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Nike F4Q09 (Qtr End 5/31/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) The first question is from the line of Omar Saad with Credit Suisse Group.

Omar Saad - Credit Suisse

Thanks. Good evening. I wanted to follow-up on the sourcing, the restructuring on your sourcing business and the consolidation there with your partners. Can you go into a little bit more detail and give us some color around where you are starting from, where you are going to? Is it just on the footwear side or is it across all the categories? How many partners do you have and how many can you get it down to and is it -- is there a real scale opportunity that some of these operators can drive higher volumes through their existing capacity?

Mark Parker

Well, we've been pursuing consolidation over a period of time in both footwear and apparel and on the footwear side, we have significantly fewer factories and partners -- at this point, probably in the high 30s and that will be moving down more towards 30, so that consolidation really is around our strongest and most innovative, most efficient partners and we think that both on the footwear and apparel side, the impact of this is that we not only maintain capacity and give ourselves the opportunity for future expansion as needed but also are able to leverage both economies of scale as well as technological improvements, things like lean manufacturing, for example.

On the apparel side, we have quite a few more factories in the low hundreds for the main factory partners and there's going to be obviously some more significant changes in that structure but the net of both of these is that we really are consolidating with our strongest and most innovative partners.

Omar Saad - Credit Suisse

Okay, and then a follow-up question on profitability, if it's okay -- I noticed in the quarter great profitability. Regionally, the EMEA, Asia-Pacific, Americas, kind of the pretax margin, segment margins in those businesses is way up, whereas the U.S. lagged a little bit there kind of year over year. What's the dynamic going on there and how should we think about that going forward as you kind of think about allocating your resources in investments and spending around the different regions?

Charlie Denson

Well, I think when you think about it overall, the U.S. has always been a little bit more of a -- I'll use the term tightly wound marketplace, so we have a little bit more price elasticity in some of the international markets and I think you saw some of that coming through on a management basis, as you saw the results for Q4.

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