

NIKE INC
Form 10-Q
April 05, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended February 29, 2016

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number-001-10635

NIKE, Inc.
(Exact name of registrant as specified in its charter)

OREGON 93-0584541
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

One Bowerman Drive, 97005-6453
Beaverton, Oregon (Zip Code)

(Address of principal executive offices)
Registrant's telephone number, including area code: (503) 671-6453

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Shares of Common Stock outstanding as of April 1, 2016 were:

Class A 353,251,752
Class B 1,331,470,017
1,684,721,769

Table of Contents

NIKE, INC.
FORM 10-Q
Table of Contents

<u>PART I - FINANCIAL INFORMATION</u>		Page
ITEM 1.	<u>Financial Statements</u>	<u>3</u>
	<u>Unaudited Condensed Consolidated Balance Sheets</u>	<u>3</u>
	<u>Unaudited Condensed Consolidated Statements of Income</u>	<u>4</u>
	<u>Unaudited Condensed Consolidated Statements of Comprehensive Income</u>	<u>5</u>
	<u>Unaudited Condensed Consolidated Statements of Cash Flows</u>	<u>6</u>
	<u>Notes to the Unaudited Condensed Consolidated Financial Statements</u>	<u>7</u>
ITEM 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>23</u>
ITEM 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>41</u>
ITEM 4.	<u>Controls and Procedures</u>	<u>41</u>
 <u>PART II - OTHER INFORMATION</u>		
ITEM 1.	<u>Legal Proceedings</u>	<u>43</u>
ITEM 1A.	<u>Risk Factors</u>	<u>43</u>
ITEM 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>43</u>
ITEM 6.	<u>Exhibits</u>	<u>43</u>
	<u>Signatures</u>	<u>44</u>

Table of Contents

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

NIKE, Inc. Unaudited Condensed Consolidated Balance Sheets

(In millions)	February 29, 2016	May 31, 2015
ASSETS		
Current assets:		
Cash and equivalents (Note 4)	\$3,044	\$3,852
Short-term investments (Note 4)	2,062	2,072
Accounts receivable, net	3,368	3,358
Inventories (Note 2)	4,590	4,337
Deferred income taxes (Note 7)	410	389
Prepaid expenses and other current assets (Notes 4 and 10)	1,782	1,968
Total current assets	15,256	15,976
Property, plant and equipment, net	3,329	3,011
Identifiable intangible assets, net	281	281
Goodwill	131	131
Deferred income taxes and other assets (Notes 4, 7 and 10)	1,990	2,201
TOTAL ASSETS	\$20,987	\$21,600
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt (Note 6)	\$7	\$107
Notes payable (Note 4)	—	74
Accounts payable	1,714	2,131
Accrued liabilities (Notes 3, 4 and 10)	3,224	3,951
Income taxes payable (Note 7)	35	71
Total current liabilities	4,980	6,334
Long-term debt (Note 6)	2,048	1,079
Deferred income taxes and other liabilities (Notes 4, 7 and 10)	1,659	1,480
Commitments and contingencies (Note 13)		
Redeemable preferred stock	—	—
Shareholders' equity:		
Common stock at stated value:		
Class A convertible — 353 and 355 shares outstanding	—	—
Class B — 1,332 and 1,357 shares outstanding	3	3
Capital in excess of stated value	7,539	6,773
Accumulated other comprehensive income (Note 11)	645	1,246
Retained earnings	4,113	4,685
Total shareholders' equity	12,300	12,707
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$20,987	\$21,600

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of this statement.

Table of Contents

NIKE, Inc. Unaudited Condensed Consolidated Statements of Income

(In millions, except per share data)	Three Months Ended		Nine Months Ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Revenues	\$8,032	\$7,460	\$24,132	\$22,822
Cost of sales	4,343	4,034	12,947	12,348
Gross profit	3,689	3,426	11,185	10,474
Demand creation expense	804	731	2,405	2,394
Operating overhead expense	1,762	1,648	5,298	4,903
Total selling and administrative expense	2,566	2,379	7,703	7,297
Interest expense (income), net (Notes 4 and 6)	5	6	14	24
Other (income) expense, net (Note 10)	(17) (5) (82)