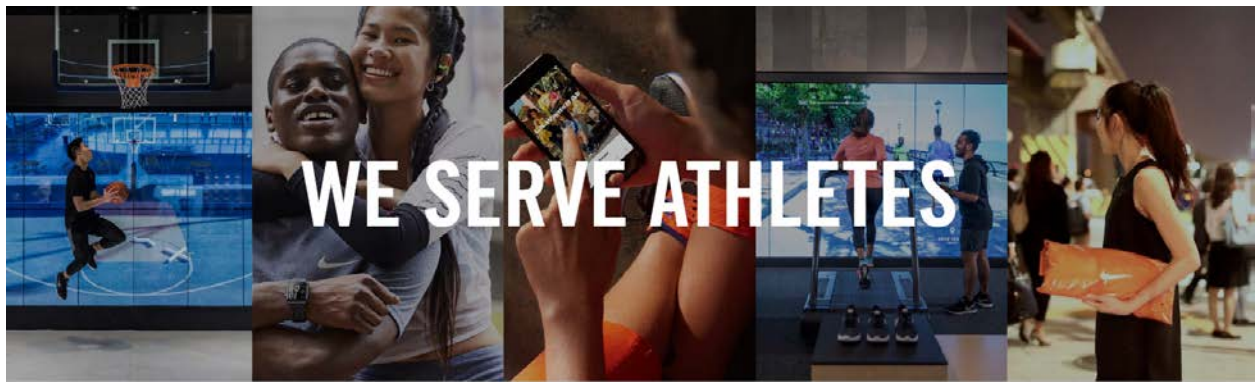


# ELLIOTT HILL

President, Integrated Marketplace & Geographies

## Elliott Hill – President, Geographies & Integrated Marketplace:

Good morning. I'm Elliott Hill. I'm the President of the Integrated Marketplace and our geographies. Today, I'm going to go deeper on 2 aspects of our Consumer Direct Offense. First, how we're serving consumers through Nike Consumer Experiences with our strategic partners and then, where we're serving consumers, leading with the cities and the countries that move the world. Let's get started.



In a marketplace that is transforming quickly, we have the ability and the agility to evolve. What remains constant? Our passion for sport and our ability to know our consumers better than anyone. Our goal of doubling our consumer connections across the integrated marketplace is a big one. We know that. But we have a competitive advantage.

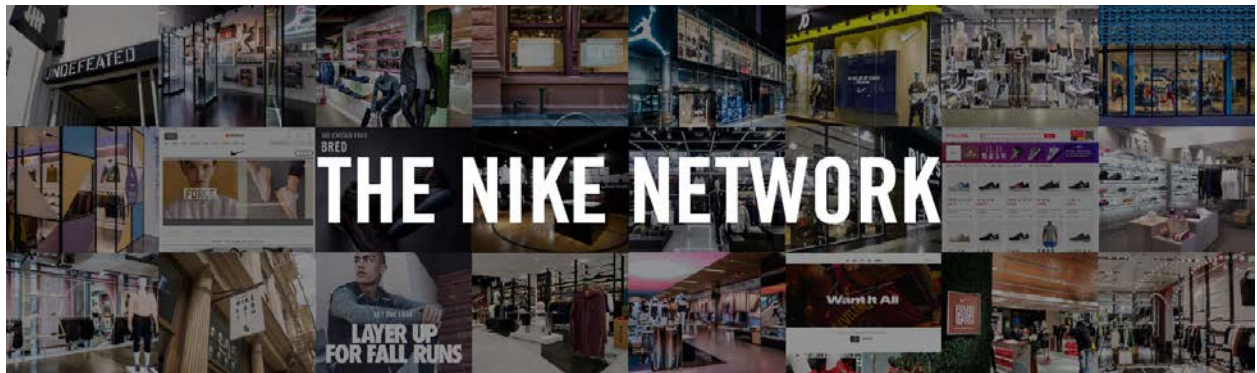


It doesn't matter if you're talking NIKE Direct or our strategic partners, the core of our service model is a relationship with our consumers. Our investments in NIKE Direct have produced powerful learnings about

our consumers and ourselves. We leverage all of this with our strategic partners to serve consumers wherever they shop with purpose and with energy.

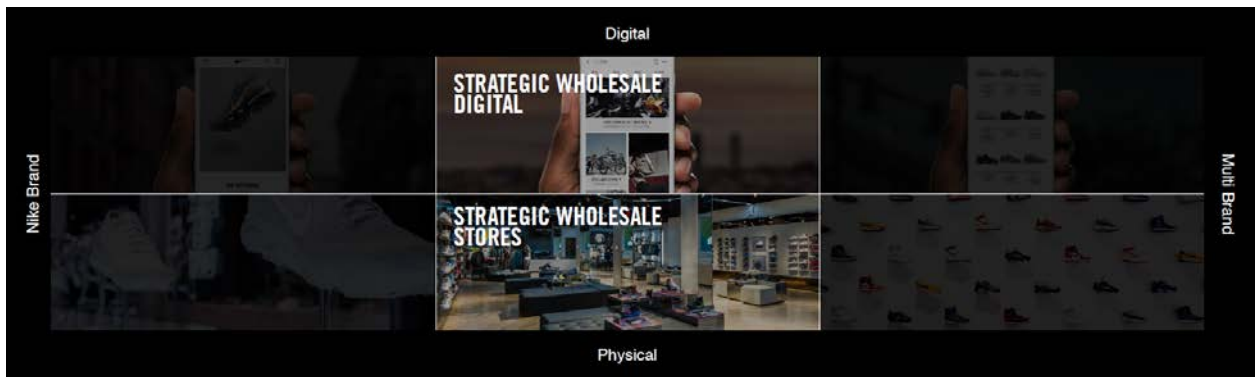


Nike Consumer Experiences will transform the marketplace. These curated experiences will serve our consumers on the field, off the court or on the run, and allow us to segment and differentiate the marketplace while driving profitable growth for our NIKE strategic partners -- for NIKE and our strategic partners.

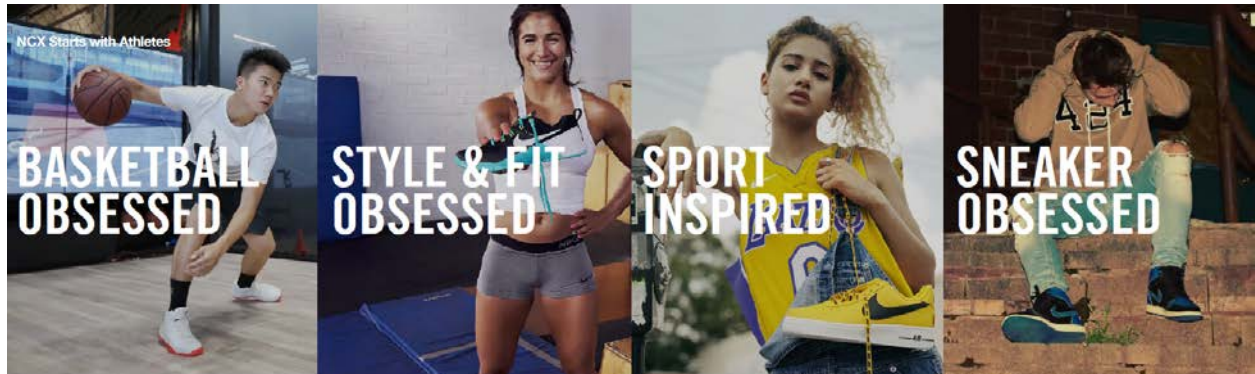


The NIKE network is a powerful portfolio of touch points. With NIKE Direct and through our strategic partners, we exceed the tailored needs of a diverse world of consumers with speed and scale. The NIKE Brand can create undeniable value for consumers when multiplied by the reach of the NIKE network.

For our future, focus is more important than ever: Focus on consumers; focus on digital at every touch point; and focus on our most strategic partners, long-standing and new, to deliver Nike Consumer Experiences at scale.



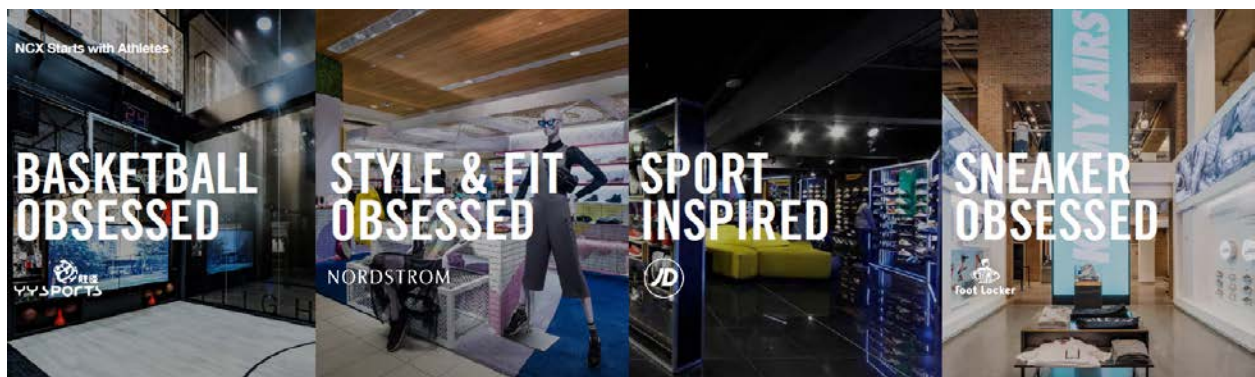
Last year, NIKE did business with 30,000 retailers around the world across 110,000 points of distribution. To shift to highly productive retail, we will execute our 2X direct strategy with about 40 partners. And over time, nearly 2/3 of our strategic partner business will be differentiated. We will serve -- we will drive long-term sustainable growth for ourselves and our strategic partners by creating a marketplace of our own design. So let's discuss the Nike Consumer Experiences we're creating with our long-standing partners. As you know, one of NIKE's greatest strengths is that we serve many consumers. And today, there are consumer-led NIKE retail concepts around the world. In the future, we will leverage digital and membership to better serve our consumers.



Now let's review 4 examples. Starting with the basketball-obsessed, who live, eat and breathe the game and the culture of the game. The future of basketball already exists, and it's in Beijing. Here, we have the biggest brand Jordan store in Asia operated by Pousheng. This monobrand experience is one of our most connected physical doors, with services like digitally enabled product trialing on a full-sized basketball court. Since it opened in July, it has welcomed thousands of consumers daily and become one of our top-performing doors.

In the U.S., we're partnering with Nordstrom to serve the style and fit-obsessed consumers, who train to look and feel good and are making athletic wear part of their everyday wardrobe. Nordstrom by NIKE is helping drive sneaker culture for women by merchandising sneakers and fashion together. The digitally led experience is generating double-digit growth for both NIKE and for Nordstrom. We are partnering with the JD Group to cocreate the authentic destination for the lifestyle of sport. This consumer experience will serve consumers with head-to-toe assortments, digitally led storytelling, expert service and NIKE Direct connected inventory. This is the future of sport retail, which we will accelerate in the new year.

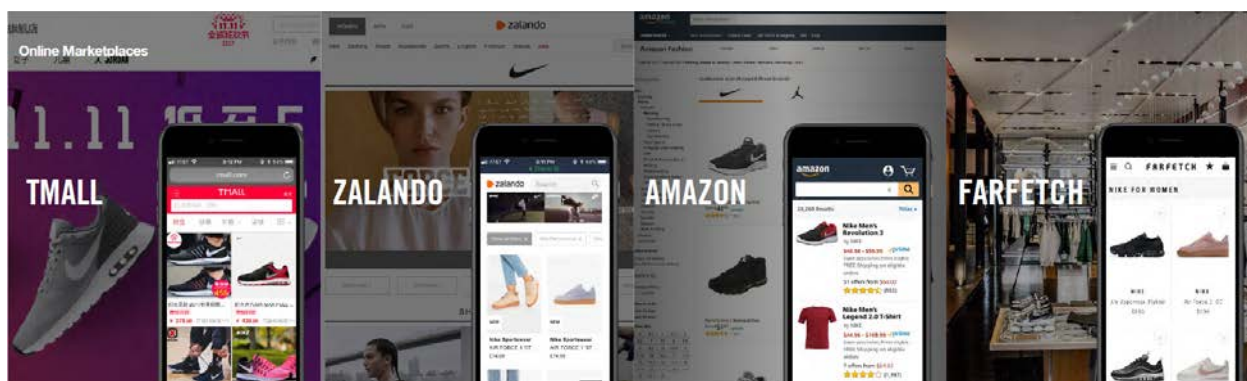
Our last consumer example is the sneaker-obsessed, who were all about the latest sneaker drop and the culture of sneakers. They want access to NIKE's best styles and the stories that make them special. Foot Locker sees the opportunity to partner with us to serve the sneaker-obsessed at scale. The NIKE at Foot Locker experience will offer curated and coveted assortments, NIKE-trained store experts, NIKE dedicated and elevated spaces and extensions of our Nike APP and SNKRS experiences.



Today, I'm excited to announce Sneakeasy, a window into what's next in the sneaker world. Sneakeasy will unlock the magic of the sneaker hunt across digital and physical Foot Locker destinations. You'll see Sneakeasy and the NIKE at Foot Locker experience start to come to life at Foot Locker doors in the United States this holiday season.

In all, Nike Consumer Experiences will be defined by fast, easy, personal and premium. They will drive growth for NIKE and our strategic partners as we connect more directly with our consumers all over the globe.

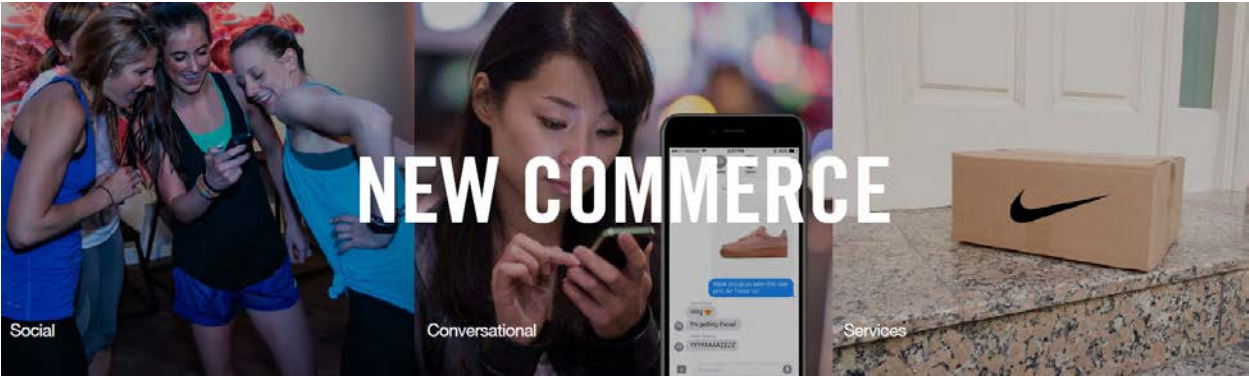
We all know that the marketplace of tomorrow will look very different than it does today. And as the shift to digital accelerates, so are we. When it comes to strategic wholesale digital, we think holistically about our biggest opportunities. We think about the digital businesses of our strategic wholesale partners. Online marketplaces like Tmall and Zalando and new commerce models that put us in the path of the consumer with tremendous growth potential.



Let's dive into some of our online marketplace partnerships. China's Tmall is the world's largest digital retail platform. The NIKE digital store is Tmall's top-performing sports brand, reaching an incredible 500 million consumers. Based on NIKE's success, we recently launched a Jordan digital store with Tmall, and the results are strong. As we look to the future, we will deepen our consumer data partnership with Tmall to bring members personal services and experiences.

In EMEA, we have a robust partnership with Zalando, an online marketplace that offers Europe's largest selection of footwear and apparel. We serve the style and fit-obsessed with curated assortments, elevated and dedicated brand storytelling and a connected inventory program. Our partnership with Zalando is creating growth and shaping the digital marketplace in and beyond Europe.

We believe the best way to understand online marketplaces is through pilots that give us rapid consumer insights. As an example, we recently launched a small pilot with Amazon focused on elevating the consumer experience. This pilot continues to provide us key learnings that will inform our next steps. In the coming months, we'll be launching more pilots with online marketplaces around the world. One that I am excited to share with you is a new collaboration with Farfetch. Through this partnership, we will provide online access to many of our influential global boutiques. Starting today, Farfetch is providing online access to our NIKE Lab spaces in Chicago and New York with local buy online, pickup in-store, and soon, same-day delivery service. This is the kind of new retail we're creating for consumers. It's fast. It's easy. It's premium. And it unites the digital and physical all to serve consumers more personally.



I'm also excited to share with you 2 new commerce partnerships created with the most innovative digital companies in the world, Instagram and WeChat. These new commerce partnerships allow us to put NIKE in the path of the consumers, experiment with new shopping experiences that exceed consumer expectations while accelerating new opportunities for growth.

Earlier this year, we launched a pilot with Instagram to enable users to discover, shop and buy. We are very impressed with the strong consumer engagement on the NIKE Women's and NIKE SB accounts. We will continue to partner with Instagram to create faster, easier way for consumers to discover, to shop and buy.

WeChat is a force in everyday Chinese life, with close to 1 billion monthly active users, who spend more than half of their day on the platform. I laughed on that one too, all right? Today, we are integrating with WeChat to give users the best of NIKE products, services and events. In the spring of 2018, we will integrate NikePlus membership into WeChat to be even more personal with our offerings. Because as you've heard from Heidi and from Adam, one thing is crystal clear: members drive more value for NIKE. And as we leverage our new membership program with our strategic partners, it has significant potential to add to our growth. These are just 2 of the many ways we're meeting consumers where they are and ensuring the best of NIKE is never more than a click away.



Now let's review where we will serve consumers. We've talked a lot today about focus. With the Consumer Direct Offense, we have focused our resources in 12 cities and 10 countries that will drive 80% of our growth over the next 5 years. We have the most experienced and diverse teams in the industry. Our city teams are committed to elevating and deepening consumer connections 365 days a year, creating and catalyzing growth for NIKE Direct and our strategic partners and incubating the future with consumer insights that drive our 2X innovation and 2X speed opportunities. The shifts will be powerful, and more importantly, they will bring us closer to the consumer.

When we win in our 12 cities, we win in our 10 countries. And when we win in our 10 countries, we drive growth and distinction in our 4 geographies.



In Asia Pacific, Latin America, we serve the youngest average consumer of all of our geographies. Our biggest opportunity is women's. It will be APLA's fastest-growing category as we inspire a new generation to love sport, fitness and the lifestyle of sport. In APLA, we are prioritizing our investments to serve her with elevated and curated points of distribution, unleash digital innovation in Japan and Korea, where consumers are hyper-connected, and accelerate growth in Tokyo, Seoul and Mexico City.

In EMEA, we're winning a fierce battle for market share in a healthy and growing marketplace. Our biggest opportunities are performance of innovation, sneaker culture, women's and creating the future marketplace with partners like JD and Zalando. We're investing heavily in Nike Consumer Experiences and connecting the marketplace in EMEA's 5 key countries and 5 key cities. They will drive more than 2/3 of EMEA's future growth.

During Investor Day in 2015, we shared how we reset Greater China for growth. The results are continuing to pay off. We've driven more than \$1 billion of revenue and 38% growth since 2015 in our most profitable geography. This is the kind of growth a direct marketplace can drive. But Greater China is just getting started. NIKE is growing Greater China -- the Greater China market by fueling a sports revolution. We are inviting more consumers into sport while building deeper relationships with the athletes that we already serve. We're doubling down on our digital investments to create the most personalized and integrated digital ecosystem in the world and creating unbelievable distinction in a marketplace that will be almost entirely direct. With partners like Pousheng, Belle, Tmall and WeChat, we are confident overall growth will accelerate.



Trevor spoke earlier about the North America marketplace. Even though it's changing dramatically, our responsibility remains. That's to serve the most diverse athletes in the world, to inspire them with industry-leading product and stories and to create a marketplace that's more direct, and as a result, closer to the consumer. It can be challenging to focus in a marketplace as diverse as North America's, but that's exactly what we'll do. And our focus will aggressively reshape NIKE's business.



Let me show you what it looks like. As a result of the Triple Double and our Consumer Direct Offense, number one, Nike.com and NIKE stores will be the fastest-growing part of our business. As we develop our strategic wholesale digital business, it will grow significantly. And as we create digitally led consumer experiences with our strategic partners, we will transform the retail landscape. As a result, NIKE will shift from 40% differentiated retail today to 80% differentiated retail over the next 5 years. We will elevate retail to a premium experience, reestablishing the price-value relationship and reducing the heavily promotional conditions we see today.

The most strategic of our current retail partners share this vision and want to be a part of it by creating a platform for a Nike Consumer Experience. We have an aggressive retail plan, and we will begin rolling out new Nike Consumer Experience concepts in the second half of this fiscal year. We are confident in our teams and our strategies. Growth will shift, and the total NIKE network will grow.



Ultimately, we will drive balanced sustainable growth across our 4 geographies, and Andy will share more about the financial implications of this strategy later today.

And I'd like to close by returning to our 12 key cities. Nowhere is the NIKE Brand stronger. Nowhere is our ability to serve, inspire and create more meaningful. Take a look.