



## (NKE) 1Q17 RESULTS: BEATS ON REVENUE AND EPS; ORDERS UP 5%

	1Q17	1Q16	YoY Change
Revenues (USD Bil.)	\$9.1	\$8.4	8.0%
Gross Margin	45.5%	47.5%	(200) bps
SG&A/Sales	32.0%	30.6%	140 bps
Adjusted Operating Margin	20.5%	20.7%	(20) bps
Adjusted EPS	\$0.73	\$0.67	9.0%

Source: Company reports/Fung Global Retail & Technology

- 1) Nike reported fiscal 1Q17 adjusted EPS of \$0.73, ahead of the \$0.56 consensus estimate and up 9.0% year over year. Revenues were \$9.1 billion, up 8.0% year over year and beating the consensus estimate of \$8.9 billion.
- 2) Apparel was the strongest product category in the quarter; revenues were up 9% year over year, and up 12% excluding currency changes. Globally, footwear sales grew by 7%, and by 10% in constant currency. Greater China was the strongest geographic region, with sales up 21% excluding currency changes.
- 3) The company has reported that future orders scheduled for delivery from September 2016 through January 2017 are up 5% year over year globally, or up 7% excluding currency changes, with the most significant increases represented by Japan at 26% and Greater China at 15%.

### 1Q17 RESULTS

Nike reported fiscal 1Q17 revenues of \$9.1 billion, up 8.0% year over year and above the consensus estimate. Revenues increased by 10% excluding currency effects. Sales increased in all regions and segments except emerging markets, the global brand divisions and the licensing businesses.

Adjusted EPS was \$0.73, ahead of the \$0.56 consensus estimate and up 9.0% year over year, driven by strong revenue growth, operating overhead leverage, a lower effective tax rate and a lower average share count, which were partially offset by a gross margin decline and high demand creation expense in an Olympic quarter.

### By Product Category

Globally, footwear sales increased by 10% excluding currency effects. Apparel sales increased by 12% in constant currency and equipment sales increased by 6%. The company's global brand divisions decreased by 30%.

- **Footwear**—Sales of footwear increased by 7%, or 10% excluding currency effects. The strongest footwear sales came from Greater China, with growth of 25% excluding currency effects, followed by Central and Eastern Europe at 19% and Japan at 17%.
- **Apparel**—Sales increased by 9%, or 12% excluding currency changes, globally. The strongest regions for apparel growth included Western Europe, with 26% growth excluding currency effects and Japan, with 21% growth.

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- **Equipment**—Equipment is the company's smallest segment and had slower growth than apparel and footwear. The strongest region for equipment growth was Japan, where sales were up 12% excluding currency effects.

**By Geographic Region**

In the quarter, revenues increased by 6% in North America, by 7% in Western Europe, by 10% in Central and Eastern Europe, by 15% in Greater China, and by 37% in Japan. Revenues declined by 2% in emerging markets.

- **North America**—Other than the decline in emerging markets, North America posted the company's slowest growth, at 6%. Footwear, apparel and equipment all posted growth in the mid-single digits.
- **Greater China and Japan**—The company's Asia business reported the strongest growth, with sales in Japan up 37%, or 18% excluding currency effects, and sales in China up 15%, or 21% excluding currency effects.

**OUTLOOK**

Future orders scheduled for delivery from September 2016 through January 2017 totaled \$12.3 billion, 5% higher year over year, and 7% higher on a currency-neutral basis. The most significant growth in future orders came from Japan, at 26%, and Greater China, at 15%.

Consensus estimates for 2Q17 call for EPS of \$0.51 and revenues of \$8.3 billion. For the full 2017 fiscal year, consensus estimates are for EPS of \$2.60 and revenues of \$33.6 billion.



FLASH REPORT

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