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# NIKE, Inc. (NKE) Q4 2025 Earnings Call Transcript

Jun. 26, 2025 8:20 PM ET | **NIKE, Inc. (NKE) Stock**, **NKE:CA Stock** | NKE, NKE:CA



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## Q4: 2025-06-26 Earnings Summary

Insights



EPS of \$0.14 **beats by \$0.02** | Revenue of \$11.10B (-11.97% Y/Y) **beats by \$373.57M**

NIKE, Inc. (NYSE:[NKE](#)) Q4 2025 Earnings Conference Call June 26, 2025 5:00 PM ET

### Company Participants

Elliott J. Hill - CEO, President & Director

Matthew Friend - Executive VP & CFO

Paul Trussell - VP of Investor Relations & Strategic Finance and Treasurer

### Conference Call Participants

Adrienne Eugenia Yih-Tennant - Barclays Bank PLC, Research Division  
Alexandra Ann Straton - Morgan Stanley, Research Division  
Brian William Nagel - Oppenheimer & Co. Inc., Research Division  
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Lorraine Corrine Maikis Hutchinson - BofA Securities, Research Division  
Matthew Robert Boss - JPMorgan Chase & Co, Research Division

## **Operator**

Good afternoon, everyone, and welcome to NIKE, Inc.'s Fiscal 2025 Fourth Quarter Conference Call. For those who want to reference today's press release, you'll find it at [investors.nike.com](https://investors.nike.com).

Leading today's call is Paul Trussell, VP of Corporate Finance and Treasurer. I would now like to turn the call over to Paul Trussell.

## **Paul Trussell**

Thank you, operator. Hello, everyone, and thank you for joining us today to discuss NIKE, Inc.'s fiscal 2025 fourth quarter results. Joining us on today's call will be NIKE, Inc. President and CEO, Elliott Hill; and our CFO, Matt Friend.

Before we begin, let me remind you that participants on this call will make forward-looking statements based on current expectations, and those statements are subject to certain risks and uncertainties that could cause actual results to differ materially. These risks and uncertainties are detailed in NIKE's reports filed with the SEC.

In addition, participants may discuss non-GAAP financial measures and nonpublic financial and statistical information. Please refer to NIKE's earnings press release or NIKE's website, [investors.nike.com](https://investors.nike.com), for comparable GAAP measures and quantitative reconciliations.

All growth comparisons on the call today are presented on a year-over-year basis and are currency-neutral unless otherwise noted. We will start with prepared remarks and then open up for questions. We would like to allow as many of you to ask questions as possible in our allotted time, so we would appreciate you limiting your initial question to one. Thank you for your cooperation on this.

I'll now turn the call over to NIKE, Inc. President and CEO, Elliott Hill.

## **Elliott J. Hill**

Thank you, Paul, and hello, everyone. I'll kick it off with a reflection on Faith Kipyegon's attempt to run the mile in under 4 minutes today called Breaking4. While she crossed the line at a personal best of 4:06, today's attempt will always represent more than the pursuit of a specific singular time. We're super proud of Faith, our teams and everyone who supported her and we were all inspired by her effort. The Breaking4 journey will live on as a symbol of courage and ambition. You have to dare to try, and I deeply admire the monumental effort.

What it showed is that no other brand offers athletes the depth of expertise that we can. No other brand dreams as big as we can, and more than anything, no other brand inspires 8 billion potential athletes to believe. Faith's historic attempt comes at a unique moment for NIKE and our consumers. as the sportswear industry continues to operate under geopolitical volatility and tariff uncertainty.

Specifically to our business, the results we're reporting today in Q4 and in FY '25 are not up to the NIKE standard. But as we said 90 days ago, the work we're doing to reposition the business through our Win Now actions is having an impact. From here, we expect our business results to improve. It's time to turn the page.

Just look at the pace of change we've embraced and the progress we made over the last 8 months. It all started on October 14, my first day back at NIKE, with an all-employee meeting and a declaration to our teammates that we are a sport and a growth company and that we will put the athlete at the center of everything that we do and every decision that we make.

In December, we aligned our teams against the 5 Win Now actions: culture, product, marketing, marketplace, and our ground game with a sharp focus on 5 key sports, 3 key countries and 5 key cities. We also set out to aggressively rightsize 3 very important franchises, Air Force 1, Dunk, and the AJ1 and to return NIKE Digital to a premium destination.

With our teams executing against our actions, I flattened my leadership structure and made changes to 11 of my 15 direct reports. We pulled the lever we could pull the fastest, investing heavily in big sport moments and key product launches to win back our brand voice. That energy has ignited NIKE performance products with consumers, which is helping us to better balance our portfolio.

Reclaiming our voice in sports has turned out to be the jump start we needed for our team culture, too. I see the fight in our teams. We believe and we're competing. A sharp sport point of view and a less promotional NIKE marketplace is helping us gain the confidence

of wholesale partners. I'm personally meeting with our partners to reaffirm that we're prioritizing and investing in their businesses. We're also strategically adding more points of distribution to be in the path of a wider range of consumers.

NIKE Direct is showing early signs of being a more premium destination, especially when tied to a sport moment, a key product launch or a NIKE-created on-the-ground activation. To accelerate our Win Now actions, the next step is to realign into dedicated cross-functional teams by sport. We're organizing into a sport offense to have deeper relationships with the athletes we serve, to gain better insights, to drive sports-specific innovation, telling inspiring stories and differentiating ourselves in the marketplace.

Instead of a men's, women's and kids' construct, NIKE, Jordan and Converse teams will now come to work every day with a mission to create the most innovative and coveted product, footwear, apparel and accessories for the specific athletes they serve. These sports-obsessed teams will create greater dimension and distinction for our 3 brands, will make us more competitive and will accelerate our growth.

We'll pay it off in an integrated marketplace of our own design. We'll invest in NIKE Direct digitally and physically, and thoughtfully segment wholesale partners to serve sport-specific consumers across channels and up-and-down price points.

Strategically, sharper marketplace segmentation in a sport offense allows us to deliver unique assortments and storytelling opportunities across different channels and partners to better serve our consumers and to help drive profitable, sustainable growth for our partners.

We're already moving on a number of these fronts. To better serve wholesale partners, we're in the process of hiring retail marketing, visual merchandising and account management teammates. And in NIKE Direct, we're getting into the rhythm of lining up against sport moments and key product launches. Two wholesale partnership examples this quarter were through with DICK's through our 24/7 Training Collection, and with JD through the Air Max 95. The result: elevated presentations, better consumer connections and increased sell-throughs.

Earlier this month, our NIKE L.A. door at The Grove was home base for a highly successful global After Dark run series. Hosting thousands of women runners in L.A. created energy throughout the week. The day before the race, we captured our best sales day at The Grove in 3 years. And at the conclusion of the inspiring French Open finals, NIKE Digital posted the pre-, during and post-game looks of Carlos Alcaraz and Jannik Sinner with a 30% bump in day-to-day sell-through. Consumer-right, sport-led assortments, in-the-moment storytelling and elevated presentations in a segmented and differentiated marketplace, these are some of the many we will compete brand by brand, sport by sport, geo by geo.

The truth is we're in a fight in every sport we're in and each sport has different competitors. As we begin to align our iconic brands by sport, we'll have a closer line of sight so we can develop targeted plans to match up against each one of them. We're approaching every opportunity with an athlete mindset, passion, commitment and determination.

Our teams are also making strong progress in expanding our distribution with strategic partners. I'll focus briefly on North America, who in this quarter, led a Gen Z-targeted experience with Urban Outfitters, becoming the #1 brand in select doors on the opening weekend. We entered over 200 women's-led doors, including boutiques like Aritzia. We hosted 30 running specialty accounts from around the world at the NIKE Campus for a 4-day immersion and our upcoming running innovations. We leveraged 2 of our iconic brands, NIKE and Jordan, to create meaningful product activation with key city specialty partners along the I-95 corridor.

And finally, we announced a new partnership with Amazon. This fall, they'll carry a select assortment of footwear, apparel and accessories, and NIKE will have a featured brand store on the platform focused on running, training, basketball and sportswear.

The NIKE integrated marketplace is beginning to take shape. Along with NIKE Direct, these partners will play an important role in serving a wider range of consumers. This is NIKE at its best, leveraging our portfolio of brands and sport-led product offerings across multiple channels and up-and-down price points.

Q4 was also filled with a number of sport moments for NIKE, Jordan and Converse. All 3 brands showed up with louder brand statements to leverage the emotion of epic storylines. At the golf majors with Rory and Scottie; with A'ja to kick off a new WNBA season; at the Champions League final with PSG and Inter Milan; with Shai for both his MVP and the Thunders NBA Championship; and at Roland Garros with Alcaraz and Sinner. All of that is in 90 days. It's a reminder of the strength of NIKE's athlete relationship and our brand's far-reaching influence across all sports.

Shifting to our product portfolio. We made progress this quarter in rebalancing sportswear and performance. We're getting back to executing our formula more consistently, to create innovative and coveted product, accelerate demand through a more emotional storytelling and then scale at an unmatched level to meet the growing demand in the marketplace.

Take NIKE running as an example, which grew high single digits overall for the quarter. The energy was led by Vomero 18, which in just over 90 days has already become a \$100 million-plus franchise with strong sell-through. In basketball, our women's business expanded more than 50% this fiscal year, proving that product demand is catching up to the spike in energy surrounding the women's game. The biggest basketball headline this quarter was the retail release of A'ja Wilson's Signature Collection and her first shoe, the A'One. It showed how effective we are when we line everything up for a thoughtful journey, closely planned with the athlete. The first launch sold out in 3 minutes on NIKE Digital in North America and will double the amount of A'ja pairs in coming seasons.

In sportswear, the look of running footwear saw continued strength through products like P-6000, Vomero 5 and Shox, and we're reintroducing the Air Max 95 to a new generation of consumers through a more thoughtful seating journey of high-energy driving models through different channels, account by account and through early adopters like athletes and creative partners in our key cities. While we have a ways to go to return to a truly diversified sportswear lineup at scale, I'm pleased with the progress the team is making.

I'll close by saying a few words on fiscal year '26. As we put the sport offense in place, we're building a full pipeline of innovative products and driving momentum in the marketplace. I see a clear path to recovery ahead. A strong signal of our progress is the momentum we're seeing in NIKE performance product, which we expect to continue throughout fiscal year '26. In running, our 9-box footwear lineup will continue to deliver new innovation.

We'll approach basketball through multiple dimensions, and we'll build on apparel opportunities in training, golf and tennis that span the spectrum of sport and style. In global football, the stage is set for an intense World Cup battle. We're prepared with an upgrade of all 3 football boot silos in a 12-month window. Our kits look phenomenal, and we'll debut an exciting apparel innovation that will scale across multiple sports.

The early feedback to the product pipeline from our wholesale partners at our engagement meetings has been positive. For example, our order book is improving sequentially with our holiday orders up. We're finding a better balance with our portfolio of sport performance and new dimensions of sportswear, expected to offset the declines in our classic franchise with wholesale partners.

As I step back and look at the overall progress against our Win Now actions by geography, momentum and confidence are building in North America and EMEA, APLA's progress varies by individual country, and China will take longer due to the unique characteristics of the marketplace. We've been operating in China for over 4 decades and our teams know how -- what is required to return to growth. We're executing our plans and trending in the right direction, but a full recovery will take time.

I believe we have everything we need to win and we are ready for the new fiscal year. We're laser-focused on what we can control, inspiring and innovating for the 8 billion consumers we have the privilege to serve. We know what it will take to set off the next wave of growth for NIKE. From here, it's on us to get back to executing at the level we expect. And like Faith Kipyegon, our entire team is ready to run towards something bigger and is committed to writing the next great chapter for our beloved company.

From here, I'll pass it to Matt.

### **Matthew Friend**

Thanks, Elliott, and hello to everyone on the call. In fiscal '25, we reclaimed our identity through sport and implemented the Win Now actions to reposition our brands and business for future growth. While in line with our expectations, we are not pleased with our financial performance. However, as I said last quarter, the fourth quarter reflected the largest financial impact from our Win Now actions. We expect the headwinds to revenue and gross margin to begin to moderate from here.

Today, I will review our financial results, highlighting progress made against our Win Now actions. Then I will explain our approach to the newly issued tariffs. Last, I will provide guidance for the first quarter of fiscal '26 as well as additional insight for how we expect Win Now to shape our financial performance over the next fiscal year.

I'll begin with our financial results. For the fourth quarter, revenues were down 12% on a reported basis and down 11% on a currency- neutral basis. NIKE Direct was down 14% with NIKE Digital declining 26% and NIKE stores increasing 2%. Wholesale was down 9%. Gross margins declined 440 basis points to 40.3% on a reported basis due to higher wholesale discounts, higher discounts in our NIKE Factory Stores, supply chain cost deleverage and channel mix headwinds.

SG&A was up 1% on a reported basis. This was driven by increased investment in demand creation, up 15%, partially offset by a 3% decline in operating overhead. Our effective tax rate was 33.6% compared to 13.1% for the same period last year due primarily to decreased benefits from stock-based compensation and onetime items. Earnings per share was \$0.14. For the full year, revenue was

down 10% on a reported basis and 9% on a currency-neutral basis. Diluted earnings per share was \$2.16. Inventory was flat versus the prior year and down 1% versus the prior quarter. Inventory remains elevated but we are making progress. We closed the year in line with our plans and remain on track to exit the first half of fiscal '26 in a healthy and clean position.

Now let me go deeper into our performance over the last 90 days. As I shared last quarter, our geographies are at different stages of progress against our Win Now actions, and as a result, business recovery is trending on different time lines. Today, I will focus my geography remarks on the specific context and insights of our Win Now progress.

In North America, Q4 revenue declined 11%, NIKE Direct declined 14% with NIKE Digital down 25% and NIKE stores up 3%. Wholesale declined 8%. EBIT declined 29% on a reported basis. North America made meaningful progress cleaning up the marketplace and repositioning NIKE Digital as a full-price model. Momentum is building in wholesale with newness in the product portfolio. Sportswear declined in the quarter, driven by a near 40% reduction in our classic footwear franchises. Performance also declined. However, we saw strong sell-through for new products offered in running and training.

North America inventory actions continued with higher sales-related returns and higher discounts to liquidate aged inventory. Inventory dollars and units increased due partially to investment to support new distribution, unfavorable shipment timing and new tariffs. On Digital, we saw a meaningful improvement in markdown rates as well as a higher share of demand at full price in the quarter.

In EMEA, Q4 revenue declined 10%, NIKE Direct declined 19% with NIKE Digital down 36% and NIKE stores up 5%. Wholesale declined 4%. EBIT declined 41% on a reported basis. EMEA is furthest along in cleaning up the marketplace and repositioning NIKE Digital within an integrated marketplace. The team has demonstrated progress by delivering growth in key performance dimensions of our portfolio and diversifying sportswear with new product journeys.



In Q4, running and training delivered growth, offset by declines in our Sportswear business. Within Sportswear, we have taken meaningful steps forward to diversify our portfolio. In fact, Sportswear grew overall in wholesale in Q4, and women's sportswear, footwear returned to growth in the quarter. As it relates to inventory in EMEA, we ended the quarter slightly ahead of our target, with inventory dollars flat and units down mid-single digits versus the prior year. NIKE Digital also delivered improvements in markdown rates as well as a double-digit increase in the share of demand at full price.

In Greater China, Q4 revenue declined 20%, largely in line with our plan. NIKE Direct declined 15% with NIKE Digital down 31% and NIKE stores down 6%. Wholesale declined 24%. EBIT declined 45% on a reported basis. Greater China executed a deeper reset of inventory relative to our other geographies with higher sales-related reserves, higher discounts and supply reductions. Traffic remains challenged, and our priority is to refresh local monobrand store concepts and elevate brand presentation through sport.

On product, we saw bright spots this quarter when we launched sport-led innovation like Vomero 18 or utilized our geography Express Lane to tell hyperlocal stories. Consumers continue to have strong reaction to brand activations in the marketplace. Running returned to growth in the quarter, offset by declines in Sportswear and Jordan. Inventory was down 11% versus the prior year, driven by aggressive actions to clean and reset the marketplace. Digital remains highly promotional across the marketplace, and we have taken initial steps to reposition our own platform with plans to extend our efforts to the broader ecosystem in fiscal '26.

Our priority in Greater China is to refresh the monobrand marketplace, creating greater brand distinction through sport-led consumer concepts and full-price growth. We have launched a pilot across select doors. However, our actions to energize and reset this marketplace will take time.

In APLA, Q4 revenue declined 3%, NIKE Direct declined 1% with NIKE Digital down 6% and NIKE stores up 4%. Wholesale declined 5%. EBIT declined 33% on a reported basis. APLA delivered mixed results across countries with further work required to clean up inventory. The team has also taken initial steps to reposition NIKE Digital.

In the fourth quarter, our performance business returned to growth, driven by running and training. This momentum was more than offset by declines in Sportswear and Jordan. Our teams took aggressive actions to clean up the marketplace and further tighten the buys on NIKE Digital. However, inventory remains elevated.

Okay, let me spend a few minutes talking through our approach to the newly issued tariffs. Over the past 50 years, NIKE has built a globally expansive supply chain that is responsive and resilient. We have strong relationships with our factory partners, and our leadership team is experienced in managing through disruption.

NIKE has consistently been a top payer of U.S. duties, with an average duty rate on footwear imported into the United States in the mid-teens range. Therefore, these tariffs represent a new and meaningful cost headwind, and we are taking actions that balance the consumer, our partners, our Win Now actions as well as the long-term positioning of our brands in the marketplace.

First, we will optimize our sourcing mix and allocate production differently across countries to mitigate the new cost headwind into the United States. Despite the current elevated tariffs for Chinese products imported into the United States, manufacturing capacity and capability in China remains important to our global source base.

Currently, China represents roughly 16% of the footwear we import into the United States, and we expect this to reduce to the high single-digit range by the end of fiscal '26 with supply from China reallocated to other countries around the world.

Second, we are partnering with our suppliers and our retail partners to mitigate this structural cost increase in order to minimize the overall impact to the consumer. These partner arrangements will come into effect at different times throughout fiscal '26.

Third, as part of our regular approach to seasonal planning, we have implemented a surgical price increase in the United States with phased implementation beginning in fall '25.

And last, we will evaluate corporate cost reduction as appropriate. However, our highest priority right now continues to be reigniting brand momentum through sport and stabilizing our business.

With the new tariff rates in place today, we estimate a gross incremental cost increase to NIKE of approximately \$1 billion. We intend to fully mitigate the impact of these headwinds over time as we implement and annualize the actions I've outlined. For fiscal '26, we expect this financial impact, net of the actions described earlier to be approximately 75 basis points to gross margin, with a greater impact in the first half.

We will continue to monitor developments closely, and I am confident in our ability to lean on our strengths, our experience and our scale to navigate through this disruption. Looking forward, we intend to continue to provide specific quarterly guidance during this period of transition.

Today, I will also share some additional insights for how we expect our Win Now actions to shape elements of our financial performance throughout fiscal '26. Momentum is building in our new product franchises. And with the holiday order book in hand, we are beginning to see more clearly around the corner of our product portfolio transition.

In fiscal '25, we made significant progress managing down our classic footwear franchises, with year-over-year declines of more than 20%. In Q4, these declines accelerated to more than 30%, representing almost a \$1 billion headwind to revenue. We also finished Q4 down approximately 10 points from the peak as a percent of our total footwear mix.

We expect these headwinds to continue through the first half of fiscal '26, with signals that the Air Force 1 is stabilizing while we plan for larger reductions for the Dunk. We remain on track for a healthy and clean market by the end of the first half of fiscal '26. Over the next 2 quarters, NIKE will continue liquidating excess inventory through our value stores and select value partners. In the second half, we then expect to see a modest headwind to revenue as we lap aggressive clearance activity in the prior year.

We continue to expect Digital traffic to be down double digits in fiscal '26 as we reposition NIKE Digital as a full-price model and reduce the mix of our classic footwear franchises. At the same time, we see encouraging signals of progress in the marketplace with our wholesale partners. As Elliott said, our holiday order book is up versus the prior year with growth in North America, EMEA and APLA partially offset by Greater China. We expect SG&A to grow low single digits in fiscal '26.

We are investing to reignite growth in the business, particularly demand creation and [indiscernible] sports and commercial offense. At the same time, we recognize that SG&A has deleveraged relative to historical sales growth with improving gross margins and disciplined expense management over time. We have moderated our share repurchases in the near term due to a more dynamic and uncertain environment as well as the impact of the Win Now actions on our financial results. We have a strong balance sheet, and it remains a competitive advantage for our business.

Overall, we are pleased with the progress our teams are making against our Win Now actions. As I said last quarter, these are the building blocks for NIKE to return to sustainable profitable growth.

Last, I'll finish with our first quarter guidance. We will continue navigating through several factors that create uncertainty in this operating environment, including for the consumer, and so our outlook reflects our best assessment of these factors based on the data we have available today.

We expect Q1 revenues to be down mid-single digits. We expect Q1 gross margins to be down approximately 350 to 425 basis points. This includes approximately 100 basis points negative impact due to the new tariffs based on the rates that are in place today. We expect Q1 SG&A dollars to be up low single digits. We expect other income and expense, including net interest income, to be 0 to \$10 million in the first quarter. And we expect the tax rate for the full year to be 19% to 20% due primarily to anticipated changes in earnings mix.

With that, I'll pass it back to Elliott.

## **Elliott J. Hill**

Before taking questions, I want to share some final thoughts on another historic sports moment this past quarter, Rory McIlroy's Masters win. I was lucky enough to be at Augusta earlier that week, and I couldn't help but relate Rory's experience to NIKE's recent journey. To me, his final round performance was a master class on the power of the athlete mindset. And I've been asking my NIKE teammates to hold on to some of the lessons he taught us.

For those of you that don't know, Rory has been chasing a Masters victory for 14 years. It would complete his career Grand Slam, the holy grail of golf, something only 5 others have ever accomplished. He was also battling a decade-long drought of winning a major. He's had his share of close calls and heartbreaks and more than enough doubters. Sunday's final round at Augusta was no different. What made it so fun to watch was how aggressive Rory was playing. He was taking the shots that others wouldn't, putting the pressure on the rest of the field, but one time he did play it safe, he laid it up on the 13th and rolled it into Rae's Creek for a double bogey. Lesson learned.

He played better when he was attacking. Despite another up-and-down round, the win was still in his grasp. All he needed to do was sink a 5-foot putt on the 18th. He stepped up and missed, wide left. He was heading to a playoff. His caddie, Harry Diamond, his lifelong friend and biggest supporter, knew just what to say. "You would have given your right arm to be in the playoff at the start of the week." And that was it, the mindset shift Rory needed. He didn't have to play a playoff. He got to play a playoff. It was his for the taking, an amazing reminder for NIKE that no matter the situation we face, we're the leader in an exciting industry. It's a privilege to get to compete every day and with all of our advantages we have, we're in control of our own destiny here.

Rory went back to the 18th, stuck his second shot 4 feet for the pen. And this time, he sank the putt, dead center. Rory, finally, had his green jacket and his career Grand Slam. And we were all treated to one of the most memorable Sundays in golf. For over a decade, his patience was tested, but he stayed the course. Whether it was Rory, Alcaraz, Shai or Faith these past 90 days, we worked alongside some of the most mentally tough human beings on the planet. And lately, I've been talking a lot about the athlete mindset, that special ability to keep believing, to keep competing. I'm asking my teammates at NIKE to do just that, to show up with passion, commitment and determination and to compete every day. I think we're on our way.

## **Paul Trussell**

We're ready for questions.

## **Question-and-Answer Session**

### **Operator**

[Operator Instructions] Our first question will come from the line of Matthew Boss with JPMorgan.

### **Matthew Robert Boss**

So Elliott, could you maybe elaborate on the accelerated actions under your sport offense realignment and maybe speak to the phasing of innovation into the back half of the year in FY '26? And then, Matt, if you could just speak to the cadence of revenues this year or puts and takes to consider in terms of items impacting the first quarter revenues relative to the back half of the year?

### **Elliott J. Hill**

I'll take the first part of this around product. And what I will say, we will lead with a sharp focus on sport. That's why we're moving to the sport offense. But before I dive deeply on products, I just want to make certain that we hit on the unmatched portfolio that we have with depth and dimension, 3 brands, NIKE, Jordan and Converse. And what we're doing, Matthew, is we're organizing into sport-obsessed teams through our sport offense, which will drive a relentless flow of innovative product across all 3 of the brands, performance, sportswear, men's, women's, kids, footwear, apparel, accessories, and up-and-down price points.

We will differentiate each brand by sport and create a -- which we believe will create sharper distinction and dimension. And we do know, Matthew, when we focus on sport, we win. The best example that we have right now from a product perspective is our running, which is up high single digits. We have innovative and coveted products across our 9-box matrix that we've been talking a lot about, 3 silos, Pegasus, Vomero Structure, times 3 price points. We also have trail and race.

In terms of performance, Peg Premium, Vomero 18, our Swift and Stride apparel, they're all selling well at retail and we're getting positive feedback from our partners. I mentioned it in my script that the Vomero has already become a \$100 million business with growth in all geos. And so in addition to what I just touched on, we have Vomero Plus and Vomero Premium coming, which both those shoes are beautiful shoes and incredibly innovative and distinctive.

So best example is running, continuing on in our focused sports. Training would be next in line with momentum and sell-through in MetCon and 24/7 Apparel Collection. In basketball, we've got signature athletes, Shai for Converse. I'm sure you guys saw Shai at the NBA finals with his gold shoe around his neck. Adding dimension to the men's -- to the NIKE basketball with Sabrina and A'ja, Tatum and Luka in Jordan.

Best example in terms of performance this quarter, it was AJ1, and I hit that in the prepared remarks. Lined up beautiful products to retail and it sold through at retail. Global football. Two weeks ago, we had a summit with over 200 of our partners from around the world to share with them of our World Cup offering, and we have exciting innovation coming to the game across our 3 football silos, Mercurial, Tiempo and Phantom. And we have some really interesting innovation coming in our national team kits that we'll be able to leverage across other sports as we move forward. So feeling really good with our sport performance and with each season, it continues to get stronger.

As it relates to Sportswear, we continue, as you heard throughout the prepared remarks, to rightsize Air Force 1, the AJ1 and the Dunk. But we do know that we've got to have a portfolio that extends beyond those large franchises in sportswear. We've got in Air and we will continue to leverage Air because it's a proprietary technology that we have. Muse -- Air Max Muse for women and Air Max 95 are really good examples this quarter. And then we see those continuing throughout FY '26.

Look at running, Vomero 5, P-6000, Shox doing well, and we will take the consumer somewhere new in '26 with the Ava Rover and family. So in the end, it's going to take time to flow into the market, but we're confident in the product pipeline. It's getting stronger with each season.

## **Matthew Friend**

And Matt, I would just add that, as Elliott said, we're pleased with the progress we're making on the Win Now actions and the fourth quarter reflected the largest financial impact of our Win Now actions. And so our guidance for Q1 in revenue down mid-single digits, it's really reflective of a continuation of some of the trends that we see in Q4, such as the classics, our classic footwear franchises.

We expect to continue to see headwinds from the franchise management actions that we're taking there. We expect to continue to be liquidating excess inventory through our factory stores and through some value partners on the wholesale side. And we expect digital traffic to be down as we spend less money on performance media and also manage our classic franchises.

That's being offset in the first quarter by what I highlighted last quarter, which was our fall order book. We said last quarter that our fall order book almost offset the decline that we were managing in our classic footwear franchises. And now with our holiday order book being up with North America, EMEA and APLA only partially being offset by Greater China, and newness across performance and sportswear that Elliott just referenced offsetting our classic franchises, we're seeing improvement in the revenue trend.

As we look to the back half, I highlighted that we expect that the franchise management headwinds will heavily be focused on the first half, but we do expect our actions on the Dunk to continue throughout the full year. We expect Digital to continue to be a headwind for the full year as we reposition the channel. And I highlighted that we expect a modest headwind to revenue as we lap aggressive clearance activity in the second half of the prior year.

But we do expect to see continued momentum building with our wholesale partners. And our wholesale partners -- momentum with our wholesale partners is indicative of us cleaning the channel and confidence in our product portfolio. And it's 2 important elements of the building blocks of us returning to growth.

## **Operator**

Our next question will come from the line of Brian Nagel with Oppenheimer.

## **Brian William Nagel**

So I'm just going to put two questions together, if I could. They are, I guess, relatively short. I mean, first off, with respect to the continued sort of, say, cleanup of the marketplace that you're telegraphing now through the first half of fiscal '26, the question I have is, is that consistent with your prior plans? Or have you found something new as you've continued to work on the business?

Then the second question I have, with regard to tariffs, the way that you described it, this could be an impact here in Q1. But then over time, you'll be able to mitigate that, I think it was \$1 billion you said. Is that as simply saying that it takes time for these mitigation efforts to take hold? Is that why we're expecting this -- the Q1 impact?

### **Matthew Friend**

Yes, Brian. So as it relates to inventory, we remain on track. No change relative to what we communicated 90 days ago. We remain on track for a healthy and clean marketplace by the end of the first half of '26. And as I highlighted, North America and EMEA have made more progress. We've made significant progress managing down our classic footwear franchises as I highlighted. And so all I'm trying to say is that we are -- we will continue to be liquidating that extra inventory, but it's consistent with the plan that we had before.

The quality of the inventory in the marketplace has improved relative to where we were 90 days ago. And just to reiterate something I said to Matt, the fact that our holiday order book is up, I think, in wholesale also shows that the channel is getting clean and our partners are investing behind the newness that we're bringing into the market.

As far as your second question goes on tariffs, yes, I think you summarized it well. Larger impact in the first quarter primarily because as I laid out the 4 different actions that we're going to take to offset the \$1 billion headwind, we're implementing those at different points in time throughout the fiscal year based on taking into consideration the consumer, the back-to-school holiday season, the conversations we're having with both our suppliers and our retail partners. And so we're confident in our ability to fully mitigate these over time as these actions that we're talking about are fully implemented and annualized. But just within the confines of the fiscal year, it will be a 75 basis point impact on our gross margin.

### **Operator**

Our next question comes from the line of Lorraine Hutchinson with Bank of America.

### **Lorraine Corrine Maikis Hutchinson**



I wanted to focus on gross margin for a minute. Are you expecting the pressures to abate sequentially as the year progresses? And can you talk about the back half if there's an opportunity to return the gross margins to growth?

**Matthew Friend**

Yes, Lorraine. Taking all of the comments that we've made into consideration, we do expect our margins to remain under pressure in the first half of '26 as we finish executing our Win Now actions. We expect that our first half to be impacted from the strategic actions we've outlined, but also the timing of the tariff implementation relative to the actions that we're implementing. But we do expect that to moderate in the second half of the fiscal year.

When I think about our '26 margins, I sort of step back and think of 3 dynamics that we have. One, we've got short-term product and channel mix headwinds that we're going to navigate through the year as we manage our product portfolio and shift our marketplace portfolio towards our wholesale partners. We've got the transitory impact of the Win Now actions which are largely impacting the first half of fiscal '26, and then we've got the newly implemented tariffs. And I said that's a 75 basis point impact on the year. It's a 100 basis point impact in the first quarter. And we expect to see those headwinds begin to moderate from there.

**Operator**

Our next question comes from the line of Jonathan Komp with Baird.

**Jonathan Robert Komp**

I want to follow up. There's obviously too many dynamics to think about guiding past Q1. But just given that wholesale is the largest driver of your business today and you are seeing the inflection in order growth, are there any scenarios where you could get back to total growth at any point in this year? Just trying to get a sense of how you're looking out on the horizon here.

**Elliott J. Hill**

I'll take that, Jonathan. Let me start with -- what I would start with is, I've been here now 8 months and I'm even more convinced that the path back to sustainable profitable growth is through our Win Now actions and now implementing our sport offense. We're seeing signals that the actions are working. Our teams are energized, inspired and competing. The actions are resonating with our partners.

Matt already touched on the order book and the reaction we're getting from our partners. And it's with our consumers. We're having good sell-through as well. We've walked through some signals. Inventory actions are back on track. We're elevating NIKE Digital, the user experience, less promotional, et cetera. We're having good brand impact and sport moments and product launches. The product pipeline, which I already hit on, we're feeling good about that and it gets better with each season, and we're having an improvement in our order book.

So overall, what I would tell you is that each geo is in a bit different stage of executing those actions. North America and EMEA began executing them the earliest, and they are demonstrating the clearest progress and Matt hit on some of those financials. We're making good progress in APLA. It does, Jonathan, vary a little bit by country. And then in Greater China, we're still cleaning up the marketplace with the nuance of it being a monobrand marketplace, but we continue to work closely with the team to drive progress there. So we're seeing momentum. Matt's already hit it and our holiday order book is up. And right now, just because of everything that's going on, we're going to take it 90 days at a time because we believe full recovery will take time.

## **Operator**

Our next question comes from the line of Adrienne Yih with Barclays.

## **Adrienne Eugenia Yih-Tennant**

It's nice to see the progress at wholesale. Elliott, I guess I'm going to start on that topic. Can you talk about the marketplace at a high level, kind of where DKS, Foot Locker, JD kind of sit in that specialty retail and then the segmentation with the newly added Amazon expansion of distribution?

And then Matt, along the same line, when did you start shipping or recognizing wholesale revenue? I know you're going to be on board there in late July. So just wondering how that revenue -- is that part of the revenue wholesale order book being kind of having more visibility as we go into the back half with the addition of Amazon?

## **Elliott J. Hill**

Okay. Adrienne, our biggest competitive advantage is our ability to elevate and grow an entire marketplace. And again, we are challenging our teams to make certain that we're serving consumers wherever and however they choose to shop for our brands. I will say this, we do have an unbeatable footprint, 40,000 points of distribution, nearly 190 countries, digital, physical, wholesale, and direct.

What we are doing, we are making certain we are moving across multiple channels, our own NIKE Direct channels, specialty, sporting goods, athletic specialty, department store, family footwear. As you know, each one of those channels and the partners that sit in each of those channels, they all serve different consumers. And so we -- with this new flow of innovative product, we're segmenting and we're differentiating in the marketplace. When we do that across wholesale partners to serve different consumers, that's how we drive growth and profitability.

And again, it does start with our own NIKE Direct and elevating that, making it less promotional. But we are working closely with our partners across the entire marketplace, our 3-year growth plans, translating that into annual plans and quarterly plans. And we continue to invest in elevating the presentation of our assortment. So I'm feeling good about where -- how the teams now are embracing, looking across the entire marketplace to serve different consumers at different points of distribution.

In terms of Amazon, they serve a very focused consumer, and we're using them as part of -- and partnering with them as part of to grow the overall integrated marketplace. And we're excited about the partnership. You heard it in my script, we're working on the right assortments that will go in there. We'll have a featured brand store on the platform. We'll be offering footwear, apparel and accessories through running, training, basketball and sportswear.

### **Matthew Friend**

And I would just add, Adrienne, that as Elliott said, as we're serving consumers across [indiscernible] number of the examples that he gave in terms of how we've expanded distribution, we typically start small. So we will go live on Amazon in Q1, but it's not a material needle mover. What I would say is that wholesale overall and the commentary around our order book, I think, is an important leading indicator of the progress our teams are making to transition our product portfolio and also get our business back to growth.

There's obviously going to be some noncomp items, like I've highlighted, the liquidation in the first half, the work we're doing in order to continue to work through our classic footwear franchises. But wholesale and the progress that we're making in wholesale, I think, is a strong indicator of the progress we're making in our Win Now actions.

### **Operator**

Our next question comes from the line of Jay Sole with UBS.

### **Jay Daniel Sole**

Matt, you just talked about a modest headwind to the second half of '26, revenues as you lap promotions. Can you just talk about maybe what modest means? Can you talk about the trade-off between boosting gross margin as you get back to full-price sell, you lap those promotions versus what it means for unit volumes as you try to run a more full-price business?

### **Matthew Friend**

Sure, Jay. What I was specifically referring to there is, we started our Win Now actions as Elliott came back 8 months ago. And we highlighted them on our Q2 call, and it set us on an accelerated path to change the trajectory that the company is on. And one of the things that, that required us to do is to move quickly to shift our product portfolio and address some of the aged inventory that was sitting in the marketplace.

And so we started to move more aggressively with that through sales-related returns, through more discounts to our retail partners so that they could mark down that inventory and move it through, and as well as selling off-price product to our value partners. When

we get into the second half of fiscal year '26, we expect to be in a clean marketplace, a healthy marketplace. And so that business in the second half will be more full price, it will be more profitable, but there will be a revenue headwind from the compare to the higher level of off-price liquidation in the prior year.

### **Operator**

Our next question comes from the line of Brooke Roach with Goldman Sachs.

### **Brooke Siler Roach**

Elliott, I'm curious on your thoughts on the China marketplace and the opportunity to drive full recovery there over time. I understand there's some unique characteristics of the marketplace that are making it a little bit more difficult to clean it up as quickly as the other geos. Can you talk about the time line and the cadence of what we should see over the course of the next fiscal year as you look to return that to growth? And how are you thinking about the competitive and operating environment for the brand there today?

### **Elliott J. Hill**

Thanks, Brooke. Let me start with making certain that you hear this, that we do believe in the long-term opportunity in China. There are some structural tailwinds which will continue to unlock further opportunity. And I think our biggest opportunity is, from a brand perspective, to inspire and invite the 1.3 billion consumers into the world of sport, lifestyle sport and to fitness.

That said, we're not happy with where we are. And Matt went through the results. They are in line with what we planned. I want to make sure you guys hear that as well. We're confident in the Win Now actions, but as you've already pointed out, Brooke, China is on a bit of a different time line. And part of it is because of the structural differences in the marketplace. It's monobrand. The good news is we've been operating in China for more than 40 years. We have deep relationships there.

Matt and I have both been involved in turnarounds in China, and we're working closely with the team there. The team is focused on taking the right actions to clean up the marketplace, similar to what you've already seen in North America and EMEA and now is taking place in APLA, cleaning up the big 3, elevating digital. The key here is we're investing in testing some new retail concepts. At the same time, we are resetting and -- resetting some of our consumer-led concepts in existing doors, but we have work to do.

The key to winning, and I am confident in the team, the key to winning is that we need to connect locally. We've got to elevate the consumer-led product concepts. Performance running, we touched on, is working there, but we also have some China-specific product through outdoor basketball, the ST Flare and that we're leveraging our geo Express Lane to create China-specific product. And you will see more of that from us as we move forward.

And then it is getting the right consumer-led retail concepts in place. We've got a plan around renovating and upgrading throughout '26, launching new concepts and getting the right assortments, consumer-right assortments and the right depth, presentation and storytelling. That's how you return to drive revenue and profits there. It's through driving productivity. And so we're doing it. The team's hustling. But here's what I'd say, the changes are going to take time, but we're focused on pulling the right levers to return to growth.

## **Operator**

Our final question will come from the line of Alex Straton with Morgan Stanley.

## **Alexandra Ann Straton**

Perfect. Maybe for Elliott or Matt, as you think about kind of once the smoke clears through this year, just structurally, is there any reason why this business like should not be a double-digit margin business? Or maybe just high level, can you walk us through perhaps what's changed? And like as you think about clearing these actions and those all getting behind you, if anything has really changed in like the structural margin of the business longer term?

## **Matthew Friend**

Well, Alex, we've consistently been a double-digit margin company over our history, regardless of the size of our business or the composition of our portfolio. And so I think we believe that, that is still a goal that's worthy of pursuing. I highlighted the actions that

we've got -- that we've taken in '26 associated with Win Now and the timing of them between the first half and the second half. And we believe the Win Now actions are the right actions to reposition NIKE as a full-price brand in a healthy market. And they're the right actions to reignite brand momentum and growth.

And so when I think about the longer term, our goal is to return to sustainable organic revenue growth and to see the recovery of these transitory impacts that we've been talking about as we've been repositioning the business. And with disciplined expense management, it should yield operating leverage as we return to growth, and so that's where we're focused.

### **Elliott J. Hill**

I think the only thing that I would add to it is our teams, leadership team and teams around the world have embraced the Win Now actions. We believe by lining up against the sport offense, that will further accelerate those actions. And over time, we absolutely have the ambition to get back to double-digit operating margins.

### **Operator**

And that will conclude our question-and-answer session and our call today. Thank you all for joining. You may now disconnect.

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