NIKE, Inc. Investor Meeting Transcript
June 28, 2011

PRESENTATION – NIKE, INC Investor Update Meeting
Power of the Portfolio

Kelley Hall: Good morning, everybody. Welcome. Thanks for being here today. We'll go ahead and get started. For those of you I haven't met yet, I'm Kelley Hall, Senior Director of Investor Relations for NIKE, Inc.

We have a pretty full agenda planned for you today. You have copies at you desk so you can see who you're going to hear from and the topics we're going to cover. And while we have a lot of information to share with you, we have three main goals for the day.

The first is to highlight our FY'11 results and share progress against the FY'15 growth goals that we outlined last May. Second, to provide insight on how we'll leverage the power of our portfolio, fueled by our innovation agenda to capture the significant growth opportunities we see over the next four years.

And third, to show you the strength of our management team. Their exceptional talent and leadership will drive the NIKE, Inc. growth strategy.

Of course, we intend to do this within the rules as expressed on the slide behind me. Halfway through the day we'll take a break for lunch. Speakers will not join you over lunch as we'll be at the midway point. But they will look forward to answering your questions at the Q&A following the presentation, as well as having a chance to chat with you at the reception that follows. So, with that, I'll ask you to please silence your phones and we'll get started. Thank you and enjoy the day.

(VIDEO PLAYING)

Mark Parker: Okay, good morning, everybody, and thanks for being here. Welcome to the NIKE world headquarters. You saw a bit of then and now in that video and then you saw that also in the lobby when you walked in this morning. And that display that you saw is part of our annual

Maxim's Awards, which happens this Thursday. And that's really a celebration of the amazing work that our teams put out throughout the year. And what you saw are the finalists amongst hundreds of nominated projects from all over the world.

And I think it's clear that we are prolific and that we're proud of the innovations we bring to athlete consumers all over the world. And it's that same innovation that creates value for our shareholders and for all of you here today. And I think we've done a pretty good job of that.

In the last ten years, we more than doubled our revenue, we increased our Gross Margins more than 5 points, and compounded earnings per share grew at 15%. We nearly tripled our cash flow from operations. We paid out over $3 billion in dividends, and we repurchased $7 billion of stock. And our market cap more than tripled, driving a 17% average annual return to shareholders. I think that's what makes NIKE a growth company.

Today we have seven distinct high energy brands, each with a powerful connection to its consumers. And it's really those connections that give us the insights that we need to create the amazing products and experiences. And then we do that over and over again. And that's really the fundamental cycle that continually drives growth.

And while each brand has an enormous potential in its own right, the real power of NIKE, Inc. comes from making the overall value of the portfolio greater than the sum of the parts. And again, I want to remind you that we have a broad definition of that word portfolio.

Now, it's our NIKE Brands and everything that drives them. It's our product, our retail partners and executions, our supply chain, our strong balance sheet, and then our very focused and talented management team. And we use the power of the portfolio to manage risk, and then to attack our biggest growth opportunities. It's the source of our financial and human capital. It gives us the scale necessary to drive down costs. And it enables us to leverage our resources across multiple brands and categories.

And it all revolves around one thing, something very near and dear to my heart, and that's innovation. And that's what we do. That's what we believe in. And it comes to life in three very important and powerful ways. We innovate obviously to serve the athlete. We innovate to grow the Company. And then we also innovate to inspire the world.

So I'll break that down just a little bit for you. Innovate to serve the athlete, first and foremost. Deliver amazing products and experiences. That's easy in theory, but tougher in execution. When we launched NIKE Free technology, it changed the look, the feel and the role that Footwear plays in the life of the athlete. Today, NIKE Free is one of our most successful innovation stories. When we launched Lunar technology, we knew it would change the industry. But what we didn't know is that it would be $1.5 billion in business just three years later.

If you look at running, just as one category, last year alone we held 132 runs in 28 different countries. We increased membership to NIKE Plus by 40%. We launched what is arguably the hottest digital product in the industry with the GPS SportWatch. And then we increased revenue by 30%. And that's all since we met last May in New York.

And NIKE Pro. NIKE Pro is now the leading women's base layer brand in the United States. And on the men's side, we closed the gap to 10 points in April. And then last month we cut that gap in half again to 5. So we have lots of great momentum with NIKE Pro.

There's amazing energy in sports today. The World Cup, the NIKE US Open in Surfing, the World Basketball Festival in New York, the Champions League. I can go on and on. But there's millions of athletes using NIKE digital apps, billions of consumers watching our athletes all around the world. And as I said, the appetite for sports is strong and growing and NIKE's really leading the way.

We consistently create and commercialize innovative products and experiences, and that's what really extends our leadership position. In fact, NIKE, Inc. holds more than twice the number of invention patents than our top five competitors combined. And I really believe we're just getting warmed up.

The opportunities to deliver meaningful product innovation have really never been greater. And we've never been more excited and better prepared to take advantage of those opportunities. I've been with NIKE for over 32 years and I've never seen as much potential as I do today for really meaningful innovation.

Innovate to grow the Company. Obviously very important. And there's two huge opportunities here, the way we look at it. We call the first transforming the marketplace. We're on the ground around the world identifying the markets, connecting with consumers, and assessing retail opportunities. And then we use this knowledge to apply our resources where they make the most difference.

And they make the most difference with our wholesale partners. Since we met in New York last year, we opened more than 100 premium category destinations with our wholesale partners. We opened nine brand and category experiences in the US and Europe. Converse opened a couple, one in New York and one in Boston. And NIKE, Inc. ecommerce is up 25% on a currency neutral basis, with Nikestore.com leading the way, up 32%.

Those are big increases, but I'll be the first to tell you that they pale in comparison to the opportunity we have to expand ecommerce across all NIKE, Inc. Brands. The second opportunity here is transforming our operational capability. We're continually refining our operations. That's how we create product, how that product gets manufactured, how we get it into the hands of our retailers, and then also obviously our consumers.

And we've had some capacity and delivery challenges over the past year, as you know, and that points to a couple of things. One is the tremendous demand for the product. But, two, also the need to be quicker about delivery. And that's exactly what we're doing.

We just opened a new China logistics center. And at 120,000 square meters, it's one of the largest DCs in all of Asia. And it's on track, by the way, to become the first in China to be lead certified. The CLC, as we call it, will give us a huge advantage in how we handle all NIKE, Inc. products in China. So a big investment, but a big payoff. We're able to make these investments in the future because of the strength of our balance sheet and the confidence we have in our strategies.

Finally, we innovate to inspire the world. And I think one of the great lessons of the 21st century is the need for collaboration. Honestly, something we, in our early days, were not as good at. But we're getting actually quite good at it. I believe that nobody can solve the big challenges or reach the bigger opportunities of the future alone, not the governments, not companies, not activists. I think we really all have to work together to make that happen.

And this is especially true -- especially true in something like sustainability. Last year we reclaimed 13 million plastic bottles from landfills in Japan and Taiwan and then turned those bottles into our lightest high performance Football jerseys ever. And then we put those Football jerseys on nine Football -- National Football teams at the World Cup last summer. And that changed product creation in Football forever.

I believe that any company doing business today has two simple options. One is embrace sustainability as a core part of your growth strategy, or eventually stop growing. We're working with our partners also to create new ways for young people everywhere to access sports. This is a big initiative for NIKE. And this makes our youth healthier and overall it makes the future brighter for everybody here.

And we continue to have breakthroughs with our Girl Effect. You may have heard about this. This is the sole focus of our NIKE Foundation, focus on adolescent girls in developing parts of the world. Earlier this year I went to Kenya, Ethiopia and Uganda and I saw firsthand the overwhelming impact of intergenerational poverty. But then I also saw the very real sense of hope and possibility in young girls who are breaking that cycle, who were given opportunities. And this is all part of NIKE's commitment to build a better world, while we build a better company. And I'm very proud of the progress we're making here.

So, back to 2011. This was a very ambitious year. We told you last May that we would double our innovation agenda and drive growth at the category, the brand and the country level. And that's exactly what we did. NIKE, Inc. revenue was up 10% to a record $20.9 billion. NIKE Brand revenue was up 10% to a record $18.1 billion. Our other businesses grew 9% to $2.7 billion. And NIKE Brand Futures were up 15%. And diluted earnings per share grew 14%, coming in at $4.39, which is also a new record.

The last 12 months I think revealed many changes in the world to all of us. The global economy continues to recover. But as we've seen, that's been a slow and volatile recovery, particularly in certain parts of the world. Consumers, particularly youth, face that nagging unemployment. Governments are wrestling with higher levels of debt. And then there's rising costs, as we know, for raw materials, energy and labor, which is sparking inflation in world economies.

And we're not immune to those factors. But we expect them to exert pressure on our Gross Margins in the first half of fiscal '12. But those external factors do not control our destiny. We do. We are well resourced and positioned to navigate the global economy to create competitive separation and to continue to deliver profitable growth.

Now, if you look at developed markets, these are markets that hold enormous opportunity for NIKE. In 20 years, up to 65% of the world's population could be middle class. And most of that in China, India and Brazil. And we're performing very well in these developing markets and we're ideally positioned to capitalize on their potential.

In developed countries, the economies are recovering at a slower pace, but the strength of our products and brands will enable us to continue to outgrow the market and grow the market. North America is a great example, our number market in the world. And you're going to hear about that in a little bit. But enormous opportunity yet for continued growth in North America.

The key for NIKE, Inc. in any market around the world is to drive innovation at every level. That's the brand, the product, retail, operations, events, communications. So today is about providing context for you for our strengths and opportunities. Tomorrow and beyond is all about possibility. And we have a lot of possibility.

As a CEO who came up through the product and design world, I know something about the nature of innovation. It's incredibly valuable. I would argue for a company like NIKE absolutely essential. But it's also equally difficult. And that's where this company distinguishes itself from all others, and that's innovation. You can look back a year from now and see it, as we have in South Africa and Huntington Beach. You saw some of that in the video.

And look forward a year and you'll see it in London, you'll see it in the NFL, you'll see it at the European championships, you'll see it in Brazil in 2014 and 2016, and frankly I think you'll see it every day in between. We are just beginning to tap into what I would consider to be some real game changing innovations.

As a product geek, self-confessed product geek, I have never been more excited as I am today about innovation. Things like digital integration between athletes and technology, one-of-a-kind customization at scale, open source design, a quantum leap, I think, in engineering and manufacturing that closes the loop on the one side and also opens the door to smarter products and higher performance.

And this is the kind of change that we're focused on. This is where we're heading, and this is where we're leading. The essence of NIKE is actually very simple. We're innovators. We create change. This is, I would say, our obsession. It has been since the days of Bill Bowerman. Only today it's at a dramatically different scale and scope.

A year ago I stood before you in New York and I said our goal was to deliver $27 billion in revenue by fiscal '14. And I'm excited to be here today to tell you that we're ahead of schedule, so we're revising that number. And when I look at the strengths of this company and the opportunity we have going forward, I believe we can exceed that goal and reach $28 billion to $30 billion in revenue by 2015.

And we'll deliver growth in the right way. This is very important. Growth that's sustainable, profitable, capital efficient and growth that really continues to build real value in our brands, which happen to be the most valuable asset that we own. And today we're going to tell you how we're going to do that. And at the end of the day, I think if you take anything away and you remember anything about this company, know this. That we are relentless. We're relentless.

So, thanks for coming, everybody. We have a lot of ground to cover today. We're going to start with a look at our four Affiliate Brands, at Converse, Cole Haan, Hurley and Umbro, and here to do that is our President of the NIKE Affiliates, Roger Wyett. Thank you.

(VIDEO PLAYING)

Roger Wyett: Good morning. And, indeed, a very warm welcome. My name is Roger Wyett and I'm the President of NIKE Affiliates portfolio. The video you've just watched is of last year's US Open in Huntington Beach, where NIKE, Hurley and Converse combined together to provide a wonderfully rich experience of surf, music and art. Over the course of a week, around 650,000 kids attended. It's a wonderful illustration of the power of our Brands working alongside one another.

There are four uniquely aspirational brands within the portfolio of the Affiliates. Each Brand expands our consumer reach, while providing opportunity for growth and strategically each complements the NIKE category offense. For example, think about Converse alongside NIKE, basketball and Jordan. Umbro alongside NIKE Football. Or Hurley and Converse and NIKE collectively driving our action sports strategy.

Together, it's a wonderfully powerful formula for growth and consumer reach. Each of these Affiliate Brands is deeply connected to its own individual consumer through a sharp product offering and yet they all share the same common goal of putting the consumer first and knowing exactly what they want.

So let's begin with consumers and the importance of genuine long term relationships. We know that kids live in a world that's ever-changing. It's a social world. It's almost sensory overload. And it takes a need for clear communication and compelling product just to break through the clutter. We strongly believe that everyday consumer connectivity drives loyalty and increases purchase behavior.

And I'll share through my presentation what that looks like for each of the individual brands. Consumer connectivity and loyalty are essential to driving growth. They all give us confidence in the potential of the Affiliate Brands to be growth accelerators for NIKE, Inc.

After school year '11 results demonstrate this potential. The four Brands, which are reported with NIKE Golf as NIKE, Inc. other business, represents $2.7 billion. If you exclude NIKE Golf, the four Affiliate Brands represent $2.1 billion. The total wholesale equivalent, which includes revenue generated from our licensee partners, has a global footprint of about $3.8 billion.

We have doubled our revenue in the last five years. We're on course to double revenue by fiscal '15. This will drive a mid teen growth rate, provide strong earnings, as well as -- as we evolve our strategy of controlling our destiny through key market ownership.

So what I'd like to do now is individually touch upon each business with a deep dive into Converse. Huntington Beach, California, it's the epicenter of the action sports industry and the home of Hurley. Hurley is an excellent example of a business that truly leverages NIKE's expertise, resources and operational competencies.

Fiscal year '11 business was $252 million in reported revenue, up 14% from last year. Hurley's an authentic surf brand, has a wonderfully inclusive culture that embraces a microphone for youth attitude. This mantra is a core of Hurley's DNA. Through the use of multiple channels such as Facebook, YouTube and blogs, Hurley naturally connects with consumers. It is a brand that punches well above its weight.

Mark references the way we obsess upon disruptive innovation, brand and consumer connectivity. We firmly believe that key styles drive growth as well as define a brand's position. Hurley's focus is boardshorts. It's a foundation of its growth strategy. And indeed, the Phantom, borne out of the collaboration with NIKE, is a three time Innovation Boardshort of the Year winner.

Today the Phantom boardshort leads the industry and is universally embraced by both athletes and consumers alike. In the last three year it has gained over ten market share points with the core consumer. We fully expect this growth to continue and we're in the phase of commercializing the Phantom property into other categories, such as woven shirts, shorts and outwear.

As mentioned, Hurley is successfully collaborating with NIKE on the go-to-market process, particularly in retail, digital and disruptive innovation. We plan to expand the product assortment to a four season model, expand distribution globally, and leverage the natural connection of the Hurley kid to the digital world to drive digital commerce. As a result, we expect Hurley will double its revenues by end of fiscal '15 to reach $500 million.

So now let's change gears and move on to Cole Haan. The brand reset we discussed last year is yielding strong early results. Fiscal '11 revenues were $518 million, which is up 12% against prior year and included positive retail comps. Men's Footwear leads the way, which was driven in particular by a leadership position in loafers and oxfords.

As you know, Cole Haan is built upon product integrity and craftsmanship. It is recognized for key styles that are consistently part of everybody's wardrobe for multiple uses. So the question becomes how do we keep it fresh and relevant today.

The answer lies at the intriguing intersect play where work meets play. Increasingly, consumers, such as ourselves, are blending formal and informal. For example, loafers and wingtips are being worn in a variety of ways and a variety of places, both traditional and nontraditional.

The individuality of style is the heart of the opportunity for Cole Haan. Much work has been done against traditional styles, mixing them with unexpected elements of color, texture and a mash-up of materials. It's important to know that this strategy will be additional to our core business.

We've also leveraged NIKE technology to drive innovation into Cole Haan products. NIKE Air has been a highly successful platform for Cole Haan. And we also believe there is greater commercial opportunity by leveraging other innovation in an unexpected way and bringing the two companies together.

Although the initial focus for Cole Haan's strategic reset has been on men's, we are diligently working to elevate both Women's Footwear and accessories. Also, the majority of Cole Haan's business is borne out of North America. But we believe there's untapped growth opportunity in Europe, Japan and China. As a result, we expect Cole Haan's revenue to reach north of $750 million by the end of fiscal '15.

Moving now to Football, the NIKE Brand continues to accelerate at remarkable levels, as seen in last year's World Cup. We purchased Umbro with a long term view to perfectly complement NIKE Football. We see significant potential to leverage not only the authentic Football heritage, but also the lifestyle expression that the kid's looking for.

Umbro fiscal year '11 revenue were $224 million, with another $300 million in estimated wholesale equivalent generated by our licensees. The International Team and Manchester City are two highly vibrant and visible partners that allow us to magnify the very best of the Umbro Brand, from the pitch to the street. One symbolizes absolute national pride, the other offers a unique blend of Football culture and music.

Umbro is unmistakably a Football Brand, with English roots, tribal passion and all the pageantry that goes with it. And it resonates to the kids on the streets and the stands. But at the same time, it offers a very modern sensibility. As we discussed earlier, the consumer connectivity between music, art and sport is well documented. But it's so relevant.

Here's seen the UK band Kasabian last year debuting the England jersey in Paris in front of 5,000 kids. The biggest story, the unveiling moment, reached seven million users through Facebook, blogs and YouTube. The even bigger story was over 400 articles were written worldwide, reaching 25 million consumers. That's the power of connectivity.

So as we look to next June and the European championships, we see it as a galvanizing opportunity for both sportswear and performance. We have calibrated with celebrated English design (inaudible) on performance wear. It is very innovative. And we're definitely pushing the boundaries on the sportswear opportunity because we see it as significant.

In the last 12 months we have converted some key Umbro markets to direct distribution, including China. And we're very deliberate in our strategy to put ourselves into a winning position. We're aggressively resetting the brand. It comes from a UK foundation and we anticipate Umbro will double its business by fiscal '15. So let's just take a pause. Let's shift gears now to Converse. But before we do anything, let me show you a video of this wonderfully exquisite brand.

(VIDEO PLAYING)

Roger Wyett: There is no doubt Converse is a crown jewel. And it is the growth engine of the portfolio. It has over 100 years of rich and colorful and diverse history. Seems like every generation seems to discover Converse through their own unique product experience. In fiscal year '11 we achieved $1.1 billion in reported revenues, which is up 15% over prior year.

Converse is sold in over 130 countries. And including sales from licensees, there's an additional $1.3 billion of wholesale equivalent business. This makes the brand a $2.4 billion global business. Converse's origins are grounded authentically in basketball, and it offers a natural adjacency to NIKE basketball and Jordan. Last year, the three brands came together at the World Basketball Festival in New York City, and thousands of people were treated to an extraordinary display of street basketball, music and art, with the headliner of JZ.

Converse also has deep-rooted connections within music, as seen here. If you attend festivals such as South by Southwest or Coachella, you'll see that Converse is the brand for both fans and artists alike. Converse is a case study of a business built in the right way, through a solid product foundation.

Central to this is a Chuck Taylor, a franchise we have grown from 2 million pairs in 2004 to 70 million pairs today. That's almost 200,000 pairs purchased every day. Last year we worked very hard to dimensionalize this franchise. We strategically managed the unit volume and we diversified the assortment.

Additionally, we're fiercely managing distribution and we're unrelentingly bullish on how we attack counterfeit product. Seems like few products resonate so personally as the Chuck Taylor. It's highly coveted, easily worn with a variety a outfits. The image you see here is the All Star remix, launching fall of this year. It's an excellent example of dimensionalizing design at a very high level, therefore further extending the franchise.

It is only the very rare products that possess such timeless design elements. We've done premium collaborations with [Sharp to Misone], for example, and we continue to fuel the desirability and the energy of Chuck Taylor on a premium and very limited level.

An important part of our growth strategy, as we discussed last year, is broadening and diversifying the Footwear portfolio. Star Chevron, One Star and Jack Purcell offer unique styles and statements for consumers and we're growing at an accelerated rate in each of these.

Continuing the diversification theme, basketball, central to Converse. We're realigning a strategy, collaborating with NIKE, and creating a very gritty street smart performance range that sits alongside NIKE basketball and Jordan.

Likewise, we talked to you last year about Apparel. So what's the progress there? Well, we strategically resourced and invested and the consumer is definitely showing there is an appetite for the product. We're very confident that the strategies which are built around key styles and key products as tees, fleece and denim will accelerate the business. And there's a strong collaboration across the NIKE supply chain.

Additionally, Jack Purcell, it's our fastest growing business within Converse, 50% year-on-year, on the back of a really well coordinated Jack Attack campaign. The brand is built upon timeless style. It's inspired by a 1930s badminton player and it's certainly an aspirational gem offering premium sportswear.

To illustrate the diversity of Converse, think about you see a pair of Chucks at a music concert. You see Jack Purcell at a country club. You see both on many college campuses and it's growing. So moving towards now distribution, in the last 12 months we have taken back control of the UK. China will come in-house by January of '12. Again, the integrated strategy of assuming key markets is a primary enabler that will drive higher profitability.

As you will hear later from Jeanne, progress in the last 12 months in retail and ecomm within Converse has been very impressive. Recent launches at Newbury Street Boston, Soho New York have been unqualified successes straight out of the block. Factory Outlet stores continue to drive growth, manage inventory and deliver healthy bottom line results. We are very bullish on DTC overall, especially as we accelerate and transition into key markets.

Our online opportunity is limitless, primarily because of the enormous consumer base that Converse has. There are two brand pages on Facebook, Converse and Converse All Star. They combine to reach close to 40 million fans.

So, in summary, the Converse Brand has few peers outside of NIKE. The talented and experienced leadership team is totally focused on prioritizing commercial opportunities. In addition to the organic growth, product diversity, DTC and taking greater control over the largest three markets will provide the foundation for sustainable growth. We are well on the way to doubling our revenue to over $2 billion by fiscal '15.

So, throughout this presentation we have referenced the importance of leverage and collaboration across NIKE. And we feel it's an amazing competitive advantage. But what I do want to call out that is a model based on a two-way exchange, collaboration and best practice exchange.

And then furthermore, NIKE's continued commitment to innovate for a better world is reflected within the Affiliates. Converse RED efforts, $4 million to fight AIDS in Africa. Similarly, at Hurley, through the H2O program, largely a grassroots approach, we distributed enough water to provide clean water to over four million people in distressed areas such as Japan and Haiti.

So as I wrap, the summary of the portfolio is that we are uniquely positioned to expand consumer reach and accelerate growth. We continue to make each brand the best they can be, based around key products and consumer connectivity. And we're all about attacking the biggest consumer opportunities through a diverse portfolio. As we articulated, it's a complementary strategy to NIKE and it complements the category offense. And we are confident we will double our revenues by fiscal '15. So, with that, that's enough of me. I would like to thank you and I'd like to turn it over to my good friend, Charlie Denson, president of the NIKE Brand. Thank you.

(VIDEO PLAYING)

Charlie Denson: Good morning, everybody. Welcome to NIKE. Hope you guys are off to a good start today. I'm Charlie Denson. I'm President of the NIKE Brand. And we're going to now shift gears and talk a little bit about a larger part of our business. All right?

So, just over a year ago we talked about the power of the NIKE Brand portfolio and the use of that portfolio that allows us to continue to grow under all -- every circumstance. As we talked about that and we continued to grow, what we focused on last year were three competitive advantages. And these competitive advantages are something we're going to revisit again today.

The three are building strong consumer connections that amplify sports. The second, delivering the most innovative and compelling products around the world today. And the third is creating, growing and transforming the marketplace with premium consumer experiences. So, here we are, a little over a year later, and we're not only here to confirm our progress, but we're also here to notify you that we're ahead of schedule.

So, on that note, for FY'11 that we just wrapped up, on a currency neutral basis, as you know by now, the NIKE Brand registered its highest growth rate in a decade. Revenue was up 10% on a currency neutral basis, and our growth was very broad based. We grew in every single category and every single geography versus last year, with the exception of Japan, who suffered through some obviously tragic and extraordinary events last spring.

So a lot of the news has been around the growth in the US, which was again very impressive. But it's really been driven by the global portfolio. Our Q4 revenue, it was up 12%. And that does include a double digit decline that we saw in Japan for Q4.

So, as I said, we're ahead of schedule. Just over a year ago I told you that the NIKE Brand would reach $23 billion by 2015. So today we believe we are now on path to deliver $24 billion to $25 billion of annual revenue by that same date, 2015.

So, what's driving our success? Well, it's the category offense. It's that deep connection to the consumer. We started a little over four years ago, evolving our organization and realigning our go-to-market process to be able to access the category consumers. It's driven by that change in consumer. And we talked a lot about that last year.

These consumers, these young athletes, are specializing in picking specific sports at a younger and younger age. They're specializing and they're identifying themselves with a community that goes with those sports. This new organization alignment allows us to create much deeper and much more consistent connections with those consumers 365 days a year. It's driving our growth across the portfolio today.

Now, we're getting better every season, but we still have a lot of upside, in my opinion. We're still learning how to run this offense as we get better and better. But I still believe it's one of the best decisions we've made over my 30 plus years here at NIKE. We now have teams that are dedicated to each one of these sports, each one of these communities, each one of these consumers, 365 days a year.

But we haven't mastered it yet. We will continue to learn and to evolve in this ever-changing world. And today, as we talked about those communities that I mentioned, they're fast becoming borderless, and in many ways they're becoming even more virtual. They're creating a whole new set of paradigms and they're eroding all the old ones. The shift in change is accelerating.

But still, there are certain things that hold people together, that create global communities. Sometimes it's driven by culture. Art and music are also very powerful. But now, even more than ever, I believe that the world of sport is a global community as well. You know, our category offense is really built on one simple but very comprehensive concept. We call it amplify sport. It means we're connecting with and delivering on every aspect of the athlete's life.

If you see these visuals here, you can see a great example. We start with the competition, on the field. We introduce and explore the most authentic, the most compelling and the most innovative performance products in the world today. And that's where we earn our credibility with these great athletes. Then, we move to training. For the athlete, it's where the hard work is. For us as a brand, it opened up -- it opens up the access to the brand a little bit more to a little broader reach and a larger consumer base.

And then, finally, express. We believe sport is a lifestyle. It's where we leverage that brand identity, that credibility. And it's the biggest access point of all from a consumer standpoint. And you can see Allyson Felix and Kobe Bryant referenced here in the visuals. These athletes are connected with the brand in every aspect of their life. We can supply that connection.

We can also innovate in every single one of these dimensions. I'm happy to report it's working. We saw every single one of our categories in fiscal year '11 deliver growth. We have strong momentum across the category portfolio for fiscal year '12. Trevor's going to spend a little bit more time going a little deeper about what goes on in our category offense in a few minutes.

So let's shift gears and talk about product innovation. It's our second competitive advantage. Eric is going to talk to you about some of the specifics in a minute, but I want to reiterate how we leverage innovation and build brand strength across the entire portfolio and around the world.

Innovation comes in many shapes and sizes. It comes from many, many places. But at NIKE, it always starts at the same place, and that's with the athlete. It's our most important relationship that we have of all the relationships that we develop throughout the supply chain. And we work with the best. They challenge us. They inspire us. And ultimately, at the end of the day, they do define us.

And through these relationships and these insights we create products like the Mercurial Vapor. Seen here is the latest edition of literally the boot that changed the way soccer boots were made and marketed. It's less than 200 grams. It comes with a custom fit. And it has a new carbon plate technology.

Then there's the NIKE Free, introduced here in running. It's a natural motion technology. It was originally introduced clear back in 2004. Now, today, it's one of our fastest growing technologies and it's something that we leverage across multiple categories, not just in running.

And then the NIKE Flywire. Remember Beijing? We introduced it at the Olympics in China. Today it is the lightest and the most stable upper construction of anything in the business, anything in the industry. And again, we can leverage it not only in basketball, but everything from running to golf.

As we think about innovation in Footwear, it doesn't stop there. We use the same approach in Apparel. Another great example is this last spring when we introduced our new France Football Federation kits. They are the most sustainable uniform that we've ever introduced into the market to date.

They're made from recycled material, and included in that is organic cotton. They utilize our dry fit technology. And then to top it all off, it's a brand new, very iconic aesthetic when you saw the launch this spring when we began our relationship with the French Football Federation.

But as we talked about earlier, innovation is not limited to just on the field. It's not limited to just the performance orientation. It's very influential and a big point of differentiation for us as a brand across the entire product line, whether it's through performance technology, construction or comfort and fit.

It can be just as game changing in lifestyle as it is performance. This is where we leverage key styles and concepts, like the M65 jacket, or the N98 track jacket, seen here. Our next big opportunity to leverage this type of approach starts next April when we introduce the new NFL product line. It will start on the field and come to market all the way into lifestyle -- from lifestyle to performance.

So, innovation fuels our amplify sport approach. It is one of our basic competitive advantages. And these advantages fuel growth. And they position NIKE as a premium at every price point. So many people have asked me a lot over the last several months what I think about the increasing inflationary environment around the world and our ability to maintain our profitability. Seems like the question of the day, right?

Well, what I am very comfortable is saying is that our innovation pipeline is fuller and more robust than ever. We have incredible brand strength around the world. So today, as I stand here, I'm very confident that we will continue to provide the most premium price/value relationship across our entire product line. I believe we're operating from a position of strength, and we will not compromise our longstanding commitment to our overall profitability.

Okay. Our third competitive advantage, create, grow and transform the marketplace. Critically important, something we talked about again just over a year ago. We talked about this as an ongoing objective. Our goal is to create additional capacity for the brand in the marketplace and expand access for the consumer.

Our charge, to create new, extraordinary consumer experiences, whether it's around the entire brand, around a specific category, or even for a value consumer in our Factory Outlet stores. It can be NIKE owned or it can be with a partner. We have advantages and benefits to both.

It can be focused and driven by products, or category specific. It can be by the -- focused on the brand, leveraging multiple categories and technologies across the portfolio. And it can be where we try new services, like NIKE Plus, NIKEiD, or some of the new digitally enabled products like the GPS watch you saw in the other room. It can be highlighting our newest and greatest, or it can supply a brand enhanced experience to that value consumer who still wants access to the NIKE brand.

What we do know for sure, it is more compelling to the consumer than it was before. That it provides deeper and broader access to more of our products and more consumers. And ultimately it drives incremental capacity in the market and revenue growth for the NIKE Brand.

Probably the most robust example of transforming our marketplace to date is taking place right here in North America. Both through our own endeavors as well as our partnered experiences. Whether it's in the Santa Monica store, the new brand experience that was introduced in Santa Monica, and then we have a new store in Mall of America, as well as Roosevelt Field, or applying the merchandising concepts around amplify sport in the Niketowns, New York, Chicago, San Francisco, et cetera.

You can see it in the Dick's Sporting Goods Fieldhouse concept, where you're going to hear a lot more about that from Gary in a few minutes. Or our basketball execution with Foot Locker and the House of Hoops. And then there's the running execution, the NIKE Track Club, with our partners the Finish Line.

All of that going on here in the United States in this marketplace. And on top of that, we expanded our factory store business this past year and grew it by 15%. We only added five new stores, but it brings us to 156 stores total. This all led to the biggest annual growth number in North America in ten years, and the best quarter ever for Q4, where we were up 22%.

Now, while North America is the best example of where we're transforming the marketplace, I just want to hit on two other very key markets, very important markets for us over the next couple of years. They remain extraordinary growth opportunities for the NIKE Brand. That would be China and Brazil.

So, let's start with China. Let's go back a couple of years. Coming out of Beijing, we said we have one strategy, we want to undeniably win and we want to separate from the competition. We were going to do that with leadership from three categories. It was going to be driven by three categories, basketball, running and sportswear.

Now, we've been operating in China for almost 30 years. Actually a little over 30 years. We've been the number one brand for most of that time. But we wanted to end the debate. We wanted to make it very clear. Today I can stand before this group and unarguably say we are clearly the number one brand in China today.

We have created separation from our competition, and our greater China business topped $2 billion in revenue for the first time. That means that we have doubled the business here since fiscal year '07, and we plan on doubling it again over the next couple of years.

So, let's move on to Brazil, the largest country in our emerging market geography or portfolio. Today we have a solid business in Japan. We have incredible brand strength. It's really built around our relationship with the Brazilian National Football team, something that we actually started 15 years ago as we stand here today. And one of the most iconic assets in the world of football or soccer.

But Brazil still remains a huge commercial opportunity for us. With World Cup coming in 2014 and the Olympics in Rio coming just two years later, in 2016, we're putting all the pieces in place to ensure extraordinary growth. Again, our objective is to win and separate from the competition. Will it be as big as China? Well, it has all the ingredients.

It has a fast growing economy. It truly has an incredibly sports crazy population. And they're going to host the two biggest and most iconic sporting events in the world, the World Cup and the Olympics, back to back, for the first time since 1968 and 1970, when that happened in Mexico. So, coming out of that 2016 Rio Olympics, we expect our Brazilian business to be in excess of $1 billion. So, should be fun over the next several years in Brazil. Keep an eye on us here.

Gary and Jeanne are going to go a little bit deeper in both our wholesale marketplace, transforming and everything that's going on with our direct to consumer business in a minute. But before I close, I just want to touch on one topic that now impacts everything that we do. We call it digital acceleration. From product innovation and design to connecting with consumers to transforming our marketplaces.

Mark talked about change and how it creates opportunities for the NIKE Brand and the business. More so than ever, change is driven by digital technology and connectivity. It accelerates and amplifies everything we do as a brand. It allows a much deeper connection with our consumer. It creates incredible transparency. And it speeds up everything exponentially.

It also allows us to make you a better athlete. We think of leveraging the digital world in three different dimensions. First and foremost, brand communication. We have millions of friends in the digital communities around the world, and we expect to see that increase exponentially. We're connecting them not only with the brand, but with each other, which is an incredibly powerful tool to be able to use.

Second, products and services. NIKE+ is an example, where our membership is up 40% year-on-year. NIKE Training Club, it was introduced this last year. And then again, the NIKE GPS watch. Here we're just starting to scratch the surface, and there's more to come soon here.

The third thing is around digital commerce. Nikestore.com for the year grew 30%. NIKEiD, our online customization feature, grew 17% for the fiscal year. I expect the digital commerce channel of distribution to be our fastest growing channel over the next five years. You're going to hear more about digital acceleration over the entire day. Because, as I said, it's impacting everything.

So, finally, I think our biggest competitive advantage of all, and I think that's our people. We have the most passionate, the most creative and the most innovative people in our industry today. So if I give you one tip at the end of the day, I'd never bet against them. Thank you very much, and here's Trevor.

(VIDEO PLAYING)

Trevor Edwards: Good morning, everyone. Just a little prelude sort of thing that we do every year. So, I know that my name is Trevor Edwards and I'm the Vice President of Global Brand and categories for NIKE. And it's great to be here to give you an update on as we continue to evolve our category offense, our consumer segmented growth strategy.

So let me start where I always love to start, and that's really about the consumer. The consumer landscape continues to shift. Digital trends combined with mobility continue to reshape the world. And they continue to reshape the relationship that consumers have with their friends, with their families, with the products that they actually use, they're more connected, and also with the brands they actually connect with.

At NIKE, we stay relentlessly focused on the consumer. And for us, that consumer is an 18-year-old who lives a fast paced, socially connected life enabled by technology. They live an on demand world with information and services at their fingertips. And they get what they want, how they want it, when they want it. They're squarely in charge.

And what's even more interesting and actually fun is that in this world it continues to shift. And the pace is actually moving at an ever increasing pace. So, how do we capture the imagination of the consumer today? Well, we do this by focusing our business on the consumer so that we can understand their needs, their aspirations and their desires.

So we created the category offense, which is really about dedicated business units that are focused on the consumer, from design to marketing to product creation to sales and to retail. And the intent there is to make sure that we have a team that really understands everything about the consumer.

It allows us to relentlessly evolve and focus our business around the changing consumer needs so that we can know them better, we can out-innovate our competitors. And most importantly, we can serve the consumer authentically in sport and in life.

By understanding the consumer better than anyone else, we innovate by actually bringing them new and better products, new and better services, or new and better experiences. Even things they can't yet imagine. And we continue to redefine the relationship between NIKE and today's consumer. It's deeper, it's stronger than ever before. And it informs how we innovate across our entire business.

And as we continue to deepen this relationship and grow our business, we see a tremendous opportunity to serve the consumer's total athletic experience. And we call that amplify sport, which is really the key to unlocking the power of the category offense by providing the consumer the best products, the best services and the best experiences while they compete, while they train and while they express themselves.

Let's talk about fiscal year '11. This was a very, very strong year for us and for our categories. And as you can see here, we -- our revenue growth numbers have been great, right? And we'll continue to give you more detail about each of these categories. But as you can see, we've grown a lot since the last time we actually met.

As we speak about the growth of the categories consistent with how we discussed it before, the revenues numbers are actually wholesale only in real dollars, while the growth rates are actually in constant dollars, just to give you a context.

So let's start off by looking at one of my favorite categories, the most headlined of all, which is Football. I always love talking about Football. The Football business continues to build on the great momentum that we saw around the World Cup in South Africa last year. This is a great example of the category offense in action.

With the world's best teams competing on this stage, we saw incredible athletic performances, helped by amazing products. And we built a very strong consumer connection all around the world. First let's talk about product.

We used the World Cup to launch our Elite series Football boots, which were a powerful example of great product innovation. These boots were 15% lighter, and we enhanced the traction to make them faster on the pitch so that the players could actually change speed on demand in any direction they want. This is the power of great product innovation.

We then went on to make them actually iconic, orange and purple. And many of you might wonder why. We did that to increase the visual acuity for passing so they could actually find their teammates better. In the end, 50% of the players in South Africa actually wore these boots.

But we also brought it together in a very powerful story called Write the Future. And Write the Future leveraged every element of our marketing mix to tell this story in a powerful and integrated way. Part of that strategy tapped into the power of digital to deepen the connection with our consumers.

So we took over the side of an iconic building in Johannesburg called the Life Center and we used social media to allow anyone from anywhere around the world to actually put their message on the building. It was viewable all around the city. Very, very cool and fun.

The World Cup is an amazing testament to the power of innovation, innovation in product, innovation in connecting with consumers. And it was a great example of executing the way that only NIKE knows how to do.

And then, as you heard from Charlie, we went on to launch the French Federation kits. Not only did we launch a great kit, but we also brought a great lifestyle offering around it, which has also done very well in the market. This is the prelude to our amplify Football approach, and we're just getting started.

And then we took that energy one step further. Our Boot Room concepts continue to elevate the consumer experience at retail. So we created the ultimate destination for Football teams. It actually houses the best products, great services and a fantastic experience, and we rolled them out all around the market. So they're in London, in Paris, Milan, or in Rio, if you go to those markets.

The Boot Rooms gives us a tremendous opportunity to enable and inspire our footballers in a way that's unique to NIKE. And they've also been a very great, strong growth driver for us. But more to come on the Boot Rooms because we'll continue to roll these out both at our doors as well as with our partners.

Now, when you look at the body of work, it's no surprise that we had a very strong fiscal year '11. We grew the business 8% to $1.8 billion on top of anniversarying the World Cup. It's a good year.

Looking ahead, we will continue to extend our leadership in Football. We got the European championships. We have the Olympics next summer. We'll continue to grow both our performance and our lifestyle business to create more separation in the marketplace.

Let's go on to another category. Let's talk about basketball. That's always a fun one. No one dominates basketball courts like NIKE. We have three distinct brands, from Jordan, NIKE Basketball and Converse. And we combine the history and the culture of the game to actually shape its future.

A great example of what happens when you harness the power of the portfolio of these three brands is what we did around the World Basketball Festival last summer in New York. From Time's Square to the Garden to the [Rocket Park], we brought together the very best players from around the world to compete and bring energy to the game.

And speaking about energy, no two players or athletes bring any more energy and excitement to the game than LeBron and Kobe. And working with the best athletes, they teach you one thing, to be the best. So the NIKE basketball team took its game to an entirely new level.

But it isn't just about having these athletes. It's really about the relationship that we've built with these athletes, because they provide us with great insight to help us innovate our products to meet the demands and rigor of a game that's so fast paced today. The innovations today are the fuel for our basketball business.

The LeBron franchise continues to accelerate and is demonstrated here with the LeBron 8, which actually sold over half a million pairs in the marketplace. All three versions introduced a unique innovation distinct with distinct moments in the marketplace. This constant flow of exciting new products ignited the marketplace and really helped to drive our strategy, which we will do going forward.

But these days no discussion on professional basketball is complete without talking about LeBron. It's clear that he provides a tremendous platform for growth as he continues to evolve into one of the most compelling and yet captivating players of all time.

Working with Kobe is not different. His signature shoe, the Kobe 6, is at the forefront of performance, a revolutionary low top product that's the lightest and fastest basketball shoe ever. In fact, we created the high performance low top segment working with Kobe. But Kobe taught us one thing. It's not really just about making a shoe lighter. It's about a high performance shoe that's designed to allow the athlete to be the best.

He's 6 foot 6. He's a big player. We have to make sure the shoes can support him while it delivers his speed and intensity on the court. So as Kobe strives to stay ahead of the competition, we strive to deliver the best performance, which means we will continue to redefine what a basketball shoe is.

But as a leader in basketball, we have to continue to bring more energy into the marketplace. And we basically use the MBA All Star to showcase the best innovations and bring heat to the category. Kobe's nickname, if you don't know, is actually the Black Mamba, which really speaks about the way he plays his game.

So we actually created a short film by Robert Rodriguez, right, which is really about how Kobe plays. And we debuted this actually at the All Star game. It was actually a lot of fun. The campaign generated more than 15 million views online, again demonstrating how we connect with our consumers.

Riding on this type of product and brand energy, NIKE Basketball had an extremely strong year, with double digit growth and exceptional results across key markets of North America and China.

Now let's talk about Brand Jordan. Brand Jordan has always stood for excellence. It kind of comes with the name. and our renewed focus is to ensure that we bring great performance innovation to the market. This reflects the commitment to excellence that Michael Jordan always showed.

And so the launch of the Air Jordan 2011 heralds a new era of performance innovation for the Jordan Brand. It includes an innovation called modular performance, which allows the athlete to actually choose what type of cushioning they actually need based on their type of game. Should it be quicker? Should it be more explosive?

The positive response that we have received from consumers really has shown us that performance customization is something that players have been waiting for. Now, speaking of players, our stable of incredible athletes around Brand Jordan and Jordan's stellar season, from Dwayne Wade to [Mello] to Chris Poole, each -- all NBA All Stars, each of them led their teams to the playoffs.

But we continue to actually drive Jordan's legacy, which continues to command a great following in the marketplace with some of the most iconic styles ever created, which provides the foundation for this business. Brand Jordan had a very solid fiscal year, driven by consistent growth in North America.

But we believe our renewed focus on performance innovation will accelerate this brand and grow it into the future. Together, NIKE Basketball and the Jordan Brand had a combined increase of 11%, to $1.9 billion, demonstrating the power and depth and ability of us to leverage a portfolio of brands to drive against this business.

Now let's shift gears and talk about sportswear. Our sportswear business, simply put, is dedicated to making sure that we serve the athlete's need to express themselves through their passion for sport through their own style. This is a key part of the amplify strategy that Charlie talked about this morning.

And as we evolved this strategy, we have now organized the Sportswear Teams right by sport. So Basketball, amplify Basketball, amplify Football, amplify Running. This is a tremendous opportunity. Let's -- so if you don't kind of get this, let me show it to you from a consumer's perspective.

(VIDEO PLAYING)

Trevor Edwards: So, kind of simple, right, when you think about it.

The foundation of our sportswear business is built on products that have become cultural mainstays and source of inspiration for our consumers. Products like the Air Force 1, the Dunk, the Air Max 90, these are all part of this consumer's everyday style. We call it the uniform of use. And maintaining the vitality of these icons is key to the sportswear business.

The Air Force 1, for example, continues to enjoy very strong demand around the world as it approaches its 30th year anniversary. Each year we infuse more supple reinventions and actually an air of exclusivity into these products. What is great is that we continue to see more and more consumers around the world adopt this product as an icon of style.

On the Apparel side, we have actually seen great growth with the premium sportswear business, with our Destroyer jacket and our AW77 hoodies and also our N98 track jackets. The Destroyer jacket is increasingly becoming very popular, and we continue to use this item across the categories in our amplify sports approach. And it's becoming another style icon for our consumers.

But in sportswear we continue to leverage our innovation to relentlessly improve and remaster the uniform of use. Better fabrications, better embellishments, and connecting our innovation to these products. This keeps the sportswear business energized and in demand by our consumers.

NIKE sportswear is our biggest aggregated category. And in fiscal year '11 we grew the business 3%, adding $135 million to this category. Solid results considering the challenging marketplace and the shift towards performance which is taking place. But looking ahead, we continue to expect and see positive momentum as we accelerate our amplify sports strategy and we continue to bring new energy to our key styles that drive this business.

Now let's shift gears a little bit. Let's talk about women's training. Women's training is a fun one because we're witnessing what happens when you drive a true insight. And women told us they wanted performance products, but they expect to get no compromise in style.

So we delivered real innovation combined with great style. NIKE Free, a revolutionary technology that Charlie has talked about and Mark talked about really changed the way that women train. It maximizes the foot's natural movement to help strengthen her core for better workouts, for results that she can feel and see.

Our Footwear offering, the Free Trainer, at the center, delivers a range of performance benefits from barefoot to protected, all grounded in a deep insight for her. And we see strong growth here and we'll continue to use this Free technology to improve her product.

But it's not only in Footwear. Our Apparel business is showing some great results. It was a simple strategy. We took her favorite items, a uniform of training, and we brought real innovation combined with style to meet her needs. The best example here is NIKE Pro base layer. We now have the number one share position in women's base layer in the United States. We have gained more than 20 share points over the past 12 months. That's a huge success.

Another thing that we learned, and it's very, very simple, is that the impact of anything that we launch is compounded when you actually give her a greater choice and make it easy for her to find it at retail. You win, and you win big. This was the insight that led us to actually create the bottoms and bra bar concepts.

And we've seen the payoff. Our bottoms bar business is up over 30% versus last year. Our bra bar business grew over 80%. Both great successes. And we will continue to replicate this formula and roll this out through our distribution. We grew the women's business by 13% to $842 million, driven by a great success in North America, Western Europe and in our emerging market geographies.

And we continue to be energized about the opportunity that we have in women's business, with a focus on women's training, women's running, and also sportswear. We see significant growth ahead.

Now let's talk about men's training. On the men's training, the business is focused on bringing the most authentic and innovative performance solutions to athlete as they prepare to train and compete for their sport. Our performance training Footwear is showing great momentum also. We did what we did in women's training.

We used the Free technology to bring great innovation to the marketplace and created the Free Trainer. And we're having great results. Over the last year in this $75 and over price point we gained 12 share points. We reenergized this segment of the marketplace. That's the power of delivering real innovation to our consumers.

And we continue to bring more innovation here. Personally, I'm super excited about some of the things that we're going to see next year. We have some great products in the pipeline coming that we can't wait to show you.

In Apparel we leveraged our NIKE Pro product across all the sports. And we continue to increase market share. We now have almost 40% of the base layer market in the United States. More and more of the world's best athletes are using NIKE Pro to gain an edge as they prepare and compete on the world's most competitive events, from Major League Baseball to the NCAA to Football, also to the English Premier League, and the list kind of goes on.

Now, last October we told you about our deal that we were going to have with the NFL. So, what can I tell you about this? Well, first, we love Football, any kind of Football, all around the world. And we're extremely excited about injecting innovation power into the game day uniforms, as we've done in College Football.

Every aspect of performance must be considered, speed, agility, quickness, endurance, brute force. Every type of condition, from heat to rain to cold to freezing cold to snow. In other words, it's a tremendous opportunity for us to bring our performance innovation to the best footballers in the world and teams.

And we've seen what we've done -- you've seen what we've done in College Football. I can't wait till you see what we're going to do with the NFL. We're super excited.

So our men's training business grew double digits to $1.7 billion this past year. We're excited and we're confident about setting a new standard for performance and relevance with these athletes.

Now, speaking about success, let's talk about running. Running is where this company started. And today our running business is on fire. We continue to see double digit increases in participation around the world, especially with the women's business. Our women's running business surpassed $1 billion mark this year.

And we continue to see tremendous growth opportunities within this segment around the world. From NIKE Air to Flywire to Lunar to Free, running continues to be a great source of innovation that we use and expand across all of our categories, and even our brands. But in particular, our dynamic support Footwear increased by well over 100% in fiscal year '11. The Lunar Glide and the Lunar Eclipses were -- all exceeded our expectation.

We also had some great results from our Free products, as we've talked about. As in other categories, we our own the uniform strategy in running is working. Our Tempo short business, an example that we've talked about before, grew strength upon strength. It grew by 50%.

But as we continue to fuel the running momentum, last year we hosted more than 128 running events connected with over a million consumers around the world. These events, like the women's marathon in San Francisco, or the We Run Buenos Aires 10K, sell out within a few hours whenever we actually announce these events.

But it's not just about physical events that's generating energy. It's also about NIKE+. We grew the membership 40% since last year. That's now four million members on NIKE+. That's the largest running community in the world.

And we also expanded our offering around NIKE+ with a GPS app for the iPhone, which became the number one paid in fitness app on iTunes. In a total, more than two million people have actually downloaded this app in countries all -- 90 countries around the world. But it didn't stop there.

We launched the NIKE+ SportWatch, which was a partnership with Tom-Tom, which was a high sensitivity GPS watch that allows you to track your distance, your speed, your calories and your location. It's got amazing features and it's super simple to use.

And as you can see here, visual connectivity with our consumer goes beyond NIKE+ and it goes beyond running alone. Both men's and women's training categories launched some very successful applications this year. For example, the NIKE Training Club app for women rose to the number one free fitness app in each of the 40 countries it was launched in. It has been downloaded over three million times. Not bad for six months. Watch out for this space. We have a lot more to come here.

Now, we bring it all together where we've been transforming the marketplace at retail to being a better experience to our consumers. Whether in our own doors or in our partner doors, we continue to elevate the running experience with great products and amazing services. Later today you'll hear more about our retail partnerships, as well as our own consumer experiences from both Gary and Jeanne.

But it's clear that the running category is a great example of what Mark calls the complete offense, a full ecosystem, amazing products, great services and compelling experiences, all together. In fiscal year '11 our running business grew 30% to $2.8 billion. Let me say that again.

30% to $2.8 billion. We experienced double digit growth in the men's and women's business, as well as double digit growth in both Footwear and Apparel.

It's fair to say our running business is on fire. And we believe that fiscal year '12 will be another strong year for our running category, particularly as we look ahead and we know the Olympics is going to be in London. And we're truly excited about the products and services we will deliver to the marketplace. Another series of amazing innovations when the passion for sport is at an all-time high.

So, there you go. The category offense, generating solid success across the board. And we see great growth ahead. But if you were to ask me is there one reason why we're able to execute with this high level across so many opportunities, I would say yes, a simple yes. The category offense allows us to understand the consumer better than anyone else. It enables us to innovate to serve that consumer and serve their needs with great products and great experience.

We are a dynamic brand, so we're always changing. And we exist to serve athletes, and we believe that all athletes -- we can help all athletes compete at their highest levels. We believe we can elevate the experiences and the benefits of training. And we further believe we can inspire consumers to express their passion for sport through their style. We believe this because at our core we are innovators who serve the athlete, and then we let them decide.

Thank you very much for your time, and I'll hand over to Eric Sprunk. He'll talk about product innovation. Thank you.

Eric Sprunk: All right, good morning, everyone. Last speaker before lunch. And it's going to be a really good one. I'm promising you.

My name is Eric Sprunk. I'm the vice president of merchandising and global product. And I'm going to spend the next several minutes or so before lunch talking about product, which is the most intimate connection we have with our consumer.

Great product fuels the category offense and defines our brand with our consumers. And great product starts with innovation, the theme of my presentation today. Innovation has been at the core of NIKE since our beginning, and it is what continues to drive the growth in our Footwear business today. And I'll spend a couple of minutes with you talking about that.

And then I'd like to update you on our Apparel business, because one year ago we spent quite a bit more time looking at Apparel. And I'm going to give you an update on that opportunity and talk about how innovation is driving our accelerated growth in Apparel.

And we'll also talk about profitability and how innovation in that space drives results. And everybody in our industry talks about innovation, and many brands make innovation claims. And I believe that at the end of our short time together, you'll agree that at NIKE we live it and we deliver it.

And lastly, in what is becoming a little bit of a tradition, we're going to show you a few glimpses of the future that I'm pretty sure will have you scratching your heads in bewilderment as you head to lunch.

So, let's start with Footwear. It is our nature to innovate as a company, and nowhere is this more evident and more important than it is in our Footwear business. We are blessed at NIKE to be able to work with the world's best athletes, who compete at the highest levels across the entire spectrum of sports.

We interact with these athletes every day to understand what features or products they need to help them achieve their best. How can we help them get a little bit faster, a little bit stronger, jump a little bit higher? We bring incredible resources to bear to answer these questions, and we are at our best when presented with a difficult problem.

Our interactions with our athletes produce unique insights. And these insights lead to breakthrough technologies which ultimately become industry leading pinnacle products. And this is great. It's a really important part of the innovation process.

But even more important is that we expand on those big ideas and solutions that we have. In almost every case, the insight and solution for an elite athlete is also going to benefit everyday athletes in that sport. And sometimes the benefits can span multiple categories.

Truly successful and impactful innovation occurs when we take a breakthrough technology, leverage it across multiple styles, provide different levels of access for the consumer, and ultimately across multiple sport categories. And usually both on and off the field of play.

NIKE Air was really the first great example of this. A cushioning technology that started in running, expanded across almost our entire running line, and can now be found across almost every category, be it sport performance or sportswear, and at several different price points.

Another great example of this that you've heard a lot about is NIKE Free. This technology was first introduced in 2004. Meant to mimic barefoot running with appropriate protection, it came about from working with collegiate runners who were, in fact, doing part of their training regimens barefoot.

This shoe has seen incredibly strong sales, and we continue to refine and improve on the core technology that is NIKE Free. It's now in several of our sport categories at various price points. We've leveraged it across multiple styles within men's and women's running and within men's and women's training.

We have even used it to provide first responders in the armed services with the lightest and most comfortable special forces boot. And maybe most importantly, we have applied our learnings here to literally thousands of products across our line.

If the saying that imitation is the sincerest form of flattery is true, then I guess we should feel very flattered, because many competitors are working to provide their own version of these shoes. At NIKE, we continue to provide shoes that are built on real innovation.

Another good story where a special innovation was launched into the marketplace and then we continued to grow it and evolve is it Lunar. Lunar was first launched at the Beijing Olympics. Borne out of the desire to provide our athletes a more lightweight, more responsive, durable, foam solution underfoot that delivered a new feel, we worked on Lunar for several years leading up to the Olympics, where we were able to deliver to our athletes an incredible feeling shoe.

And while that shoe, the Lunar Racer, was a great success story in the Games, it admittedly was still in the science experiment phase of product evolution for us. And from that beginning we have broadened the offering within running across a large extent of our line, including the incredibly well received Lunar Glide, shown here in the third edition.

And from those origins in running, Lunar has expanded into training, basketball, action sports, boots and sportswear. What was originally launched in Beijing as the Lunar Racer has now evolved into a significant underfoot technology, with forecasted demand of over 16 million pairs this fiscal year.

In fact, sports moments such as the Olympics often serve as the launching pad for our innovation. It is a great milestone of many of our athlete's careers and an opportunity to capture the attention of a global audience. And it makes sense. Where better to launch great innovations than on the world's biggest sports stage? That is true across the sports landscape, World Cup, NBA finals, World Series, BCS, Grand Slam Tennis.

But it is especially true for the Olympics. And wait until you see what we have planned for next year in London. I can't show you or tell you much about it, but the work we have for our athletes is really, really incredible. We will have significant innovation on existing technologies that are already a significant part of our business today, and we will introduce some new innovations that I think are going to amaze our consumers.

Couldn't be more excited about what we'll be unveiling, both in terms of the benefits we'll bring to our athletes in terms of their performance, but also in terms of their commercial potential. And it will be these innovations that will drive our growth for the years to follow.

So let's switch gears over to Apparel now. We said one year ago that Apparel is the biggest opportunity we have for growth in the Company. And we believe it today more than ever. Great Apparel in the category offense is already fueling great results, and we are confident that we will continue to accelerate our growth here.

The Apparel market is over two times bigger than the Footwear market, and it represents incredible opportunity for the NIKE Brand. Just as in Footwear, our growth here will depend on innovation as the foundational element to delivering great product. At our Investor Day one year ago, I announced we were making a significant investment in Apparel innovation because we know the power innovation can bring to the Apparel market.

Several of the products we launched this last year, like the kit for the French Football Federation and the uniforms for our American Football teams playing in the BCF games, showcase some of the amazing innovation we already have underway. Recycled polyester from plastic bottles you heard Mark mention earlier. Dry fit fabric that wicks sweat, water repellant fabrication, four-way stretch woven fabrics, laser ventilation, aerographics, and much, much more.

Another simple great example is in our basketball product. The NIKE Elite basketball uniform we launched for the NCAA tournament here in the USA is almost 60% lighter than the uniforms we launched in Beijing. And it's over 50% lighter than the uniforms currently used by athletes in the NBA today.

In Apparel, it is especially critical that we make the innovations we deliver to our best athletes available to broader audiences with appropriate products across our offering. In basketball, that innovation drives the performance of our Elite uniforms, and we take it right into the important short classification. As a result, our basketball shorts business has become more premium and is experiencing solid growth. It's up 21% in the last year alone.

So, innovation is clearly a key driver in Apparel. But as we have talked about with you for the past year or so, to be a great Apparel company you also have to drive operational excellence. At NIKE we call this mastering the fundamentals. To fuel the category offense Trevor just talked to you about, you have to have innovative crafted products and be clear to consumers what you are going to stand for across all of the categories.

We realized a couple of years ago that we were making too much product and, as a result, we were spreading ourselves too thin. We were limiting our ability to drive operational excellence in Apparel. We have made significant improvements. You can see in the chart behind me that we have edited the line, significantly reducing the number of styles. At the same time, we've put increased focus on applying -- or amplifying our most important items.

This focus has paid off, as the top 100 styles now drive almost a quarter of our total Apparel revenue, up significantly from two years ago. And the number of styles with at least $10 million in revenue has more than doubled. In many ways, this is a reflection as to how many consumers see us as an Apparel Brand.

And equally important is that we are achieving these results in a premium way. Almost half of our top 100 styles are at the better and best level, a significant improvement from just a couple of years ago. And these tiers are actually growing faster than our overall Apparel business. This is all indication that while we continue to make great investments in innovation, we also continue to get better at the fundamentals.

This work is reflected not only in beautiful product in the marketplace, but also in great results. We believe our strategy is working. We have identified specific product in each of our categories that we think are key to driving the category offense. In running, for example, shorts and lightweight jackets are critical.

Our Tempo short, Trevor just talked about it, has been our number one Apparel style for the past couple of years, and this year grew an additional 50%. Our lightweight jacket business is seven times larger today than it was one year ago, all through a focus on innovation and operational excellence.

In women's, we say this all the time, you have to be great at bottoms and bras. Earlier Trevor talked about the strong results we've seen from our new concepts, the bottoms bar and the bra bar. With our bras we introduced the new fit system and a consistent chassis across the entire line, which resulted in over 40% growth for our overall bra business.

In pants, just ensuring that we were clear with our product communication and reducing the number of styles, editing to amplify, we grew the overall business 14%. And we have an incredible new introduction next month of our new Legend pant that is beautiful, functional and iconic.

There is unbelievable competition in this space. And while our product was already superior, it will get a great innovative new look and feel. And I'm confident we will accelerate our growth in this classification as well.

Base layer is also critical. It is the third piece of the women's sport wardrobe and is a critical piece of Apparel for almost every team kid, no matter what sport they are playing. It also has become an iconic look of sport off the field for our consumers. In women's, our base layer business has been number one in the USA for the past several months, and we continue to create separation from the competition.

In men's, we have increased our share every month for the past year and a half and have closed the gap in the USA by almost 25 percentage points in the past year. And we believe are poised to be the number one brand there in the very near future.

The USA is the key battleground in our combination of innovative crafted product that is clearly better than the competition. And now our commitment to operational excellence is paying huge dividends for us.

Earlier, Trevor talked about our strategy to amplify sport, taking the dominance on the court, on the pitch or in the training room. And leveraging that across the categories is really critical. Many iconic styles from sportswear are so successful because they embody the look and feel of sport.

Here are three of them. The AW77, great fleece hoodie that was already a really big business for us, grew over 300% in the past year. The N98 track jacket that we offer across our categories has grown 75% in the last 12 months. And our tee business has grown 25% this past year. One year ago we said our plan was to grow tees from $400 million to $1 billion. Right now we're almost two years ahead of that plan.

All right, let's turn our attention to profitability. As you all know, for the better part of the last decade we have enjoyed tremendous growth in our profitability as measured by Gross Margin expansion. Much of that has been delivered by improvements in our product margins. We have devoted significant resources to driving profitability through product margins the past several years.

The reality of that is that during most of that timeframe we have also had pretty good playing conditions, if you will, blue skies, light winds and sunshine. Sure, we've had some headwinds and increasing input costs, but we were managing them with significant points of leverage across our product creation process.

But as you also know, the environment in our industry, like many others, has changed quite a bit the past several quarters. It is quite a bit more stormy now, and we believe will likely stay that way for the near to medium term. We're all aware of the significant run-up of cotton prices since last fall. And cotton represents almost 50% of our material usage in Apparel.

But there have been increases in other key material costs and labor as well. And while the recent volatility of these costs has been unprecedented, the need to manage Gross Margins is just not a new thing for us. Our Gross Margins have always been affected by macroeconomic factors we do not control. As a result, we have focused on managing those Gross Margin drivers that we do control.

And there are four key drivers of Gross Margin, product cost, pricing, supply chain management and direct to consumer. Don Blair will address the last two of those later today, so I'm going to focus on the first two, which are product specific. As you know, we have an established playbook to manage product margins that we've used for several years.

We employ several key levers to drive cost efficiencies, including lean, scale and capacity. And we also take a very strategic approach to our pricing. So I want to do a quick look at these one by one.

We have been driving lean into our supply base for several years. We originally launched it in Footwear, but our efforts in Apparel have been significant the past few years. And since we have consolidated the supply base, we now have roughly 55% of our product made on lean lines in Apparel, and 80% of our Footwear on lean lines. Lean will continue to be critical for us to reduce costs as we work to eliminate all of the waste in our manufacturing.

We also have great opportunities in scale. Materials consolidation, productivity per unit and vendor consolidation all give us great opportunities to leverage the size of our business. Reducing the number of vendors and materials while at the same time increasing total volume from a reduced number of products is a great equation for us to leverage.

In the past year we've also achieved significant savings in this area. In Footwear, we reduced the total number of materials we use by 20%, and in Apparel we increased the productivity of each material in the pallet by over 20%.

Capacity. Capacity has been the topic of much discussion in the past several months. Several years ago we made a decision to rationalize our source base. This concentrated our production in the most efficient and capable factories. These factories are well run, well financed, and give us the ability to cost effectively produce high quality innovative product while also providing a strong base to scale our business for the future.

At the same time, our product innovation in our category offense really took hold and powered significant growth in our business. And because much of the demand was for our most innovative products, this was not fungible supply that we could be -- easily be acquired. Since that time, 12 months ago, and looking forward to the next six months, we will add almost a third more capacity to our Footwear sourcing base. As a result, we are confident by the back half of fiscal year '12 we will be in balance with supply and demand.

The last lever is pricing. Nothing new to us. We look at pricing every season in every geography as a normal part of the product creation process and move prices in various parts of the world every season. Pricing is an important tool for managing our profitability, and we certainly consider product cost trends in our overall financial goals when setting prices.

And there are some principles that we use to inform pricing decisions because pricing is half of the consumer value equation, and we are sharply focused on delivering great consumer value. At NIKE that will never mean the cheapest product. It will mean the highest quality, most beautifully crafted, most innovative product at the right price.

In fiscal year 2012 we will be raising prices in a more meaningful way across a broader range of the line, with the majority of these actions appearing during the second half of the year. Given the strength of our innovation and the premium nature of the brand, we are confident in these actions and know that our products are priced appropriately.

While our playbook of cost levers in pricing has been successful to date and will continue to be critical going forward, we also know that over the longer term, our industry needs to make more fundamental changes as to how products are produced. Many of our competitors have stated they are not investing in innovation in this area. We are.

We believe significant investments in redefining how our products are made and what they are made from can be as important as innovating on those products themselves. Automation, digital enablement, additive manufacturing and many other initiatives are now underway and will revolutionize how and ultimately where we manufacture our products. We believe that innovation in this area is the key to managing profitability in our industry over the mid to longer term.

Okay, we've talked a lot about innovation today. It continues the growth that enables us to extend our leadership position in Footwear. It powers Apparel, which is the biggest opportunity we have as a company. And it is the key lever to offsetting rising input costs and labor rates over the longer term. Because it is our nature to innovate, we are constantly thinking about the future, imagining the possibilities of the future world. By far, the best part of the job that I have with this company.

About a year ago we played a game with you that we called what-if. And some of you may remember it. We showed you several peeks at what future innovation might look like from our company. Peeks, by the way. Maybe you remember these three.

We asked what if we could completely change the way we construct shoes to reduce labor and make them anywhere in the world? What if we could use NIKE Air technology to ensure that we have a ball that never goes flat? What if we could let customers customize the cushioning, traction and performance of a shoe at the same time they personalize them?

We did all three of those the last 12 months. Brought them to market all in the last year. Pretty amazing, really. Some unbelievable stuff. Going forward, we always spend some time wondering what else might be possible. So let's take a couple of other peeks.

What if we could make a shoe out of just one polymer, a monopolymer shoe, so that it could be easily recycled back into its own replacement? Be super cool. I know that's what you're thinking. We can do that.

What if we could eliminate waste, customize and engineer Footwear individually using only renewable resources? Completely different way to manufacture shoes. I know what you're thinking now also. You're thinking that would be super cool, too. And we can do that.

And what if we could let customers customize their product after they tried it on and purchased it at retail? Yes. See, some head shaking. Yes, we can do that, too.

All of these what-if scenarios are in fact possible and underway. And there are so many more that I'd love to share with you, but I can't. And I think you know why. You'll just have to wait. Fiscal year 2012 is going to be an unbelievable year of innovation for the NIKE Brand. It is what gives us confidence that we will continue to drive profitable growth in our business through innovation. We did introduce great innovation this past year. We can continue to amaze consumers with innovation and we will win through innovation.

Thanks for your time. I hope you all get to spend enough time back in the product room during lunch and afterwards because I think our product looks fantastic. So go bask in the great product and enjoy your lunch. Thank you.

(BREAK)

Gary DeStefano: Good afternoon, everybody. How was lunch? Oh, great. There you go. That's a good sound.

All right, we'll start off. Good afternoon. My name is Gary DeStefano. I'm NIKE's president of global operations.

When you joined us a couple of years ago we talked to you that our job was not to manage the marketplace that exists, but to create the marketplace of the future. And what I'll talk to you about today is our continuing quest to create, grow and transform the marketplace.

The other thing we'll discuss today is what Charlie and Eric and Trevor talked to you about earlier, our global competitive advantages. Certainly the relentless flow of product innovation, the category offense, which, as you saw in that 90-second brand video, that was brand activation in one country, one year, 90 seconds worth of highlight. Our ability to touch consumers all over the world in a relentless way, as Mark said.

And lastly, what Jeanne and I will talk about today is our ability and the capability to transform the marketplaces around the world.

Last time you were here also we started a new geographic focus. In fact, our segments are slightly different than most traditional players in the industry have. And I'll walk you through each of those geographic segments today and talk about the fact that we have accelerated growth in our new strategy, which was to focus on our largest opportunities in the world.

The other thing we talked about last time was we believed we had a unique competitive advantage in our executional capability at the global level and at the local level. We said at that time that nobody has the ability globally, like NIKE, the power of this brand. And nobody has the teams, as Charlie referenced earlier, on the ground, like NIKE, to execute locally. And nobody can do both of those things at the same time. And as we like to say, the NIKE Brand around the world truly never sleeps.

The other piece we shared with you last time was a vision, a vision for what we called Marketplace 2015. We talked that it would be a holistic vision, we would work with our partners in this industry to really be a catalyst for change. We said we would segment the market to create additional capability and capacity and accelerate our growth to create new consumer concepts, exciting, energizing retail environments, and that NIKE retail would catalyze that segment.

We would optimize the strategy between ourselves and our retail partners so that our efforts were not cannibalistic. We would align with our retail partners in terms of a three-year strategy so we could build and accelerate growth for both companies. And lastly, that we would create a new financial model for this industry.

And we're happy to report that that has worked and is working around the world. Transformation has begun. And I'll share more with you that this is truly a global effort. You can see whether it's our largest part of Footlocker in North America, or Sports Direct, who's been known as more of a value player in the UK, or Sportsmaster as the largest player in Russia, Belle, the largest player in China, Kamo, a specialty retailer from Japan, or Centauro, our largest retailer from Brazil, who actually happens to be in town today and will be joining us for dinner tonight at the home.

All of these transformations have happened. We have met and gone out and worked with everybody in their home court, if you will. And they have all been to the NIKE campus and met all of the NIKE executive teams here. We have created three-year strategic plans with each of these customers of how we'll transform both their comp growth rate and their financial profitability.

And it's working. As everybody said to you, we're very proud of the numbers that we're posting this morning and the efforts of the teams around the world to drive this level of growth for NIKE. 10% growth and an accelerating growth rate, as we've said. And to generate an additional $1.6 billion of revenue in one year, larger than most of our competitors in this industry. And we believe we have the momentum to continue this growth, as you see NIKE's future numbers that have been posted yesterday.

The balance of my presentation we'll talk about the fact we believe we are accelerating our growth around the world, that we are creating leadership in separation, and that we are transforming the market.

Let's start, and probably no surprise to you, in North America, our largest and most mature business. And as Trevor said, one we're very excited about. And we'll show you some of the results, and we have not even started with the NFL yet.

North America, probably what is a surprise to you, the unprecedented success in this marketplace. The growth rate here, 13% on revenue for the year, 14% on EBIT, continuing on leveraging our cost structure. But most importantly, continuing to gain separation in this marketplace, the most important marketplace in the world. And I think, again, you've seen the Futures numbers posted. We're confident in our ability to continue to generate the success in North America.

I think the other piece that speaks to the North America business, we talked earlier about our ability to segment and more finely tune each segment of our business. And the more we focus on a business, the greater our ability to energize that business and to grow it. North America today has six businesses that are larger than $1 billion in size. And we believe we can grow each one of those segments in the future.

Market leadership, it's not just about growth. It is about market leadership. And this is where NIKE really comes to the fore. Trevor talked to you about the category offense. We are able now, through the category offense, to come to the consumer 24/7, 365, in each and every one of these categories, all at the same time. We are able to provide the retailer a continuous flow of new products in a way that was never possible before.

And lastly, the transformation of the marketplace has really taken hold in North America. I think you've seen it in the results of some of these companies. Footlocker was the first with the House of Hoops. People were surprised, what's a new basketball concept. But we know that the comps are out-producing the fleet of that store and out-producing comps in this industry.

Dick's, and the sporting good concept that the NIKE Fieldhouse at Dick's Sporting Goods. Again, out-producing the fleet of their store and the comps in this industry. And then NIKE Track Club at Finish Line, a new specialty running concept and a specialty market that nobody was investing in. a real transformation.

And I think more importantly, if you talk to the CEOs of each of those companies, whether it was [Ken Hicks] or [Ed Stack] or [Glen Lyon], each of them would say to you they believe they're more strategically aligned with NIKE today than at any point in their history of their companies.

Transform the marketplace is working so well that we are not asking them to expand that presentation. They are asking to accelerate the presentation of those stores. This is the plan that we have in place with each of those three retailers and an additional expansion of the marketplace. I think the thing we're most proud of is we said that we would create a new financial model in this industry, and we really have.

You've seen it in the additional comp growth rates that have happened. You've seen the expanding Gross Margins. You've seen the expansion of cash flows in this industry. And as we were all watching the ticker back stage this morning, most of these companies are now sitting at 52-week highs in the industry. So a great result and more work to do on this front.

Let's move to another major mature market for NIKE, Western Europe. We're very bullish on Western Europe. We think it has tremendous potential. It has been slow to growth in the past. The good news, we have returned to growth and we are accelerating growth. I think more importantly and one of the major markets and the major opportunities for us in Western Europe, Germany. NIKE has posted double digit growth this past year. And we're confident we can continue that growth.

The other thing we really like about Western Europe is that it is becoming a performance based market. And that plays to NIKE's strength. It plays to our innovation. Our running business was up double digits this year in Western Europe. Our sportswear business was up. It was specifically behind our Football business. We are very proud to be taking over, as Trevor said to you, the French Football Federation. It takes us in the heart of the major French competitor and puts us in the Apparel business in France.

And we believe sportswear and amplify will be a true growth strategy for us in this region. Amplify also allows us to transform the market, and there's no greater example than the UK, as all of you know, our largest market. Again, a market that we have returned to growth. We have opened, which Jeanne will talk to you about later, five new NIKE pinnacle concepts in the UK in this past year. Jeanne will share more with you on that.

We have worked with each of our wholesale partners to redevelop and transform the marketplace in the UK. And I'll come back and share with you more on that. And we have expanded our NIKE factory store business so that we can ensure the control of the NIKE Brand in the UK and we can create a premium market environment and protect the profitability of our retail partners who invest in these new and transforming concepts.

And again, what we're really confident about is that the market has shifted to a performance based market. Footlocker is not just expanding House of Hoops in North America. They're taking the concept internationally. The stores in Europe are working and they're going to expand again on the continent.

As we talked earlier, Sports Direct, who has been known as the value player in the UK, has bought an athletic specialty channel, a specialty sporting goods customer and soccer scene. And as you can see from this presentation, it's a far cry than what's happened in the marketplace in the past and we're very bullish on that concept.

And then lastly, a catalyzed concept off of NIKE retail and the running store that Jeanne will talk to you about from Covent Garden, a partner, Sweatshop, has opened a running only concept store that will expand throughout the UK. It is a different market in the UK, and we'll continue to transform that marketplace.

And it's just in time for performance in Europe. As you can see, whether it was the French Open or whether it was Wimbledon or the Women's World Cup this morning or what's going on with the Rugby World Cup in the fall or the two most significant performance events that will come to the continent next summer, performance is here to stay in Europe and it plays to NIKE's strength.

The other thing we did that was different in Europe, Europe used to be, for NIKE as a segment, Europe, Middle East and Africa. And we wanted to narrow our focus on both the big five of Europe and Central and Eastern Europe. So we created its own standalone region. It is now another $1 billion market segment for NIKE.

There is also something very unusual about this market. The two major markets in this geography, Turkey and Russia, we're not number one in either of those geographies. We see that as a great opportunity.

In Turkey, we believe Turkey has the potential to be on par with Russia here in the near term. We have invested in [Galataseride], the most important cultural asset from a soccer and football perspective in the marketplace. It is the most important business in terms of the Football business, the Apparel business and the sportswear business, and it comes with 49 of its own branded stores.

Russia we believe, as you know from prior meetings, it'll be a mega market for NIKE. Our business there has been up double digit. As we talked to you about, we'll have a different strategy than what our competitors have in Russia. We will partner with our wholesale partners to create this marketplace. And that strategy is working.

Russia became our fastest growing country in the NIKE world this year. And we continue to see great momentum in that marketplace. We believe Russia is on a path to be a $1 billion market and be a very important marketplace not only for NIKE, but for the world of sport. As you can see, [Euro Champs] in 2012, Sochi Winter Olympics in 2014, and Russia hosts the World Cup in 2018. And NIKE will be there for each of those events.

Now Japan. The government of Japan has a strategy, one of hope, one of recovery, and NIKE is the same. We're proud of the team. We're proud of the work they've done. We have recovered all of our business operations in Japan. And we think the team has been tremendous in terms of their leadership of our own team in recovering our business operations in Japan.

But the story is nonetheless the same. NIKE's business is down 21% in Japan this year. Certainly not what we expected. Certainly not what we planned for. But I think what it does show is a remarkable story of the power of NIKE's geographic portfolio. At a point in time when one of our major business segments is down 21%, NIKE posts a historic high in revenues. I think it does speak to the power of the NIKE Brand around the world.

So there is one of hope and there is recovery. But our strategy is slightly different. It's not of hope or recovery. It is of growth. We expect the team to grow this market. We're looking at Japan not as a business that has shrunk to $766 million, but as a $766 million business that can be a growth opportunity of a $1 billion marketplace.

We will focus on performance, just as we've done in the other marketplaces. And what we've seen in the last eight weeks, performance product is working. Whether it's NIKE Free, which Eric talked to you about, the Mercurial product, or Trevor mentioned the Dunk product, each of these products have launched into the marketplace post the earthquake, post the disaster. All have sold through at 40% and 50% in the last eight weeks.

We have momentum. We feel good about the brand and the potential in Japan. We continue to transform the marketplace and work with our partner, Xebio would transform sporting goods, Kamo would transform the specialty business, and ABC, the largest value Footwear player in the marketplace, is creating a new segment of business, what we would call athletic specialty, and taking the brand really up market, if you will.

And lastly, one of the things that really does give Japan hope, it's baseball. Baseball is the cultural epicenter of Japan. It's a business that NIKE has not participated in for the last five years. We have reentered the baseball marketplace this past spring with our spring sell in (inaudible) that we had in Japan. We will work and lead the brand with Yu Darvish, one of the best athletes in all of Japan. We believe baseball will energize Japan. We believe it will energize NIKE. And we believe we can be a growth company in Japan and, again, be a $1 billion segment.

Now let's move to one of the most exciting regions of the world, a region that's defined very differently than other companies. China is not part of NIKE's emerging markets. But, even without China, the macro trends are undisputable. 2.8 billion people. Half of that youth, 1.4 billion. 640 million person middle class, twice the population of the United States. And, just like everyone at NIKE, digitally connected and passionate about sports.

We're accelerating growth in this market, as you've seen. This year emerging markets, again without China, became NIKE's fastest growing market in the world. Each of the countries in this geography at a double digit rate. And we're positive, and if you saw the Futures numbers, that this momentum will continue.

One of the major countries that will drive the growth of this region is Brazil. Charlie talked to you about it earlier. No other country will host a two major event coming up. And it's only happened three times in the history of the world. We believe that will be the ignition point for Brazil as a country.

But it will not be the destination for NIKE. 2016 is merely a starting line, just as Beijing '08 was for us in China. We believe Brazil has the potential to be a $1 billion market. We believe by the time we come out of the Olympics, Brazil will be the third largest country for NIKE in the world.

And if we want to look a little further out in the horizon to another major market, there's only one geography in the world that has two mega markets as part of its geography today. This is the emerging markets with Brazil and India. It is projected to be the fifth largest economy in the world by 2025. It is a marketplace that NIKE will build over time, just as we have done in China.

One of the things that's really incredible in India is not only is it the second most populated place in the world, but they're passionate about sport. They hosted the Cricket World Cup, the only culturally relevant sport in that country. This year, television's 700 million people watched the Cricket World Cup finals. 700 million people adopted NIKE's Bleed Blue campaign. We believe this will take us time to build, but you'll see it as we play it out over the horizon, that India has the potential to be another $1 billion market for NIKE.

And lastly, but certainly a big topic of conversation for all of us over the last couple of years, Greater China. And the momentum continues. The team here continues following the positive macro trends. Obviously, the most populous country in the world. Passes Japan this year in terms of second largest economy in the world.

It's either rising middle class, still incredible GDP growth, almost twice of what any emerging market country has. We're confident we can follow that trend and play as the market grows to what could be a middle class that some are projecting at 600 million people by 2015.

Charlie mentioned earlier we set a milestone in China this year, surpassing $2 billion in revenue. And a market that we talked to you about a couple of years we believed had the potential to be $1 billion. You've seen our Futures numbers. We're confident that we can continue to grow and expand this market.

A big piece of that expansion will be the transformation of the market. Jeanne will talk to you more about NIKE's own presence in China and how we'll build and create the brand experiences. We will change what is predominantly a partner mono branded environment and enter the marketplace three ways. With a NIKE owned, with a partner mono brand, and what we believe will be an emerging trend in this country, which is a multi brand marketplace. We believe each of those initiatives will create additional capacity in the marketplace and continue to fuel the growth of that market.

And it's not just about growth. Again, what we believe is the brand itself is the most authentic, connected and distinctive brand in China. And as we showed you in the earlier videos, we have the capability in China to come at the consumer 24/7, 365, and have a planned campaign every month.

But I think what's even more impressive now is we have the capability to come to the consumer one minute after Li Na wins the French Open. Amazing number, 115 million people saw Li Na win that title. That's nine times more people than watched game five of the NBA finals. And NIKE was there with the most relevant athlete for that point in time.

And NIKE will continue, as Trevor talked to you about, this summer, in a summer where basketball doesn't exist, just as we did in New York last summer in the USA, NIKE will create basketball this summer in China. And what company in this industry could bring Kevin Durant, Kobe Bryant, LeBron James, Dwayne Wade, Carmelo Anthony and Chris Paul to China, all at the same time? It'll be a 13-country tour and they will literally touch hundreds of millions of people.

And lastly, as Mark talked about, it's not just about the brand or just about the business. It is about our capabilities. It is about our services. And I'm sure two words that strike fear into your heart, the largest and the greenest warehouse in Asia. But to give you a little bit of comfort, there's another new NIKE capability. This large facility was brought in on time and actually under budget. So tremendous effort by our team and really positions NIKE well for the future growth capacity in this marketplace.

This year Charlie mentioned we will go in October to China to celebrate 30 years of business in China. And I think no market more clearly demonstrates NIKE's ability to create the market than China. It has taken us 25 years to build a $1 billion business in China. It took us four years to double that business. And we're confident we'll double it again.

We last leave you hoping that you know that NIKE is a growth company, but it's also a company that is accelerating our growth. Confident that NIKE can grow a mature market, such as North America, accelerate its growth. We can create a new market, our second largest in the world, such as China, and that we can develop and create the emerging market business to power our growth over the next decade.

Confident that we are growing our growth and accelerating globally. That we will be a catalyst for leadership in this industry and to transform the marketplace. And most importantly, confident in ourselves and our team and in our own future. Because we do believe and we remain steadfast in the belief that the best way to predict the future is to create it.

Thank you.

(VIDEO PLAYING)

Jeanne Jackson: Good afternoon. I'm Jeanne Jackson. I'm president of our direct to consumer business here at NIKE. And for just a little bit of a reminder, direct to consumer, or DTC, are all of our retail stores and our digital commerce businesses across all of the brands around the entire globe.

Throughout the day you've heard some consistent themes, I hope. Consistent themes around everything we do starts with the athlete. A relentless -- you heard the world relentless yet today? A relentless focus on our consumer. The importance of innovation, innovation in product, innovation in process, innovation in operations. And how these all come together to help create greater capacity for our brands and for our businesses in every marketplace in which we operate throughout the world.

So, all of these themes that you've heard today have a sharp point. And that sharp point is in our stores and on our sites where we get the chance to interact directly with the consumer. Our direct to consumer business represents the area where, in its purest form, our brands can lead by example. It's where we help shape our markets and we are able to create environments to showcase the strength of our category offense that Trevor talked about, the strength of our innovation, the strength of our brand stories.

It's the place where we commercialize the new digital experiences that we're creating. It's the place where the brands come to life. It's the place where we realize that that moment of truth, which is what we call it, with our consumers, that moment of truth is where we get the chance to interact them -- with them one-on-one without anybody in the middle to make the story fuzzy.

So, a year ago we introduced you to the pillars of our direct to consumer strategy. First, that we are already starting with a really solid foundation that positioned us then and continues to position us for a strong run of growth. Second, that we use our stores and we use our digital experiences to play an integral role in fueling overall growth. And third, that in order to realize these growth plans and opportunities that are before us we had to and we did make a commitment to building our capabilities as a brick and mortar and digital retailer globally.

So today what I'd like to share with you is the progress we've seen over the last year against these three pillars that we introduced you to. So, first of all, let's talk about leveraging the foundation. Last year we introduced you to our base. And our base included inline stores, factory stores and digital commerce across the entire portfolio of brands and again around the globe.

This base was already a large and important part of NIKE, Inc., with $2.8 billion of revenues in fiscal year '10. In fiscal year '11, when you roll up all of our retail businesses across the geographies and across the brands, our revenues increased by 16%. Our total owned store count increased to 756, up from 708 at the end of fiscal year '10.

Within this total are a number of new stores, as well as successful conversions of existing spaces, like the NIKE stores in Seoul and Stanford, Connecticut and in Covent Garden in London. A couple of people have talked about Covent Garden today. Mall of America, where we converted stores to the new concepts that we wanted to introduce to the consumers. Additionally, we closed a few underperforming and non-optimized locations.

Included in the new store count is a new and important venture. And you heard Roger talk about it a little bit first thing this morning. Converse's first flagship stores in Boston and New York. And the level of the market and brand energy these pinnacle locations are driving really speaks to the future of that brand and the excitement we can bring to consumers through Converse.

As store count, we talked about a minute ago now up from 709 stores, went up 7%, and we started by saying business went up 16%, obviously we got the lion's share of our growth out of greater productivity as we activated some of the investments we talked about last year to become a better retailer. Digital as well is a story of growth. We grew 50 million more customers from our base a year ago. But we also got greater conversion from the customers we had and greater average spend from the customers we already had and our new customers.

So, much more than store count and digital users, the heart of our story lies with the health of the growth we've seen over the last year. Our total direct to consumer business grew 16%, as we said earlier, to $3.2 billion, both from new stores and increased productivity. With the exception of Japan, for obvious reasons we've already talked about today, all geographies of NIKE Brand and all affiliate Brand businesses enjoyed growth across all concepts, inline, digital and factory.

For the year, on a comp basis, which all of you know is a really important measure for retailers, our stores grew 10%, double digit. Our overall digital business was up 25%. And as mentioned earlier, Nikestore.com led the way at plus 32% in constant dollars. The growth, again, came from both new customers and increased productivity.

So last year we introduced you to that strong foundation I talked about earlier. A year into the investments that we've made in our direct to consumer business, that foundation is proving to be a really strong foundation. And yes, we are ahead of plan.

So now let's take a look at what -- how we're using our pinnacle concepts as a catalyst to fuel NIKE Brand growth, the second pillar we introduced you to last year. For the NIKE Brand you heard both Charlie and Gary talk about the Brand creating capacity through transformation of the marketplace. So I won't take you through again that concept of the creation of capacity in the market. But I will focus on our role, on DTC's role in that transformation.

Our direct to consumer business plays a lead role in creating the pinnacle, the peak of the marketplace, the premium experiences that ignite that marketplace transformation, including the concepts that have directly inspired some of the amazing wholesale partner executions that Gary just shared with you visually a few moments ago. Our transformed strategy, which we introduced last year, calls for three concepts to lead the market.

The first are the brand experience stores. It's the largest of the concepts and it features six to seven of the NIKE Brand categories, the very best product in innovation that these categories have to offer, along with enhanced services, like the NIKEiD studios, run clubs, fit clubs, shoe recycling centers, and one-to-one help with our new digital performance products.

The category experience store, the second of the two -- of the three, brings a sharp focus to one specific category. And the same kind of pinnacle services at the brand experience store, but through the lens of that particular consumer that cares deeply about that particular performance category. Both the Brand and Category stores are becoming community sport destinations. They're celebrating our love of sport with our consumer's love of sport and further strengthening that bond that we have with our consumer.

The third concept is the NIKE only store. Most of these stores are partnered. These typically feature two to four categories that are particularly relevant in a local sport demographic. These NIKE only stores not only play the role of brand definition and elevation in the market in which they operate, but they may also represent our primary distribution in that market.

So let's take a little bit deeper look at the brand experience store, which is, again, typically 10,000 to 20,000 square feet and houses the critical categories. We place these stores in highly trafficked, highly commercial locations where millions of consumers can experience our brand, again, unfiltered. We opened five brand experience stores last year in such key shopping destinations as you can see up here.

And we also remodeled two more key Metropolitan stores in London and in Paris on the Champs-Elysees. Overall, these stores are performing ahead of our expectations, which is making us very happy. Since the remodel of London and Paris, these stores are up double digits and they're well outpacing the balance of the market.

They've provided remarkable stages as well for those sports moments that we like to celebrate with our consumers. The NBA All Star celebration in Santa Monica also introduced the shoe that Trevor talked about earlier when we had that incredible celebration in Santa Monica. Champions leagues finals in London, or the launch of the French Federation kit, which we launched in Paris, of course.

So that stage these stores provide is an incredible value to us as a company in creating that bond. In fiscal year '12 we will complete our most ambitious renovation, which will be the brand experience renovation for Niketown Las Vegas. It's in a world famous destination and there's 40,000 square feet under roof in that location. The Brand experiences, the category experiences will be -- in that location will be second to none.

We also plan to add more Brand experiences in the iconic shopping destinations at Ipanema in Rio de Janeiro, North Park in Dallas, Texas, where we hope to have a wonderful Dallas Cowboys shop. Should be a lot of fun. Stratford, which is near the Olympic Village in London, Wuhan and [Guanjo] in China, and most important for our local NIKE family and for the many wholesale accounts that come visit us here in Beaverton is a brand new location for a Portland, Oregon Brand experience store.

So the second of our transformation concepts that we've talked about are the category experience stores, where we take one of our performance categories and expand the consumer's perception of that category by showcasing all of the relevant products that are associated with that sport, as training and sportswear relate to that consumer's lifestyle of that sport. We locate these stores where the consumers who love the sport typically are.

For example, Stanford, Palo Alto, California, it's a great mall. But more importantly, it's in the heart of one of the most active running communities in America. In the last year we opened or converted four category experience stores anchored in soccer and in running, with locations in Stanford, California, we just mentioned, Covent Garden, Cardiff and Manchester in the UK.

And under construction now is our newest category store in Westport, Connecticut, where an affluent and active customer base loves to run along the river there in Westport. And several more locations that we'll open in fiscal year '12 that have not yet been disclosed. So we're learning and we're refining as we open these new category experience stores.

But they are really taking hold with our consumer. The All Star team in Covent Garden includes some UK track and field Olympic hopefuls. And it's really amazing to watch these Olympic hopefuls head out the front door of the store leading a run club who's going to run through the cities of London with a potential Olympian at the front of the pack. That kind of engagement creates a bond with the consumer in our brand that really creates separation between us and anyone else.

Our third concept, the NIKE only stores, are, again, mono brand and primarily partner owned. These stores bring a full representation of a territory's select priority categories to life. They bring brand elevation in the marketplace and they drive profitability for the partner and for NIKE.

Trevor spoke about the categories that over index in a particular geography. So an example in China would be a store that might have running with basketball and both stores done, compete, train, express. So amplified. A store in Brazil might have running and soccer compete, train, express, amplified. We're going to roll this concept out with many of our partners over the course of this coming year.

Gary spoke to the importance of these concepts. And these partners, in realizing the market potential, as many part of our globe only see our brand through these mono brand doors. We have raised with these experiences and that has helped influence wholesale partners like Finish Line, Soccer Scene and Sweatshop to follow our lead in building NIKE experiences of their own.

You saw the images from those partners a couple of times today, and they are integral to the category strategy and to the marketplace transform strategy, which you've heard about from Trevor, from Gary, from Charlie over the course of the day. The approach we've taken with both the Brand experience and the Category experience stores is to first focus on the people who are in those stores.

Almost half the employees who work for NIKE, Inc. work in our stores in NIKE retail. So it's the biggest lever we can pull. It's the greatest impact we can have to focus on those people. We invest in the folks closest to our consumer. Raise our expectations of those folks and give them our support in delivering our brand to the consumer. We're bringing athletes, bringing athletes to serve the athletes who are consumers. Let me share with you just a short video to bring this concept to life for you.

(VIDEO PLAYING)

Jeanne Jackson: So as we committed to investing in direct to consumer and becoming a better retailer, systems are being designed and things are in work. But the first thing we could do is invest in our people and make a big difference with our people. And I hope you got a glimpse into what that journey's been like for us over the course of the last year.

At the Glasgow Brand experience store, that team is our poster child for the best of athletes serving athletes, where we have -- you can see the list up here. We've got a 400-meter champion, a 3,000-meter champion. So we've got these running champions, these swimming champions, and even a former Celtic goalkeeper, all of whom are taking care of the consumers in that location, the second highest traffic shopping location in all of the United Kingdom. And those athletes are bringing the spirit of sport and who we are at NIKE to those consumers.

So, after job one was to focus on the people, job two, or concurrently, was to focus on the product. You know, consumers are savvy. As Trevor highlighted earlier, they live fast paced lives. They live lives that demand information and that sort of on demand wow factor. So in our retail stores over the past year, aside from having knowledgeable, passionate sales staff, we introduced the concept and reinforced that product is king.

We've worked to sharpen the way that the product is presented. The attitude or inspiration that product projects is directly related to the caliber and quality of the story we tell. So we've been focusing on bringing the best, most edited assortments of our most pinnacle product in each of these locations to ensure that the intersection of the brand, the story and the consumer is concise and it's authentic.

We've been relentless this year. There's that relentless word again. But we've been relentless in editing. We've been editing out all but the best. And the consumer has responded with sometimes fivefold increases in the unit velocity of our best items. I think you saw some of that when you looked at Eric's presentation about how certain items have just exploded. Focusing on telling the consumer what the best items are, they have confidence in our vote and they vote accordingly and buy those items. And the side benefit of that is we're also getting better turns out of our inventory.

And while we are using these locations to celebrate the love of sport that we share with our consumers, they become great stages for this. Whether it's the women's race, the 7K expo in Seoul, or the English Premier League championship in London, or the French Open in Paris. Now, while [Rafa] and Roger and even Roger's dad were hanging out at the Champs Elysees during the French Open, I think Gary shared with you that 115 million people in China only cared about Li Na. Well, our stores were able to celebrate that win the next morning for those fans and bring NIKE's love of Li Na to them and share that with them.

So we also continue to leverage the passion for great consumer retailers across the multiple brands. Roger and I have both mentioned over the course of the day the new Converse experiences in Boston and Soho, where we've actually had the opportunity to raise price on the customization experience because the demand was so great we couldn't accommodate all the consumers who wanted to get their shoes customized on a given day.

And there's a new Cole Haan experience in Soho and a new [Salvation] store. We introduced that action concept to you last year, which is the store that has NIKE, Converse and Hurley all under one roof. We're opening a new Salvation store literally next week in the heart of beach country in Malibu.

All of these are examples of the power of the portfolio in bringing a pinnacle expression to a consumer, the consumer that relates to that brand or that category to elevate that brand or that category. So hopefully that gives you a better understanding of the top of the pyramid, the pinnacle retail experiences.

But another theme you've heard throughout the day is the quickly evolving and incredibly important world of digital connectivity. Delivering premium digital experiences is a critical part of our marketplace strategy. With over 50 million more consumers this year, that solid base we talked about at the very beginning is growing. And we are on our way to beginning to capture what is full potential here.

You heard both Mark and Charlie talk about digital. You heard Trevor talk about digital. We, all of our Brands are important to youth. And youth spends their life in a digital world. So it's not hard to imagine how significant our potential is here.

We take a similar approach to digital as we do with our brick and mortar stores. Product front and center and premium experience that communicates an understanding of that consumer's needs and that consumer's passion for our brand. Then we strengthen that effort with the ability to customize product and the ability to access the ecosystem via mobile.

Mark called out earlier today the necessity of finding the right partners to accelerate our growth. This year we're happy to have opened Nikestore.com sites in China, Korea and Australia by finding great partners who could help us get started in those markets. As I've already mentioned, we have increased the number of consumers we serve by over 50 million in the last year. Our digital platforms will continue to expand the number of consumers we reach as we expand geographically and as we get more skillful at reaching out and serving our customer base even better.

As with brick and mortar and digital, product is king. With product presentation we made the first of our investments in digital to improve the online shopping experience through better merchandising. With some of the new tools you can see here what you used to get on a NIKE site, which I believe the number up there is 1,111 if you clicked on Apparel. Today we merchandise it a little and help the consumer through their journey.

We make it easier for consumers to find and buy our very best products and we've made checkout just a little bit easier. We still have a long way to go, but we did make our first steps in the last year and they're already paying off.

NIKEiD is one of the very special consumer experiences we have and one many try to copy. So we innovate to stay one step ahead of those who would copy us. Utilizing the strengths of the new product and supply chain innovation that Eric talked to you about, we've shifted the focus of customization to performance customization, with options on insoles and other functions with Footwear to help an athlete be the very, very best they could be.

Then once they've got the shoe to the best performance place they can get it, then they can add whatever attitude or color to make it their very own. The launch of the customized Free 2.0 just 14 weeks ago has hit the maximum allocated capacity 12 of 14 weeks. So I think we're onto something here with performance customization.

Recognizing the amount of time we've talked about our consumer spending in that digital world and on mobile, we now have four apps, including the NIKEiD app, the NIKE+ GPS, NIKE Training and NIKE Boom. We're currently working behind the scenes to make an even more aggressive stance in mobile by -- in mobile access as we move all of our sites to HTML 5 later this year. That will let consumers access it on all those i products and it'll also make, frankly, the site faster, which is our biggest complaint from consumers today. They'd like us to be able to get through the transaction with a little more speed, and we will be able to do that.

We also launched fairly significant changes in our affiliate sites. And we continue to look for ways to leverage and get that back of house capability levered onto the Affiliates so that the experience for all of our brands is elevated and we can expand the geographic reach of those brands.

So, we've talked about the top of the pyramid. We've talked about the digital side of the pyramid. Another critical component of the healthy marketplace development are our factory stores. They provide a high quality shopping experience for that value consumer and an excellent way to maintain brand integrity and inventory management for not only just our own retail, but for the wholesale marketplace.

This concept continues to serve as a consistent, profitable model for us. Charlie highlighted very early this morning, if you can remember back that far, the impressive growth in NIKE Factory Stores in North America and what they contributed to that market's performance this last year. In this last year, our very first investments were in these stores. We accelerated the remodeling and we began to raise the consumer experience. We're also using tools and processes to improve the assortment in the existing stores we have around the world.

As in our inline stores and in digital, you've heard this at least twice from me before already, product is king. The product assortment job has been job number one. And making sure we have the right product in the right store at the right time in the right quantity has been job one for the merchants in NIKE Factory Stores globally through fiscal year '11.

We're also introducing some operating practices that sort of boring stuff nobody likes to talk about, in the back rooms where we're getting more efficient, we're getting better speed and movement of product to the floor. And these improvements, even though they are just incremental improvements and we have many more in front of us, these improvements played a major role in contributing to the comp store increases in our financials and to the margin improvements in DTC over the last year.

So, as with all of our concepts, leveraging the improvements we just talked about. Whether it's the impact of a remodel, the impact of focusing on product, or the impact of backroom efficiencies, leveraging these improvements across brands is contributing to performance improvements in factory stores across the portfolio.

So we've talked about leveraging the strong foundation. That was pillar number one. We've talked about our role in fueling growth in the marketplace with the brands. The last of the pillars is that of building capabilities in our brick and mortar and in our digital capabilities as a retailer. Some of the investments we've already talked about in building a better team and in building better product assortments, as well as some of the processes we talked about.

But I do want to give you just a bit of an update on some of the less glamorous investments that we'll service over the long haul as we continue becoming a better retailer and growing our DTC business. We have a new program called Merchandise University, which is an intensive educational role playing course study that is geared to elevate our ability to bring sharply crafted assortments to our consumers.

We've also invested in core operating tools, many of which will actually come online in this coming fiscal year. SAP retail in North America, a new lease administration system, a new market mapping tool that we can use around the globe to locate stores, a new workforce management system set to launch this quarter to help us manage the payroll hours of all those thousands of employees.

And the greatest payoff for these investments will come as we finish creating and begin to roll out operating playbooks for all of the partners we have around the globe who are operating NIKE stores. How do they do a better job of merchandise assortments? How do they do a better job of efficiently getting goods to the floor? How do they raise their productivity and profitability?

From an on store growth perspective, by the end of fiscal year '15 we expect to reach more than 850 owned stores for the NIKE Brand across all concepts, and more than 300 affiliate stores, illustrating a clear and consistent growth trajectory. But it isn't just about new store growth. It's also about improving productivity and profitability just as surely and just as steadily.

I started all the way back at slide 5, I think, by sharing that we are ahead of plan. We are solidly on track to meet the goals and objectives we laid out for you last year in our five-year plan. In fact, we now expect to achieve and pass the $5.5 billion mark in -- for NIKE, Inc. DTC by the end of fiscal year '15.

So the growth of DTC is also a large driver of the growth of total NIKE, Inc. For fiscal year '11, owned DTC represented 15% of the Company revenue, but approximately a quarter of NIKE, Inc. total revenue growth versus fiscal year '10. Looking forward to 2015, we expect DTC to continue to grow faster than the Company as a whole. We also expect mono brand wholesale revenue to become a larger part of our total revenue base.

So, progress report complete. Our foundation continues to strengthen, up 16% in revenue, double digit comps in stores, 25% growth in digital, both new growth and a more productive base. Direct to consumer is fulfilling its role in fueling marketplace growth, with Brand, Category, NIKE owned stores, digital and factory experiences that lead the marketplace and help create capacity.

And we're on track. We're on track with our investments to become a better retailer, brick and mortar, digital, global and multi brand.

To close out before Don comes up to get the stuff you've really been waiting for, I'd like to show a short video that provides a glimpse of our progress to date and a bit on what's to come. Thank you so much for your time today.

(VIDEO PLAYING)

Don Blair: Well, good afternoon, everyone, and thank you very much for taking the time to come visit us.

My objective at this point is to talk a little bit about what you've seen so far today and put it in context. And give you a clear picture of how we expect our business to perform over the next few years. I think you'll agree it's a pretty exciting picture.

Over the last decade we focused on creating value for our shareholders by delivering strong results across three financial dimensions, growth, profitability and capital efficiency. That framework still guides our thinking today. And as we always do, let's start with growth.

Growth is the engine that creates shareholder value. But we're not just focused on any growth. As you know, we focus on quality growth. Without quality growth, there can't be long term value. Quality growth is brand accretive, it's sustainable, it's profitable and it's capital efficient.

So today we have shown you how we create that quality growth, by building deep personal connections with consumers for each of our Affiliate Brands and for the NIKE Brand through a category lens. By delivering a relentless flow of innovation and must-have products to consumers as they compete, train and express themselves through sport. And by creating an integrated marketplace of compelling consumer experiences, in store and online, in NIKE owned stores and with wholesale partners.

We think that over the long term we can deliver quality revenue growth at a high single digit rate. If revenue growth is the engine for creating shareholder value, then profitability is the transmission. Our goal is to deliver mid teens growth in earnings per share on average.

We're always quick to point out that our financial model is not guidance for any specific year or quarter. And that's not just legal language. It illustrates, really, that our philosophy is to manage the business for long term shareholder value. And that means balancing near term profitability and investments for the future.

In the extremely volatile business climate that we faced over the last three years, we've explicitly considered that balance as we set our goals for each season, each quarter and each fiscal year. And that's what you expect us to do.

The third element of our financial model is capital efficiency. We're focused on returns. Our goal is to expand our return on invested capital and consistently increase our cash returns to shareholders. You know, today capital is fairly cheap by historical standards. But we (technical difficulty) our standards for return on invested capital.

To manage risk and deliver increasing cash returns to shareholders, we remain focused on increasing our capital efficiency. We're proud of what we've accomplished. Over the last 10 years we've delivered quality revenue growth, profit leverage and improvements in capital efficiency. And FY'11 was no exception to that. In a turbulent macroeconomic environment, we delivered outstanding growth, profitability and capital efficiency.

As consumer sentiment improved and we continued to deliver outstanding products and experiences, our top line growth actually accelerated through the course of the year into the fourth quarter. We finished the year with revenues of $20.9 billion, up 10%. And that's more than $1.8 billion of incremental revenue in just one year.

With improving demand, unfortunately, came input cost inflation and higher freight costs. Those factors swung Gross Margin from a tailwind in the first half to a headwind in the second half. And that resulted in 70 basis points of erosion in Gross Margin for the year. But by leveraging our SG&A and aggressively buying back our stock, we delivered 14% growth in EPS for the year. And we did that despite the impact of the natural disasters on our businesses in Japan.

At the same time we expanded our return on invested capital even as we continued to invest in working capital, infrastructure and innovation. We manage our business to create value for our shareholders. And ultimately the market decides how much value we've created. Over the last 10 years, as Mark indicated earlier, we've delivered an average total return to shareholders of 17% a year. As you know, that outpaces about 90% of the S&P 500.

And we're very proud of that, too. But we know that you value what you think we're going to do, not what we've done. So let's look at the future. Mark likes to say that the distance between us and our competitors is not as important as the distance between us and our potential. We're convinced that there's still enormous growth potential for NIKE and value potential for our shareholders.

Last year we outlined our plans to reach $27 billion of revenue by FY'15. As Mark indicated earlier, we're very encouraged by the success of our strategies and by the strength of our businesses. And we think we can do better than that. So we've updated our FY'15 guidance to $28 billion to $30 billion of revenue. And we're committed to delivering that goal in the right way, with quality revenue growth at a high single digit rate, with mid teens EPS growth on average, balancing near term profitability with strategic investments for the future. And doing it with expanding ROIC and increased cash returns to shareholders.

Those are ambitious goals, just like they were 10 years ago. And we won't get there just by showing up. So let's talk about how we plan to deliver. Revenue growth is the foundation of our financial model, of course. And on the basis of the trends we've seen in FY'11, we're even more confident in the revenue opportunities that we framed last year. Those growth opportunities stretch across multiple dimensions of our business, starting with geographies.

Within the NIKE Brand, we believe we can deliver strong growth in both developed and developing markets. Our developed markets, North America, Western Europe and Japan, we already sell $12 billion of product for the NIKE Brand alone. We expect those markets together will deliver mid single digit growth. In FY'11, constant currency revenues for these geographies grew 7%. And as Gary indicated earlier, that was with a 21% decrease in Japan.

Revenues in North America, which is our largest and most highly penetrated market, grew an astonishing 13% in FY'11. For several years now we've been talking about the impact of the category offense on our brand and on our products. And Trevor spoke about those elements today. Through the category lens, our connections to consumers have deepened and we've aligned our products more tightly with how our consumers compete, train and express.

In FY'11 we also saw a significant acceleration in the third element of the category offense, and that's distribution. As Gary and Jeanne both described, we're creating an integrated category based marketplace, in NIKE owned stores, mono branded spaces and our wholesale accounts, and online. These retail experiences are exciting consumers and they're growing our business as well as the businesses of our partners.

We're still in the early stages of implementing this portion of the category offense in North America. And the game has barely begun in other markets. The opportunities for growth are equally exciting in the developing markets, China, the emerging markets geography and Central and Eastern Europe. We are very well established in these markets. We already deliver about $6 billion of revenue for the NIKE Brand. We expect these markets to deliver mid teens growth on average.

And that's going to be fueled by the same elements of the category offense as North America, with the addition of the tremendous growth we expect in the middle class for each one of those markets. To use China as an example, we've built a $2 billion business there. And as Gary indicated earlier, we're targeting $4 billion in annual revenues within the next few years.

And our emerging markets geography contains some of our most rapidly growing territories. Brazil alone we expect to be about a $1 billion business by the time we get to 2016. As Eric indicated earlier, we're also very confident in the growth of our products, NIKE Brand Footwear and Apparel particularly. Footwear's over 60% of the NIKE Brand today and we expect it to grow at a high single digit rate, powered by the continuous flow of innovations that you've seen today, NIKE Free, Lunar, Flywire, you can see them in the room next door.

In FY'11 we delivered double digit growth in Footwear, and we added over $1 billion of revenue in one year. Actual demand was actually higher than that. And as we catch up on capacity, we expect to satisfy even more of that demand. We added over $400 million of revenue in the Apparel business. But that product segment remains one of the largest growth opportunities we have in the Company.

As with Footwear, innovation is a key driver of our Apparel business. And that's embodied in the success of products such as NIKE Pro that you saw today. In addition, we expect our Apparel business will disproportionately benefit from our focus on delivering those integrated category presentations at retail.

As Jeanne outlined earlier, we expect direct to consumer operations to be a significant growth driver across all of our brands in the portfolio. Our FY'11 results demonstrate that elevated brand experiences and improved execution are both driving profitable revenue growth across the portfolio of brands and retail concepts.

These owned retail destinations have also helped us define a new model for the broader marketplace, with category retail concepts operated by wholesale partners like Dick's, Footlocker and Finish Line in the US, and Belle in China. Our other businesses, Converse, Cole Haan, Hurley, Umbro and NIKE Golf contributed about $2.7 billion of revenue for NIKE, Inc. in FY'11.

Revenues declined at NIKE Golf largely as a result of what happened in Japan in March. And as expected, we had lower revenues in Umbro as we were coming off the World Cup year last year. However, the balance of the rest of the other business portfolio played to form. So Converse, Cole Haan and Hurley each grew double digits for the year.

We continue to look for low double digit growth out of these businesses going forward, as they develop a wide range of untapped product and geographic opportunities within each brand. And as you heard from Roger this morning, we also believe that Converse, Hurley and Umbro can double their revenues from the FY'10 base.

A key driver for both Converse and Umbro is the conversion of key markets to direct distribution. In FY'11 we took direct control of Converse in the UK, and we took control of distribution of Umbro in France, Iberia and Benelux. And in FY'12, both converse and Umbro will be converted to direct distribution in China.

So if you haven't noticed, we're very excited about our growth opportunities with the businesses we already own. That said, we never stop seeking new consumer opportunities. These could be adjacencies or sub-segments of existing businesses, new channels of distribution or new products and services. We have several on the radar right now. But while we'll seek first to realize those business opportunities with existing brands and capabilities, we're always open to collaborations, partnerships and acquisitions when needed.

So at NIKE, we're never lacking for growth opportunities, but as I said earlier, we are focused on profitable growth, so let's talk about that. So achieving our target of mid teens EPS growth requires significant PYL leverage, and we expect to deliver that in three ways. First, by expanding Gross Margins. Second, by leveraging SG&A. And third, generating financial leverage. So let's talk about those.

First of all, Gross Margin. As you know, it's a function of factors we control and factors we don't. you're all very familiar with the key macroeconomic factors that drive Gross Margin, foreign exchange, labor and commodity costs, which are embedded in materials that we use to produce our products. Those are the factors we don't control.

And as we've indicated on our most recent conference calls, we do expect that these factors are going to be headwinds in FY'12. The long term picture is less clear, although we do expect to see some easing of input costs, particularly cotton, as we move towards the very end of FY'12. Now, while we can't control these macroeconomic factors, we do work to reduce the financial volatility that they cause.

So historically we've hedged our significant currency exposures with derivatives. We're now implementing a trading company structure that more effectively uses the natural offsets in our global business to reduce our net exposure. And it also lets us more efficiently hedge the exposures that remain. So we are moving in the direction of reducing that exposure.

We also apply innovation and operational capabilities to the factors we do control to help offset the macroeconomic headwinds and drive Gross Margin expansion over the long term. Generally, we're working in four key areas, product costs, supply chain management, pricing and direct to consumer. So let me take each one of those in turn.

Now, while the recent run-up in input costs is unprecedented, we have been working to reduce product costs for quite some time. And Eric spoke to several of the cost initiatives that we have been on for quite a while, such as lean manufacturing and consolidation of materials and vendors. We've also made significant improvements through the use of digital tools for design, development and sampling.

But we're not done by a long shot. We believe there continue to be additional opportunities. In the medium term with initiatives such as energy conservation and waste elimination. And in the longer term through more fundamental innovation and design materials and manufacturing.

The second operational lever is supply chain management. In the last decade we've made significant progress matching product supply and demand and leveraging our logistics infrastructure, especially in Europe and in North America. In FY'11, our supply chain costs did increase, as we needed higher levels of air freight to meet accelerating demand for our products and as we commissioned our China logistics center.

While these headwinds will continue into FY'12, we're confident that we will see lower costs beyond, as supply and demand come back into balance and as we begin to leverage the capabilities of the China logistics center.

The third operational lever is pricing. As Eric explained, we have the opportunity to set prices every season. And we do so considering a variety of factors, including input costs, profit goals and the consumer value equation. We have taken pricing actions for fall and holiday and we expect to take more meaningful price increases for the spring and summer 2012 seasons.

Given the strength of the product innovation that you've seen today, our premium brands and the strong marketing that we expect to have going into the European Football Championships and the Olympics, we're confident that these steps will improve our margins and overall profitability, especially in the second half of the year.

The final operational lever we'll use to expand Gross Margins is direct to consumer. These revenues, as you would expect, deliver higher first cost Gross Margins than wholesale. And the operational improvements we've made over the last several years have further expanded our DTC profitability. In addition, our network of factory stores helps us maximize the productivity of our wholesale accounts by enabling us to liquidate closeout product more profitably and to keep the market clean in the full price channels.

Now, although we expect Gross Margins will be lower in FY'12, we continue to believe Gross Margin expansion can be a source of profit growth in subsequent years. We also believe we can expand our operating profit margins by growing SG&A at a rate below revenue growth. We generated significant SG&A leverage in FY'11, as demand creation grew modestly and we created efficiencies in operating overhead, even as we were investing in direct to consumer and our innovation agenda.

Generally, we don't expect to drive much leverage from demand creation. Strong Brands are critical to the effectiveness of our financial model and it's vital that we invest in those brands. This is particularly true in FY'12, as we use the European Football Championships and the Olympics to build brand momentum and pull through higher price spring and summer product. We do expect to generate leverage from overhead by offsetting continued investments in direct to consumer and innovation with increased productivity across the rest of our cost structure.

The last driver of mid teens EPS growth is financial leverage. Over the last decade we've accelerated our EPS growth by reducing our share count and decreasing our effective tax rate. We will continue to be buyers of our stock and we'll more than offset the dilution from stock option grants. And while no one can say what the impact will be of potential tax legislation, we will continue to develop and implement strategies to improve our tax efficiency.

Now, in addition to generating profitable growth, we are still laser focused on expanding ROIC and increasing cash returns to shareholders. We continue to target a 25% return on invested capital by FY'15. To do that, we need to earn strong returns on the CapEx we invest in the business. We need to continuously improve working capital productivity. And we need to increase cash returns to the shareholders.

And over the last four years we've averaged just over $400 million a year in capital spending. Going forward we expect that level to increase to about $600 million a year, as we increase investment in direct to consumer operations, add capacity to support growth, and drive innovation.

To achieve our 25% ROIC goal, we'll also need to improve working capital efficiency. Over the last decade we've improved our cash conversion cycle 37% by improving productivity of accounts receivable, accounts payable and inventory. We've done that by improving our information systems, by more precisely managing the flow of product from the factory through to the retail floor, and by relentlessly focusing on all the nooks and crannies that tend to trap working capital.

The bottom line is we believe that there continues to be opportunities to improve our cash conversion cycle, including inventory. So why are our May 31 inventories up 33%? Well, about 10 points of that growth was financial. It was caused by currency fluctuation, and the higher carrying costs of inventory was driven by input costs and air freight.

Unit inventories increased about 23% for the NIKE Brand. And that was driven by strong demand and investments in initiatives, like always available Apparel programs. At these levels, our inventories are up versus the unusually low levels last year. But they're in line with the average of the last five years.

Overall, we feel pretty good about where we are in inventory. Our Futures are strong. The increase in inventory units is concentrated in North America and the emerging markets, where demand has been especially robust. In most markets, inventory in retail is clean. Closeout inventories are -- in total are in line with historical levels. And our network of factory stores is increasingly effective at clearing excess product in the marketplace.

That said, we're not complacent about managing inventory risk. We believe that our inventories will grow faster than revenue through the end of Q2. And we've seen the growth of our competitors' inventories and we also recognize the fragility of the consumer. So we'll continue to be very focused on monitoring sell through and maintaining an appropriate supply and demand balance.

You know, a year ago we set out a number of ambitious goals for FY'15. And one of those goals was to deliver $12 billion of free cash flow from operations over the five-year period from FY'11 through FY'15. We remain committed to that goal. And delivering it will enable us to continue to increase cash returns to shareholders in the form of dividends and share repurchases. '

Now, as you know, we set our dividends on a calendar year cycle. Since 2002 we've consistently increased our annual dividend, raising our payout ratio to 29% of our trailing four quarter EPS for 2011. Our growth and our target range of 25% to 35% still give us room to deliver consistent increases in dividends over time.

We've also increased our share repurchases, with another significant investment in FY'11. For the year we purchased about $2 billion of stock at an average price of $78.74. We're confident that was a great investment, and we expect to continue to increase our repurchase levels over time. In FY'11 we returned $2.4 billion of cash to shareholders in the form of dividends and share repurchases, and we expect that number to increase in future years.

So now that I've outlined our goals for FY'15 and how we expect to achieve them, I want to finish by giving you a sense of how we expect FY'12 to shape up. So we expect high single to low double digit revenue growth for the first quarter and the full year, reflecting the strength of our underlying businesses and more significant price increases in the second half of the year.

We expect first quarter revenue growth to be below the Futures growth we reported yesterday, since the Futures are more heavily weighted to the back half of the window and we shipped a higher percentage of summer season orders in the fourth quarter than we did last year.

We expect Gross Margin to be affected by input cost inflation and air freight, particularly in the first half of the year, with an improving trend in the back half, as these headwinds ease and prices go up. As a result, we expect Gross Margins to be down at least 300 basis points for the first quarter. But only about 100 basis points or so in the full fiscal year.

We continue to target SG&A leverage, partially offsetting the pressure on Gross Margins. For the full year we expect SG&A growth in the high single to low double digit range, with a heavier weighting to the second half of the year in support of the European Football Championships and the Olympics.

So, in aggregate, we expect EPS growth will be significantly higher in the second half of the year as we anticipate an improving Gross Margin trend sequentially through the year.

As you heard throughout the day, this is a management team that's committed to driving long term shareholder value. And we do that by focusing on what we do best, leveraging the power of our portfolio to create industry leading innovation, deeper consumer connections, and greater marketplace capacity. The environment in which we operate is more volatile than ever before. But in that challenge, we see the opportunity to create competitive separation and distinguish NIKE from other companies.

Over the past decade we've set ambitious goals for ourselves and we've delivered on them through both favorable and adverse conditions. That doesn't make us believe our work is done. It makes us confident that we can create profitable growth and shareholder value in whatever conditions we face. So, thank you for your time and attention today. Now we'll get set up to take your questions.

PRESENTATION – QUESTION AND ANSWER SESSION

Kelley Hall: Okay, everybody, hopefully you enjoyed the day so far. So want to get us set up for Q&A. So while our speakers come out and take their place, just a couple of housekeeping items. I'm going to do my very best to work the room and get to as many people as possible in the allotted time. So I ask for your patience with that.

And then the second is please wait until you have the microphone to ask your question so that we can capture it for those listening on webcast. Okay? So we'll let our speakers get settled and get ready to go. All right, anybody want to start?

Robert Ohmes: With the outlook that -- Robby Ohmes from B of A Merrill Lynch. Don -- or for the whole group, with the outlook that Don just gave us, can you talk a little bit more about DTC growing faster than the rest of the business and how that could pressure the ability to leverage SG&A, because I would imagine that puts upward pressure on SG&A as a percent of sales. So I understand you're going to leverage overhead, but you keep demand creation flat and then DTC is supposed to grow significantly faster than wholesale. Can you sort of walk us through how you get back to leveraging SG&A?

Don Blair: Yes, what we've been doing is we have been offsetting the investments we're making in both DTC as well as our innovation agenda by driving productivity in the rest of the cost structure. One thing to also bear in mind is DTC itself is becoming significantly more productive. As some of the things that Jeanne spoke to earlier have taken effect, we've had more velocity through those existing assets and that's helped give us leverage as well.

Sam Poser: Good afternoon. Sam Poser from Sterne Agee. I just wondered if you could -- you broke down the components of the Gross Margin on the last quarter. Wondered if you could give us how the merchandise margin versus air freight broke down in Q4 and how you're thinking about that, especially the front half of the year.

Don Blair: I think the pattern we're going to see early on in the year, the first quarter is going to be very similar to the fourth quarter. There is, without getting into the specific reconciliation of the numbers, about two-thirds of the lower Gross Margin number was really accounted for by the product margins, including the air freight.

There were some other elements we spoke to, like logistics cost and the commissioning of the China logistics center and some other items. But basically about two-thirds of the reduction was really product costs, including input and air freight. Did I not answer your question, Sam?

Sam Poser: (inaudible - microphone inaccessible) of product margins. You said it was 50 basis points of air freight, and then you had 45 basis points going the other way that got to the 105 in the third quarter. I wondered if you could give us that same kind of detail for the fourth quarter.

Don Blair: No, I think just in aggregate terms, I'm not -- I don't think it makes sense to break all the numbers. And there's a whole lot of other factors involved. So when you say we gave you that kind of a reconciliation, normally we don't give it in that level of detail. But if you look at the 310 basis points for the fourth quarter, about two-thirds of that was input costs and air freight, with some offset from some of the cost initiatives that Eric spoke to earlier.

Kelley Hall: Real quick.

Don Blair: Third time's a charm.

Sam Poser: Okay. Because of the -- because of these new -- the 33% increase in the factory base that should be up and running by the end of the year, we would assume -- and the inventory levels now, we would assume, regardless of what it is, that the air freight component of the Gross Margin should be the part in the back half of the year when you add in the price increases and so on that should go away because those product -- the other margin pressures will remain likely. Am I thinking about that correctly?

Don Blair: Yes, that's correct. So what I would first caution you on here is these -- you can't make a literal connection between inventory levels and air freight because capacity is not completely fungible. As we've talked about several times today, our running business, for example, was up 30% last year. A lot of that was new technology, NIKE Free, Lunar, various products that are not necessarily equated to the same capacity that produces an Air Force 1 or even Apparel.

So I mean that inventory number includes a lot of different product types. So air freight, as Eric said earlier, is going to improve over the course of the year. We do expect that to be more in the second half of the year, not really in the first or the second quarter.

Michael Benetti: Hi. Michael Benetti with UBS. I guess when we think about the price increases that are coming up, obviously everybody's tested their price increases and feels a little bit of confidence. But I don't know that we've seen the results of what to expect as the entire store starts to elevate prices with all the brands raising prices.

So you've mentioned a few times today the price increases that you guys are putting through. Maybe you could tell us a little bit about what gets you confident that the consumer can absorb those, other than just brand strength. But maybe on products that aren't changing at all, that are -- just the sticker price is changing.

Unidentified Company Representative: (inaudible - microphone inaccessible)

Unidentified Company Representative: We've seen a little bit of -- some increases already in DTC that -- where the consumer hasn't flinched. And then I'll just add the brand, the strength of the brand, I think. I don't think there's anybody in the industry that has the brand strength and the level of product innovation, to Charlie's point, that we have coming. And then as we ramp up to London next summer, I think that excitement's going to continue to grow. So I'm very confident. Not cavalier, but confident.

Unidentified Audience Member: Don, I was wondering if you could talk to us a little bit about the other income line. As you start to realize a translation benefit in operating income, how should we be thinking about that directionally? And is there any kind of magnitude that you can help us with?

Don Blair: We don't see there being major swings in that line. The conversation that we usually have on a quarterly basis is we tell you what the net impact is of translation of the P&Ls and other income and expense. At this point we do expect there to be a fairly small headwind from FX in FY'12 that was embedded in all of the guidance that I gave you earlier. But we don't think that's going to be a huge set of numbers if the exchange rates stay where they are.

Unidentified Audience Member: (inaudible question - microphone inaccessible)

Don Blair: No, it means we're -- we expect that line is broadly going to be about at the level it was in the fourth quarter on a quarterly basis.

Omar Saad: Hi. Thanks. It's Omar from ISI Group. Two quick questions. The Brazil target, $1 billion over time. Could you talk about the tariff situation there and whether you have in country sourcing and how you view pricing and the development of that market given the high tariffs there?

And also wondering if you could address why it seems like NIKE might be seeing a little bit more margin pressure as a result of inflation versus some of the competition. Is it mix? Is it a different mix? Is it pricing strategies that you're taking? Maybe you can kind of theoretically talk about why that seems to be the case. Thanks.

Unidentified Company Representative: (inaudible - microphone inaccessible)

Don Blair: And I think with respect to the second part of the question, I'm going to let other companies talk about their margin equation. I mean for us, what we expect to see is sequential improvement in margins over the course of the year. And that's really going to be fueled by all of the things that we do control that we've talked about, things like lean manufacturing, the growth of DTC, tighter supply chain, less air freight, as was discussed earlier, as well as the price increases that are accelerating in the second half of the year.

Faye Landes: Hi. Faye Landes, Consumer Edge Research. First of all, just a little follow-up on the air freight thing. And then I have another question. On the air freight thing, you mentioned on -- in your catalog of issues affecting inventory that air freight was one of them. I just want to make sure I understand how that -- what you meant. And then the other question is can you just comment on Western Europe, which was not mentioned at great length on the course of the day. But when you reported that we would see the profitability was down considerably, if you could elaborate on what's going on there.

Don Blair: Sure. And the impact is just all of the costs of bringing the product in, landed cost gets inventoried. So that was the element of the impact of air freight on inventory. And with respect to Western Europe, we can have one of the other folks talk a little bit more about the business trends. From a profitability standpoint, Western Europe was the most significantly affected by foreign exchange in FY'12. And the major issue there was not that there was a major adverse move in the Euro. It was that we had done a very effective job of hedging and that affected our FY'10 numbers.

So FY'11 really was more normalized. We had put some pretty long dated Euro hedges out when the Euro was above $1.50. So we had that benefit in FY'10. So that's really one of the major differences between Western Europe and the rest of the geographies.

Faye Landes: (inaudible - microphone inaccessible) possibility of Western -- sorry. On a local currency basis, what would the profitability of Western Europe look like?

Don Blair: That question is almost impossible to peel apart because you're dealing with what would prices have been had you had different exchange rates and how each one of the currencies and the spending would have flowed through the P&L. And so we don't calculate it that way or disclose it that way.

Paul Swinand: Paul Swinand, Morning Star Equity Research. I was wondering if you could break down your growth aspirations in China a little more. Obviously the middle class growth looks very promising. What segments do you see the most growth out of? What product areas, what sports?

And then just a follow-up to that. I thought I saw something on one of the slides where part of it was NIKE retail. I just want to clarify that's not owned retail, it's partner retail. First, let's -- if you could just clarify or talk a little more color about the segments.

Unidentified Company Representative: The segments in China, I mean, again, we're very bullish on the growth. As you mentioned the middle class, the projection of 600 million person middle class by 2015, so we see that trend. We believe in that trend. GDP growth, although there's been some concern that it's slowing, as we said in the presentation, it's still almost twice as rapid as the other markets of the world. So we still see bullish macro trends that we're convinced on.

On the product front and the market share, we literally stratified the product offering. So we can take more share at the premium price points, so RMB800 above, we believe there's a marketplace even lower than that. I think some of the commentary that's been made in the past that we will go from just tier one, two and three cities and expand our reach there.

So that is something that we've worked on. We're picking up market share in that segment. So we'll do both. We'll make a geographic expansion, we'll make a product expansion and we think we can capture share both ways.

Unidentified Company Representative: (inaudible - microphone inaccessible)

Kate McShane: Hi. Kate McShane, Citi Investment Research. I wondered if you could quantify at all how much of the sequential improvement in revenue that we saw this quarter versus last quarter was because of a change in capacity rather than a change in demand sequentially. And over the long term, what does more capacity mean? It sounds like you're building out more capacity for some of the more popular items now, like NIKE Free and Lunar. Over time, how does capacity come into play for your business?

Unidentified Company Representative: Well, what we said in the slides here was that we're going to -- we think by the latter half of fiscal year '12 we'll have caught up with capacity. And that capacity is really oriented towards those innovative products that you mentioned, Kate. And I think going forward we feel like we're going to be better balanced between where our demand and our supply is. And so our -- we're always on the lookout for good, solid, financially healthy partners in the supply chain and we'll continue to do that.

Unidentified Company Representative: (inaudible - microphone inaccessible)

Unidentified Company Representative: Let me just add that the increase in capacity will really take root in this first half fiscal '12. I mean we've had some steady increases, but the real ramp up is happening in the next six months.

Maggie Gilliam: I have a question for -- sorry, it's Maggie Gilliam from Gilliam & Company. I have a question for Jeanne, please. Could you elaborate a little bit about how you expect to ramp up the ecommerce on a global basis? I'm thinking specifically of Brazil, whether you'll partner or how you're going to do it.

Jeanne Jackson: (inaudible - microphone inaccessible) the consumers there not only have a great affinity for our brand, but they also have a great affinity for ecommerce. So while we're starting with a partner because it was a way for us to get there easily and efficiently, the long term vision is for us to be there with all of our categories and all of our sites and all of our capabilities and have a really strong business. Does that answer your question?

Chris Svezia: Good afternoon. [Chris Svezia] from Susquehanna. I have two questions. I guess first, just on Gross Margin, down 100 basis points for the year, down 300 in the first quarter. As you go through the year and you start to get better supply chain, maybe currency is not as much of a headwind, you get that pricing, is there a point at which you can actually see growth in Gross Margin? I've seen fourth quarter could be easy given the comparisons, but is there an inflection point based
And the other question is really to SG&A. Just in terms of its growing roughly in line with sales, give or take, and I'm just kind of curious about how you think about the leveragability of that SG&A and how we think about investments as you go into an investment year or fiscal year or

2012 with all those events relative to prior periods. Whether Beijing World Cup same level of magnitude of spending or just kind of how you're thinking about that.

Don Blair: Okay. So, at this point, I'm not going to give guidance on third, fourth quarter at this juncture. Do I think the math is correct? We do expect to see with the margin guidance we just gave for the full year and what we gave for the first quarter, we expect sequential improvement and we do think it'll be positive by the of the year. So, yes, without giving individual pieces of the equation.

With respect to SG&A, the guidance we gave said, yes, we do expect to gain some leverage. If you looked at what we said about the rate of growth, it's not going to be huge amounts of leverage in this particular year, largely because of some of the factors that you just discussed. But we do expect to gain leverage and we do that when we are still investing in DTC, still investing in our innovation agenda. So, we are always positioning our spending against the highest growth opportunities in the business and really driving productivity in the other parts of the business.

Eric Tracy: Thanks. Eric Tracy, FBR. Another disruptive -- or potentially disruptive force out there is the looming lockouts of NFL and NBA. Maybe if you could speak to prior lockouts, the negative impact you saw. Given the uncertainty, how you think about planning the businesses, particularly around product launches as you enter into the NFL agreement, certainly your dominance in basketball, how we should think about that.

Unidentified Company Representative: Well, I'll take the NFL first. So, we're -- obviously we're hopeful that there aren't any lockouts. But the reality is with the NFL in a lockout now, it hasn't affected any of the scheduling yet. We're optimistic that it won't. But for us and our relationship with the NFL, it doesn't go into effect until next year. So I'm not going to make any guarantees, but hopefully they're not locked out still when we get to next April and it shouldn't affect our launch as we move into that relationship.

As for the NBA, I think, and if you think back and compare it to previous situation labor issues around the NBA, which you'd have to go back five or six years ago, we had a limited relationship with the NBA itself, obviously with the players much more direct tie to the business. And depending on what happens here, we will continue to utilize the players.

I think there was a reference already about all the players that are going to China this summer. And I think everybody's very excited about that, including the players. As well as we have a very, very dominant footprint in college basketball. And with the absence of an NBA schedule, college basketball become that much more important. And I think that's going to be -- it's a great position to be in from a basketball standpoint if there is a labor issue that might affect the season..

Brian McGough: All right, thanks. Hey, guys, it's Brian McGough at Hedgeye Risk Management. Is it okay if I ask two?

Unidentified Company Representative: (inaudible - microphone inaccessible)

Brian McGough: Thanks. So, I guess first, I don't know if it's for Jeanne or Mark, Don, Charlie, but as I look at NIKE retail, and I think, Don, I might be stealing your line here, but it's been a little bit like Big Foot in that we've heard a lot about it may be making money, but we've never really seen it. And I know there's been a lot of capital that's been into it over the past two, three years. Looks like it's actually starting to work.

And I'm wondering if we should look at it as a standalone business or if the costs that are being put into retail are actually helping out the wholesale part of the business. Is it fair to split them both apart or should they be looked at holistically from a margin standpoint?

Unidentified Company Representative: I'm going to just touch on the general point that our DTC business is actually really -- my point -- my position -- our position is that DTC is really helping our overall business on the wholesale side. I've said many times before that the investment that were making in DTC is actually going to make us a better wholesale partner. And I really believe that's true.

I think the combination of DTC with our category offense has actually made us -- made us a much stronger company over the past two to three years. Everything you have to do to be successful in direct to consumer is really in a sense a microcosm of what you need to do to be a better company. And I think that's really playing out as we -- as you can see with some of the premium brand expressions that we have with some of our key retail partners. And a lot of that is because we're actually a better retailer, not just qualitatively but quantitatively. Jeanne, you want to (inaudible - microphone inaccessible)?

Jeanne Jackson: Well, the good news I can report is we are becoming more profitable. In the last fiscal year our earnings, the EBIT growth greatly outpaced the sales growth and we thought the sales growth was pretty good. So we're getting more productivity. We're getting more profitability. And things like the factory stores and digital are some of the most profitable things that we do. So as those things grow and as those things grow faster than the base, we're seeing increased profitability and increased leverage.

The first cost margin is very strong. I've worked for vertical retailers in my life and these are pretty strong first cost margins to work with. So we've got some runway and we've got some capability. But that said, the big -- the big leverage is in as we become better, helping those mono brand retailers around the world, whether they're in Turkey or China or wherever they are, helping them apply the same principles so they're more efficient, because then they'll be more profitable and we'll be more profitable. So that's the big win, it's when we get all three of those working at the same time.

Unidentified Company Representative: I'll just add one thing. I think from -- I think Mark kind of spoke about it. From a category perspective, one of the reasons we're able to see the success that we see is because we work very closely with our own DTC stores. And so we can actually test out these concepts or we can focus our work against our DTC that allows us to leverage it through the wholesale trade. So whilst from one perspective you can look at clearly the profitability of that part of the business, importantly, as we look at it in terms of how we operationalize the category offense, we learn so much through our (inaudible) the DTC stores.

Unidentified Company Representative: And this is at great risk of over answering the question here, but I want to be just very clear about one thing, which is to Jeanne's point, the digital piece and the factory outlet stores are some of the most profitable things we do. And on the inline side, what you have to bear in mind is some of these stores are really the pinnacle presentation.

Those of you that have been in the Niketown stores are extraordinarily exciting presentations. Those were not always designed to be more profitable replicated types of formats. What we are now seeing in the new formats that Jeanne spoke to is a completely different thought process around how we're doing retail. This is retail that is going to be both profitable and brand accretive and we're on track to do that.

Brian McGough: And then just one other quick question. I think this is an Eric question. I'm not sure, though. I actually thought that we'd see a little bit more about extreme sports, just given that you guys have a great message out there right now. I think, like, a really big one, one of the biggest that you've had in a long time. Mark, I know this is one that's very near and dear to you. And I think most importantly, you've got the product actually to back it up. I stepped out for a couple of minutes, so maybe I missed it. But if in case I didn't, could someone spend a couple of minutes just really talking about --

Trevor Edwards: Absolutely. Obviously we had so many categories to kind of take you through, so obviously we chose not to show action sports this time. But we continue to be very excited our action sports business. It actually grew about 14%. So we felt very good about that.

We're certainly seeing great growth within North America and it continues to grow. But also we have a portfolio strategy which we work with our affiliate business to kind of drive it. So we feel very confident about that business. We saw some slowing in Western Europe, but we're certainly working through that as we continue to roll out.

Roger Wyett: And I'd add to that, too, because obviously within the portfolio is both Hurley and Converse, it's incredibly important. Hurley's had another good year. And as Jeanne mentioned this afternoon, the new Salvation store, which is opening up in Malibu on a second door is very exciting with a multi brand category. So it's definitely something to look out for.

Unidentified Audience Member: Yes, a couple of quick questions. Don, with respect to hedging, you mentioned implementing a trading company structure. What does that mean and how does it change how we think about your hedges?

Don Blair: Well, it's not something that if you were building a model for next couple of quarters, you wouldn't necessarily see the impact of that. But the impact is that we are now funneling all of our transactions with factory groups and the various countries in which we do business through a hub, which lets us use the natural offsets of currency to reduce the level of currency exposure.

So one of the things that is one of the macroeconomic factors that drives our business is foreign exchange. Sometimes it's to the plus and sometimes not. What this does is it takes all of our sales in various currencies in our product purchases, which will increasingly be in multiple currencies, and lets us net those together so that we have less volatility from foreign exchange.

Unidentified Audience Member: Okay, so, does it reduce the cost of your hedging –

Don Blair: It does reduce the cost as well. But the main fact here, for example with China, we are largely net zero in China. The size of our purchasing and the size of our revenues are basically net zero. So our rim and b exposure is relatively small.

Unidentified Audience Member: Okay, that's helpful. Thanks. So no change to the philosophy, just change in –

Don Blair: No change in philosophy, but a more efficient vehicle.

Unidentified Audience Member: Great. Second question, you mentioned price increases with respect to fall and holiday. Is that different from what you talked to us about after the fiscal third quarter? Has there been any kind of retroactive price increases that have been put in place?

Unidentified Company Representative: No, nothing of significance. We're -- when we can take price increases at retail, price sensitivity and playing that. But nothing has changed of any material impact. Most of the price increases that we talked about last quarter will go into effect spring.

Unidentified Audience Member: Thanks. Don, you mentioned the shift in shipments in North America I think being part of the reason that sales are going to grow below Futures in Q1. Can you quantify what that was, how much it helped Q4 and how much of a drag it is specifically on Q1?

Don Blair: No, I don't want to provide that level of detail at this point. But what I would tell you is if you look at the underlying trend lines of the business, for example, the Futures order book, which gives you the order pattern, and that's not muddied by the shipping pattern, you can see the strength of the business in North America.

Taposh Bari: Hi. Taposh Bari with Jefferies. Wanted to ask you a question about Converse and Umbro as you take that business over in China. Can you just kind of talk about the maybe financial and qualitative opportunities there and maybe contrast that to what happened with NIKE when you took over that business a few years ago.

Roger Wyett: So, on each of those, as you saw this morning, China offers for both Umbro and Converse much upside and opportunity. We see definitely taking a lot of what is happening out of the UK, for example, in Umbro or out of the U.S in the Converse case. And we see there's an awful lot of consumer connectivity and opportunity just as we've built the model in other places.

Unidentified Company Representative: You'll see more of an immediate upside opportunity on the Converse side, and then Umbro will be a bit slower build. But both Brands obviously have a long history and heritage and both we see a tremendous opportunity for growth in China.

Scott Emerman: Scott Emerman, Westfield Capital. Just a few unrelated questions. Can you just speak to whether or not you anticipate any meaningful change in the mix between Futures and at once business? Secondly, your China business is much more profitable today than most of your other geographies. So if you can just speak to the sustainability of that.

And then thirdly, if you could just talk about the cost environment for key sports marketing assets and maybe differentiator if it's meaningful between sports marketing assets in China versus here in the United States.

Unidentified Company Representative: Okay, there's three questions, some of which I can answer all of the above, and we can break them out. So, the at once Futures mix, we don't see it continuing to diversify much more than what we've talked about. I think as the business grows incrementally across the business model, we talked about always available. We've talked about our retail footprint continuing to expand. But I don't see -- the Futures will still be the best indicator for future possibilities, opportunities and how to measure the business. I don't see that changing anytime soon. Second question was China. And --

Scott Emerman: -- level of profitability.

Unidentified Company Representative:: Oh, yes. I think one of the interesting things about China, I think that it will continue to be as profitable. But actually the third question relates to the China model a little bit, which is especially in sports marketing, China is able to actually leverage the global assets much, much better than probably any other business of scale or scope. So whether it's Kobe Bryant or LeBron James or whether it's Manchester United or Wayne Rooney or Cristiano Ronaldo, all of those costs actually sit out in the respective business units where they're housed and China leverages them.

So, that being said, we're going to see China sports marketing assets start to accelerate as that business accelerates and as the competition accelerates there in China. So I would expect that to have somewhat of an impact on the overall profitability. But still very, very moderate.

Unidentified Audience Member: Hi. It's (inaudible). Can you talk about how you're gaining access to distribution in sort of tier two, tier three cities in China?

Unidentified Company Representative: Yes, I think the expansion of the distribution has been a planned strategy. As you know, we went in and basically focused on the three major cities. And I think that strategy was very successful for us. And I think over time people are saying, hey, you need to be more aggressive.

And we actually did quite a study and found out that we needed to be more aggressive in those other tiers of cities and that we're in fact losing share there. And there's in fact very little overlap between ourselves and some of the local brands. So, that has been a strategy that we have access to those other marketplaces. So it's typical to what we're doing. We would look at the marketplaces. We would create the strategy for distribution in those marketplaces.

And as we said today in the presentation, what we believe will be different over time in China, what is today a mono brand marketplace, we believe NIKE retail will be a catalyst to changing some of those secondary cities in the future. We're staying in the major cities today. We believe over time multi brand will exist in those marketplaces. So today it's really about differentiating the mono brand partners that are there and working with those mono brand partners to make their doors more productive and more profitable in those cities. And basically the distribution is there. We're going to leverage distribution that's there and work to make it more profitable and more productive for our partners and ourselves.

Unidentified Company Representative: You're going to see deeper penetration obviously in the -- not only the tier two, three, but four, five, six from NIKE. But as Gary touched on, I think the future is one, too, where the NIKE Brand, Umbro, Converse will be a multi brand strategy against that market. So we see when we actually combine multiple brands, really looking at the portfolio against the opportunity in China, I think there's huge growth potential.

Roger Wyett: And I was going to just add, as Gary articulated, we talked this morning about collaboration and leverage. Having the other brands, whether it's Converse or Umbro, coming in alongside and learning best practices and gain efficiencies, whether it's on distribution or even whether we plug in to, say, something such as basketball through a Converse. So obviously the adjacencies and the complementaries will definitely be top of mind.

Unidentified Company Representative: There was a great learning in the study, when we did the studies to look at the fact that we were very complementary in not overlapping with our Affiliate Brands. And that was kind of a key tipping point to our strategy to say, hey, we need to really accelerate that strategy.

Mitch Kummetz: Mitch Kummetz, Robert Baird. Don, on the [25th teen], mid teens earnings growth plan, a couple of questions. First, is there -- is there an operating margin target embedded in that plan? I know you talked about both operating margin expansion and financial leverage. But I'm wondering if there's an operating margin target embedded in that.

And then secondly, once we get past 2012, as you think about operating margin expansion into 2013, 2014 and 2015, it sounds like Gross Margins, they were down 70 bps last year, expect to be down 100 plus this year. As you get past 2012, does most of the operating margin expansion come from Gross Margin or SG&A? Is there any way you can kind of provide a little color on that?

Don Blair: Well, first of all, I think the math is inescapable. We do need to expand operating margins if we're going to grow revenues at the high single digits and earnings in mid teens. And as we said, there's those three drivers, Gross Margin, SG&A leverage and financial leverage. The element of the way we manage this business, at the end of the day you can do fantastic planning, but when you do business in well over 100 countries and so many currencies and it's as volatile as the world is, you essentially have to have a great team. You have to read the marketplace, and then you have to adapt.

And so our model really is a little bit more of a framework than it is a straightjacket. So we have mapped out the operational steps that it takes us to work towards those goals and we are very confident that we can deliver against that. But we're going to be managing this business on a year in, year out basis based upon the environment we find ourselves in. And I think if you look at our performance over the last three years or even over the last ten, we've run a slightly different model every year, but we work in that framework of saying this is where we want the top line to be, this is the bottom line, and we want to improve capital productivity. And we have to adapt as circumstances dictate.

Faye Landes: Hi. It's Faye Landes again. First of all -- two things. First of all, on the Europe thing, can you just talk a little bit about the specific countries, main countries in Western Europe? You talked about some of them, but not all of them. You talked about Germany a lot. Germany more and is doing better, UK a little bit less, and then didn't talk about Italy. And could you address that.

And also, just on Apparel, based on your results and results of other companies selling athletic Apparel, it certainly implies that the market for athletically inspired Apparel is growing quite significantly. Is that a correct perception and can you just elaborate on that?

Unidentified Company Representative: Sorry, Faye, that we couldn't address all the countries. But again, we're trying to spin the world in 20 minutes there. So, it really, as we said, we focused on the big five countries in Europe. The good news is all of those countries are back to growth. So that's a significant departure from where we've been in Western Europe. So, were pleased with that.

To your point, it's been a touch economic year, so some of the countries, specifically the southern countries, Spain and Italy, have been more difficult in terms of the macro environment. So, that business is still doing well. What we like best is what we said earlier, the performance business is doing particularly well.

To your point, the Apparel business is a great opportunity for the Company. And what Trevor talked about in the presentation, our ability to amplify sport, specifically football, when you look at the great football assets we have in Europe and you look at each of the countries, we talked specifically France and we didn't go into depth on the business, but when you pick up the French Federation, you look at all the assets we have, whether it's Barcelona in Spain and they win the champions league or it's Manchester United and they win the premier league, we can literally now go anywhere in that portfolio and drive the business and drive Apparel and drive Footwear. So, again, we think that should be a growth business for us.

Faye Landes: (inaudible - microphone inaccessible)

Unidentified Company Representative: First of all, I agree with your observations on athletically inspired Apparel. We're seeing our Futures strength in that area. If you look at our Futures up 15%,. I mean that's equally split between Footwear and Apparel. We think we have a unique position on the performance side of Apparel and that can help us drive, again, a more unique proposition on what we call the express, or the sportswear side of the business as well.

We've focused, as Eric pointed out I think in his presentation, a lot more on key items. We've gotten a lot more efficient in terms of focusing on those styles, getting more productivity per style. I think there's still more upside opportunity for NIKE as far as that's concerned. And then I think as you look across the portfolio, particularly with Converse and then Umbro as well and obviously Hurley, there's some major upside on the Apparel side. So, we're bullish. We're very bullish on Apparel and it's obviously a really key part of our growth strategy.

Roger Wyett: One call out against that, too, that I would make and I think each presenter called it out this morning is the correlation between, one, performance and sportswear is very significant. And two, having key items both driving growth as well as defining the brand. And I think you see that when you walk next door and you see the power of strong items that a consumer can connect with and you keep coming back.

Kelley Hall: We'll take one more question.

John Zolidis: Hi. John Zolidis, Buckingham Research. Could you just comment a little bit about NIKE inventory in the US retail channel? With inventory units up, I guess 23%, do you think that there's not enough inventory in the channel?

And then secondly, you outlined and you've got these great programs with your retail partners, the Track Club and the House of Hoops and the Fieldhouse, do you think that they have achieved a differentiated assortment of NIKE product or is there still too much overlap out there amongst your key retail partners in terms of the product they have from NIKE? Thank you.

Unidentified Company Representative: Actually, I'll try and answer both of those. So, the inventory levels. I think it's one of the strengths of our company is I think no company in the industry has worked harder or probably had greater success in maintaining what we call a pull market in the industry. So our model is definitely pull. We try to create the demand as opposed to push the product and the inventory into the marketplace. So I think we're doing that.

We work very closely with the retail partners in terms of monitoring their sell through, and they work very closely with us in terms of helping them with their inventory and the flow of that inventory. I think one thing we're better at than we've ever been, as Trevor said and as we talked about with our own DTC experience, is the flow of that inventory into the retail partner. So we're much better on the flow and I think that's working for everybody. We're not just loading a bunch of inventory in at the beginning of season. We're doing a much better job of flowing that inventory.

In terms of differentiated assortment, it almost feels like a retailer question. So I would say every retailer in the industry would say, hey, we would like to be completely exclusive. And I think what we have done a much better job on as opposed to being -- just having exclusive product is let's differentiate the consumer experience. And so I think all the retail partners that worked with us on the strategy to how do I create a differentiated consumer experience versus let's just have an exclusive shoe. And I think that's made quite a difference in the change in their stores, change of their presentation, and certainly the consumer experience.

Unidentified Company Representative: And I would just add to that one and just say when we think about it, we think about it in terms of distinction, how do you actually allow the retailers to have better distinction in the marketplace. And I think that the category offense has actually allowed us to have distinct formats that we can flow product through. And because we stay focused on that consumer every single day, every single season, we can flow a consistent story through those stores. Prior to that it would have been a hit or miss.

So I think that what it has allowed us to do is create -- increase the capacity of the marketplace, but also increase the distinction between our retailers, which I think the consumer is then having a better experience. And so (inaudible) is a great example. We see that in with our Footlocker. Obviously the Track Club that we do with Finish Line, another great example. So, we've definitely seen that as something that has really struck a nerve with our consumers and we're delivering that always through our business model.

Unidentified Company Representative: The last thing I would add is just what we've talked about all day long, that opportunity to leverage both lifestyle versus performance and being able to complement each side of that -- each side of the closet, so to speak, so the consumer really adds much more accessibility to broader capacity and growth for the NIKE Brand. And it's something that we're focused on.

Kelley Hall: So I want to thank you all again for being here today and to those of you that participated via webcast. A couple of things. We look forward to chatting with you, the management team and I, next door. So we'll meet you there shortly.

And housekeeping item. We have copies of the press release that went out across the wire following prepared remarks today. So if you want to grab a copy on the way out the door, you're welcome to do that. Thank you again.