

Nike jumps as turnaround efforts make early progress

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Nike Inc (NYSE:NKE, ETR:NKE) shares jumped 3.5% in after-hours trading after the sportswear giant beat Wall Street expectations for its latest quarter.

The S&P 500 company posted diluted earnings of \$0.49 per share for the first quarter of its financial year, beating the consensus Street forecast of \$0.27.

First-quarter revenue increased 1% to \$11.7 billion, slightly ahead of expectations, with wholesale sales up 7% to \$6.8 billion, while Nike Direct stores and website sales declined 4%.

Gross profit margin decreased 320 basis points to 42.2%, despite a 1% decline in selling and admin expenses, as average selling prices fell due to higher discounts and higher tariffs in North America.

CEO Elliott Hill said progress was driven by actions in priority areas of North America, wholesale and running.

"While we're getting wins under our belt, we still have work ahead to get all sports, geographies, and channels on a similar path as we manage a dynamic operating environment."

Finance chief Matthew Friend warned that while momentum in the quarter was encouraging, "progress will not be linear as dimensions of our business recover on different timelines" and that management was focused on what it could control amidst "several external headwinds".

The estimated gross cost of US tariffs was raised to \$1.5 billion from \$1 billion.

For the second quarter, Nike said it expects sales to decline in the low single digits, with gross margin in the range of 300-375 basis points.

Analysts at Jefferies said the results showed that "strategies to improve product and balance distro are working", with Hill "acting with urgency and creating a culture of winning again, which should return Nike to sustainable growth and margin improvement ahead".

UBS analysts highlighted that the spring order book is "trending positively" and Nike now expects a return to modest growth in the wholesale channel this year.

North America was ahead of other regions in the turnaround, while certain segments, including Greater China, sportswear and Nike Direct, will take longer to show improvement.

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