REMARKS AS PREPARED FOR DELIVERY

Q2FY26 NIKE Inc. Conference Call

December 18, 2025

[OPERATOR]

Good afternoon, everyone. Welcome to NIKE, Inc.'s Second 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 Second 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.

Let me start by thanking all of you for joining on the eve of a holiday week here in the United States and many parts of the world. And with that let me also recognize a Nike team that's leaving nothing on the table right now.

When you work in retail the holidays don't mean a break. When you work in sport you often say that sport never sleeps. So, when you work at Nike, you're in the thick of an incredibly busy time.

With that in mind, I want to extend a special and heartfelt thanks to my Nike teammates. Thank you for your continued commitment, passion and determination and thank you for delivering another quarter of steady progress and building momentum.

Fiscal 26 continues to be a year of taking action to: right-size our classics business, return Nike Digital to a premium experience, diversify our product portfolio, deepen our consumer connections, strengthen our partner relationships, and realign our teams and leadership.

And I'd say we're in the middle innings of our comeback.

We started with the Win Now actions, which was our immediate response to our biggest challenges and opportunities in: culture, product, storytelling, marketplace and winning on the ground.

And now our Sport Offense is the accelerator of our Win Now actions. It's how athlete-centered innovation travels across and through every country and channel to drive growth.

Our focus on sport by brand is the engine for our growth our global marketplace is the amplifier and it is our Sport Offense that connects the two. Said another way, our growth will come from sport athletes, product innovation, sport moments and will be scaled through countries, channels and accounts.

Turning to the quarter, I'd frame up the results as slightly better than we had anticipated 90 days ago. While we're driving progress through Win Now we're nowhere near our potential.

I see three themes that give a better picture of where we stand right now.

The first theme is that our Sport teams are quickly finding their rhythm in the new Sport Offense. While right sizing our classics, we're building a more diverse product portfolio gaining the most traction in our performance business which validates that we've got the right structure to drive a relentless flow of innovative product across our unmatched opportunities.

The second theme is we're building a healthier base for top-line growth. The Nike Brand grew this quarter. And the mix was strong we delivered 8% wholesale growth elevated the experience in key Nike Stores and Nike.com and had fewer days of promotion. These are all positive signs.

The third theme is that our comeback continues to move at different speeds. It won't be a straight line, but we're acting decisively to accelerate the lagging areas with China at the top of that list.

A year in it's clear how important it is to stay closely connected to what's happening on the ground. From intern to CEO and every role I've held in between I've felt that way. Which is why, as you likely saw this quarter, I announced a change in my leadership team all geographies will now report directly to me.

I am confident this change will result in us accelerating our Win Now actions by allowing our Geography GM's to more closely shape our strategy, drive faster decisions, and influence investments.

The Geography that is leading the way for Nike right now is North America. As our largest business that's where much of our focus has been.

With North America, we're working within the most diverse wholesale landscape – which gives us several strategic partners to segment and differentiate our multi-brand, multi-sport and multi-price-point portfolio.

The team has done an excellent job of reconnecting with partners and getting sharper on the consumers we serve, and those we seek to serve. This quarter, that approach led to over 20% wholesale growth in North America with meaningful growth coming from existing partners.

Our North America marketing team is also finding the right balance of inspiring through big team moments like the Dodgers World Series campaign after their win. Or at the Chicago Marathon, where we supported everyone from everyday runners chasing personal bests to Connor Mantz shattering an American Marathon Record that stood for 23 years.

North America is driving a healthy, repeatable offense and showing us what winning looks like. It's a great signal for our future success in other geographies.

In Greater China, we highlighted last quarter that we are facing a longer road to a healthier business. We've been implementing Win Now actions in our key cities of Beijing and Shanghai – leading with more storytelling of our product innovations editing our assortments and elevating the presentation of those assortments in targeted doors.

What we've done is a start but it's not happening at the level or pace we need to drive wider change. The next step is to further adapt our approach to fit China's unique monobrand footprint and digital-first marketplace. The reset requires a fresh way of thinking from our Nike teammates and our Nike Store Partners and it will take time.

Over the years, we established our premium position and market share there because the Chinese consumer believes in our ability to innovate and inspire them through sport. I'm confident we'll get back to fulfilling that promise.

China continues to stand out as one of the most powerful long-term opportunities in sport. That has not changed. Expect to hear, see and feel much more about how we'll manage the China marketplace differently this fiscal year and beyond.

Both EMEA and APLA are geographies that are led through distinct, influential key countries and key cities, so we're moving quickly to resourcing our teams on the ground, including sales. They're the ones who: deliver locally-relevant assortments, elevate the presentation of those assortments, fuel product seeding and build key local relationships, create meaningful stories and consumer connections, and ultimately drive profitable & sustainable revenue in both wholesale & direct.

EMEA activated their Sport Offense on Dec 1st, so they've just started re-hiring these critically important revenue-generating roles in key countries.

I'm locking arms with the leaders of our geographies and with Matt, who now leads Sales and Nike Direct, to elevate the way consumers experience our brands. I know what it looks like when it's successful. I can see the upside. It's a brand by brand, sport by sport approach paid off in a partner by partner, city by city, high street by high street, mall by mall approach and every detail matters.

Next, I'll share some color on how the Sport Offense is fueling a more diversified product portfolio through footwear, apparel, and equipment and up and down price points. Our teams are determined to deliver a consistent product innovation pipeline.

In January Nike Running will build off the strong start of our new stability shoe, the Structure 26, with the introduction of the Structure Plus. In Q2 Running grew by over 20% for the second quarter in a row. It's up double digits in every channel including Nike Direct.

Also in January we'll debut Nike Mind, a new footwear platform that will help athletes prepare for performance and competition, which we see as a new dimension to Nike Training's offense. We introduced Nike Mind along with three other new, innovation platforms in October.

One of them is a new platform that traps AIR for warmth in an ACG jacket. The jacket inflates from a shell to a puffer based on the warmth needed. The Therma-Fit Air Milano jacket will debut at the Winter Olympics in February.

Also in February at the NBA All-Star Game in LA, you'll see an example of how our three Basketball brands and their product lineups will come together under the Sport Offense. The

Swoosh, the Jumpman and the Star Chevron have a unified creative feel and merchandising approach with Footlocker in LA and we believe it has great potential to be scaled.

Our NIKESkims collection will launch internationally in EMEA and APLA in the same timeframe, following a successful rollout in North America.

In Nike Football, the deeper investment in World Cup starts now. This quarter we brought a fresh perspective to the culture of the game in a T90 collaboration with Palace and our Hollywood Keepers sportswear collection.

And in March, our athletes will begin wearing our new apparel platform Aero-fit in their National Team Kits. Aero-fit is like air-conditioning for the body, flowing air through the garment unlike any previous performance apparel. The innovation platform will scale across several sport dimensions in coming seasons.

Overall wholesale partners are very confident in our Nike Football product. Booking units are nearly 40% higher than World Cup 22. To help sell through the commitment, we'll refresh over 100 Nike Direct and 1400 partner doors around the world and our marketing team is making significant investments to inspire football fans everywhere.

All of these new concepts will come to the consumer in the back half of the year. As a result, our order book is improving, season-on-season.

Through the Sport Offense, we're on our way in product. But as I've said, near-term investments to clean up and elevate the marketplace have put real pressure on margins. Tariffs, have also obviously added a significant headwind to overcome.

I want to state it very clearly margin expansion is a top priority for me and my leadership team. While it will take time, we see the path back to double-digit EBIT margins for NIKE Inc.

That formula includes a multi-branded and diverse product portfolio that is constantly refreshing and bringing in newness and seeking to drive value out of every relationship we have in the marketplace. It also requires us to be bolder and more creative in how we operate.

I made another change within my leadership team this quarter, asking Venkatesh Alagirisamy to be in the role of our Chief Operating Officer. He and his team will look end-to-end to ensure technology is fully integrated across the company in how we create, plan, make, deliver and sell our world-class innovations.

We see significant opportunity to get our core operations running more efficiently and more profitably. I look forward to sharing more in the coming quarters.

With that, I'll turn it over to Matt to go deeper into the quarter, and then offer some closing thoughts before we take your questions.

[MATT FRIEND]

Thanks, Elliott, and Happy Holidays to everyone on the call.

Our second quarter results demonstrated the resilience of our portfolio, with modest year-over-year reported top-line growth, despite managing headwinds from the actions we have taken to reposition our business.

As I look back on where we are, one year from Elliott joining the company and moving forward with our Win Now actions, our business is in a better position. Sport dimensions represent a larger mix of the portfolio, led by Running, and we are seeing momentum build in other Sports. The classics footwear franchises are on track to decline from peak levels by more than $4 billion by fiscal year end. Wholesale has returned to growth, with a growing order book globally in both Spring and Summer. Nike Digital has reduced promotional activity and is operating more strategically in sync with our partners. Inventory is in a healthy and clean position in North America and EMEA.

While we are encouraged by all of this, as we have said, our progress will not be linear as each brand, sport and geography is recovering on a different timeline, and we continue to read and react every day in service of the long-term health of our brands. We highlighted last quarter that it will take more time to return to healthy growth in Greater China and Converse, and we expect headwinds to continue for the balance of the fiscal year. There are also puts and takes across EMEA and APLA. Meanwhile, North America and Running stand out again this quarter, and we are growing more confident in our ability to sustain the momentum as we look forward.

Being in the middle innings, as Elliott referenced, also means it will take time for the actions we have put into place to change the trajectory on EBIT margins. We have been navigating transitory headwinds to margin due to our Win Now actions and shifts in the business, including product and channel mix and continued inventory liquidation. As we highlighted last quarter, we are also navigating new structural headwinds from the $1.5 billion of annualized incremental product costs due to higher U.S. tariffs. This represents a gross headwind of approximately 320 basis points to gross margin in Fiscal 26. And while we have begun to take actions to reduce this to a net impact of approximately 120 basis points, it is still a significant factor impacting our near-term EBIT margins amidst a turnaround in a very dynamic operating environment.

All in all, we have made meaningful progress through our five Win Now actions… yet there is more work to do…and our teams are hustling.

For this quarter, revenues were up 1% on a reported basis, and flat on a currency-neutral basis. Nike Direct was down 9%, with Nike Digital declining 14% and Nike Stores down 3%. Wholesale grew 8%.

This included a top-line headwind of approximately $550 million from the reduction of our Classics franchises, down over 20% versus the prior year. This means our currency neutral revenue grew 6% excluding the impact of this headwind.

Gross margins declined 300 basis points to 40.6% on a reported basis, primarily due to increased product costs due to higher tariffs in North America, as well as inventory obsolescence in Greater China that was not contemplated ninety days ago.

SG&A was up 1% on a reported basis year over year, driven by higher brand marketing expense, partially offset by lower operating overhead. Relative to expectations, SG&A was lower due to operating overhead savings, reflecting the teams' continued focus on disciplined cost management.

Our effective tax rate was 20.7% compared to 17.9% for the same period last year, primarily due to changes in earnings mix.

Earnings per share was $0.53.

Inventory decreased 3% versus the prior year, with units down high single digits. In North America and EMEA, which represent almost three quarters of our business, we have returned to a healthy marketplace. We still have work to do in Greater China, parts of APLA, and Converse.

Now, I will turn to the geographies, and once again focus my remarks on specific context and insights of our Win Now progress.

In North America, Q2 revenue grew 9%. Nike Direct declined 10%, with Nike Digital down 16%. Nike Stores were down 2%. Wholesale grew 24%. EBIT declined 8% on a reported basis.

As Elliott said, North America is our best example of executing our Win Now actions, and we are taking the learnings from their playbook to execute across all other Geos. Momentum is extending beyond Running into additional sports including Basketball and Training.

As it relates to the North America marketplace, Wholesale delivered strong growth in the quarter. While the quarter certainly benefitted from liquidation to value channels as we cleaned up the marketplace, we also saw a balanced contribution of growth from both new and existing partners. North America also made additional progress on repositioning Nike Digital to a more premium representation of the Nike brand, with fewer days of promotion, lower markdown rates, and increased demand at full price. Nike.com posted its best Black Friday ever this year, partially driven by strong sell through of the Jordan Black Cat launch.

Growth in the quarter was driven by Running, Kids, Basketball, and Training, with Running delivering high double-digit growth in Nike Owned Stores, Nike Digital and Wholesale. Sportswear saw sequential improvement, up low single digits in the quarter, with Classic footwear franchises declining approximately 20% year over year.
Inventory declined mid-single digits versus the prior year, with units down double digits. Closeout units declined double-digits, and mix is very healthy.

Last, I want to point out that North America gross margins only declined 330 basis points versus the prior year, despite 520 basis points of impact from new US tariffs. This gives us confidence that our Win Now actions are working, profitability is recovering, and we are on the path back to sustainable, profitable growth.

In EMEA, Q2 revenue was down 1%. Nike Direct declined 3%, with Nike Digital down 2%, and Nike Stores down 5%. Wholesale was flat. EBIT declined 12% on a reported basis.

EMEA has maintained a healthy marketplace, although promotional activity has been heavier than expected. We saw growth in Central & Eastern Europe and the Middle East, offset by slight declines in Western Europe.

In Q2, our performance business continued to build momentum, driven by double-digit growth in Running. We also saw growth in Training and Sportswear. Sportswear growth was driven by Apparel, with Footwear flat, as a mid-20's percent decline in Classic footwear franchises was offset by growth in Air Max and the Look of Running styles.
Inventory grew double digits versus the prior year, with units flat, and the spread primarily due to foreign exchange rates. Closeout mix in the geography is healthy.

In Greater China, Q2 revenue declined 16%. Nike Direct declined 18%, with Nike Digital down 36%, and Nike Stores down 5%. Wholesale declined 15%. EBIT declined 49% on a reported basis.

Our priority in Greater China is to create greater brand distinction through sport and innovation, leveraging deeper local insights, in a premium and more consistently managed integrated marketplace, across both physical and digital channels.
Over the past several seasons, we have faced consistent challenges with declining store traffic, softer in-season sell-thru rates, and higher levels of aged inventory across the marketplace. Our brands have consistently been off price for consumers, especially in digital, affecting our premium positioning across the entire integrated marketplace.

These challenges resulted in a higher mix of off-price sales with higher markdowns, higher sales-related returns, higher wholesale discounts, and higher obsolescence charges to clean marketplace inventory levels. This cycle has had a significant effect on the profitability of Greater China.

This quarter, we took the following actions in China: We continued to obsess our initial Nike store pilot, which delivered encouraging results this quarter, with better traffic, and comp sales growth relative to trends across the broader fleet. We focused on sport, combining new product innovation with elevated retail presentation, and saw Running continue to grow in the quarter. We were less promotional during 11.11, resulting in an approximate 35% decline versus the prior year, in line with our plans. We accelerated returns of aged inventory owned by partners, and wrote off both partner and Nike inventory in the quarter. We reduced Nike inventory by mid-teens versus prior year, and by 20% in units, and We reduced sell-in plans for spring, and we cut our buys for summer, to improve sell-thru and full price realization.

We will need to make further shifts in the integrated marketplace to break the cycle that we've been managing through. There is more work ahead to scale the momentum of the initial store pilot to more doors, to elevate our brands across all digital platforms, and to clean up excess product in the marketplace. We expect headwinds to continue, but we are working to set the foundation for a return to growth in this important geography.

In APLA, Q2 revenue was down 4%. Nike Direct declined 5%, with Nike Digital down 10%, and Nike Stores up 1%. Wholesale was down 3%. EBIT declined 15% on a reported basis.

APLA continues to deliver mixed results across countries, with positive results in Latin America, more than offset by headwinds in Asia Pacific countries. During the quarter, the team leveraged promotions to make progress on pockets of excess inventory in the marketplace.

In the quarter, Running grew double-digits and Apparel grew mid-single digits overall.
Inventory grew double-digits versus the prior year, with units up mid-single digits, though we saw pockets of improvement year over year.

Now I will turn to our third quarter guidance.

We continue to operate in a dynamic environment, both for consumers and our global business, and we remain focused on what we can control to make forward progress 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 Q3 revenues to be down low-single-digits, with modest growth in North America as we see reduced liquidation activity versus prior quarters, performance in Greater China and Converse similar to Q2, as well as a three-point benefit from foreign exchange. We expect Q3 gross margins to be down approximately 175 to 225 basis points. However, excluding the 315-basis point impact of higher gross product costs related to new tariffs, gross margins would be positive in the third quarter. We expect Q3 SG&A dollars to be up low-single-digits, due to higher demand creation and investments in our sport offense. We expect other expense, net of interest income, to be an income of zero to $10 million in the third quarter.

Now, I'll close with a few final thoughts.

We are making progress in the areas we focused on first, and we are increasingly confident in our path forward, led by momentum in North America.

We are making the investments required to position our full portfolio for a recovery and making decisions in service of the long-term health of our brands. Operationalizing the sport offense, elevating the marketplace, and rebuilding our key city teams are critical priorities to return to sustainable, profitable growth across all brands, all sports, and all geographies.

Finally, as you heard from Elliott, we are focused on improving the profitability and operating efficiency of our business, and re-aligning costs while also investing to re-ignite growth. We look forward to sharing more in upcoming quarters.

With that I'll pass it back to Elliott.

[ELLIOTT HILL]

Thank you, Matt.

This quarter, the Los Angeles Dodgers reminded us what it takes to win at the highest level… back-to-back World Series titles something no team had done in 25 years.

And they gave us a Game 7 for the ages. They didn't take the lead until the 11th inning. Down 3-0 early every outside voice said, "It's over." But they kept chipping away. Every setback became a lesson. They leaned on each other. They believed when belief was hard.

Manager Dave Roberts shared those insights with us at the opening of our new Nike Store in Portland just days after that win. He talked about what guided his decisions, not just analytics but trust, feel, and sacrifice.

That included putting in bench player Miggy Rojas who hit an improbable home run in the ninth followed by a bases-loaded throw to the plate in the bottom of the inning. With one more out to go, Roberts swapped in Pages, who immediately made a leaping, game-saving catch. Every decision mattered and every player was ready when called upon.

But the boldest move he made was managing Yoshinobu Yamamoto's innings, our Nike guy and World Series MVP who won a historic three games in the series.

The day after throwing nearly 100 pitches, he surprised everyone to close out Game 7. That wasn't just effort that was a statement: "I'm leaving nothing on the table." It inspired the entire team.

That's what greatness looks like. It's not about perfection, it's about perseverance. It's about sticking to the plan and performing when the pressure is highest.

Nike is in a similar moment. We're the industry leader. Expectations are high. And yes, we've faced pressure and setbacks. But like the Dodgers, we're leaning on each other, focused on the fundamentals, making the hard calls and building for the long game.

Because in the end greatness isn't promised, it's earned. And we're ready to earn it. Again, and again.

Thank you, now Matt and I will take your questions.

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