

## Nike's North America weakness to weigh on current-quarter revenue

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Nike Inc forecast on Thursday muted current-quarter revenue growth, highlighting the world's largest footmaker's struggles to regain market share in North America from a resurgent Adidas.



*Nike*

The company also said it expects gross margins in the current quarter to shrink by 125 to 175 basis points due to stronger dollar and higher costs related to new launches.

“In third quarter in particular, we expect reported revenue growth at or slightly below the rate of reported revenue growth that we delivered in the second quarter,” Elliott Hill, President of Geographies and Sales said in a post-earnings

call.

The dismal forecast comes despite the company's all-out effort to sell its shoes at higher prices in North America where it is facing tough competition.

Shares of the company, a Dow component, were marginally down at \$63.74 in after-hours trading. They have surged about 25 percent from their year-low in October.

In the reported quarter, Nike's North America revenue fell 5 percent - its second-straight quarter of declines - hurt by its decision to sell more sneakers at full price and severe competition from a resurgent Adidas.

"They are still working through a restructure of their business in North America and we probably won't see positives in the next quarter," Jessica Ramirez, retail research analyst at Jane Hall & Associates said in an email.

Weakening wholesale distribution channels due to bankruptcies of sports chains Sports Authority and Sports Chalet earlier this year also hurt the company's revenue.

In response, Nike has been focusing on sales through its stores and website and its pilot program with Amazon.com Inc to sell a limited product assortment. Online sales rose 29 percent in the second quarter. The company has set a target to increase share of digital sales to total revenue to about 30 percent from 15 percent over the next five years.

Nike's international market, however, has been a bright spot, helping the company offset declining sales in North America. Quarterly revenue from Greater China rose 16 percent and European region 19 percent in the second quarter.

The sportswear giant has said it expected about 50 percent of its future sales growth to come from new categories and about 75 percent growth from outside the United States.

Nike has also been stepping up its advertising to regain market share from Adidas' retro Superstar and Ultraboost shoes.

Finish Line said earlier on Thursday that Nike's VaporMax and retro styles such as Huarache and Huarache ULTRA sold well in the sporting goods retailer's third quarter.

Excluding one-time items, the Beaverton, Oregon-based company earned 46

cents per share on revenue of \$8.55 billion.

Nike said the effective tax during the quarter nearly halved to 12.7 percent during the quarter.

Analysts on average had expected adjusted earnings of 40 cents per share and revenue of \$8.39 billion, according to Thomson Reuters I/B/E/S.

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