffic continues to decline double digits. With a business in the prior year that was more concentrated on classic footwear franchises and sneaker launch, as well as a higher mix of off-price sales, traffic comps will remain under pressure, and so we do not expect Nike Direct to return to growth for Fiscal 26.

As it relates to our operating segments, we expect North America will continue to lead our global recovery, while Greater China will require more time due to the unique marketplace dynamics Elliott and I have outlined. Converse is under new leadership, and resetting its marketplace and brand. Therefore, we expect revenue and gross margin headwinds from Greater China and Converse to continue throughout Fiscal 26.

We have made steady progress on our plans for a healthy marketplace by the end of the first half, and so we expect to begin to see a modest headwind to revenue across both wholesale and Nike Direct as we lap aggressive clearance activity in the prior year.

Foreign exchange has become a tailwind to reported revenue, but we expect minimal benefit to gross margin in Fiscal 26 due to our hedged positions entering the year.

We continue to expect SG&A to grow low-single digits in Fiscal 26. Our Win Now actions contain investment to reignite growth in the business, particularly in demand creation, as well as rebuilding both our sport and commercial offense.

Overall, there are several puts and takes across different dimensions of our portfolio. We are encouraged with how we have started the year, but progress won't be linear, and there is still work to do to return to driving consistent, sustainable and profitable long-term growth.

With that I'll pass it back to Elliott.

[ELLIOTT HILL]

Thanks Matt.

I'm going to close it out with some perspective on a special sport moment from the quarter that I believe represents the power of a unified team with a singular mission.

In late July, I was at the Final at the UEFA Women's European Championships in Basel, Switzerland. Defending-champion England had already lived through an emotional rollercoaster throughout the tournament.

They lost their opener to France came back from a two-goal deficit to beat Sweden and scored in the final minute of extra time to beat Italy in the Semi-final. And now they faced Spain in the Final, who beat them in the last World Cup Final.

I was sitting with the FA the governing body of football in England. For the third straight knock-out match, the Lionesses started slow they were on their heels instead of attacking.

They went into halftime, down 1-nil. We began to question if they had anything left in the tank.

But coming out of the half, something clicked. Coach Sarina Wiegman made the right substitutions, as she had all tournament.

Chloe Kelly came off the bench and the pace picked up instantly.

Hannah Hampton made several key saves.

Lauren Hemp was flying all over the pitch.

Everyone contributed.

England's pressure led to the equalizer in regulation. And after a draw in extra time, Chloe proved to be clutch one more time to score the winning penalty-kick in the shootout.

The crowd erupted. Her country erupted. And there they were champions of Europe once again, delivering England's first major football trophy on foreign soil.

The Nike London team took that insight and built a campaign around the importance of "Home" that stretched from billboards to t-shirts to the airplane that brought them back to their awaiting fans. The national pride for the Lionesses was everywhere and Nike was right there with them.

When I talk to my team about passion, commitment, and determination, we don't have to look much further than England. It's a group that embraces their roles.

An experienced coaching staff who adapts in the moment. Players who refuse to give up.

I mean I found out later that Lucy Bronze played the entire tournament with a fractured tibia. A fractured tibia!

That's resilience. That is a team that knows what it takes to make a comeback!

We were all inspired here at Nike and you can be sure we're taking their lessons to heart.

We're unified under the Sport Offense and we're clear on what it will take to win and on the size of the prize ahead.

With that, we'll open it up to questions.

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