



Nike, Inc.—Entering the Millennium

The year 1987 was a disaster for Nike. For the third time since it became a public company in 1980, Nike's profits declined for the full year. The firm's U.S. sales of athletic shoes had fallen behind Reebok in 1986. In 1987, Reebok's sales in the U.S. shoe market *grew* 23%. Nike's *fell* 21% (**Exhibit 1**, line 9). This left Nike with a U.S. market share in athletic shoes equal to only ½ that achieved by Reebok.

December 1986 brought layoffs to 10% of Nike's workforce. Nearly 500 employees lost their jobs; over 100 of them were from Beaverton.

Exit the Gang of 4

David Chang resigned from Nike in November 1986. That same month Rob Strasser began a 5-month leave of absence. After returning to Nike for three months, he resigned.¹ Bob Woodell resigned in December 1986.

A number of important changes occurred at Nike during 1987. A matrix organization was established and a new generation of managers moved into the senior ranks. The company's focus shifted from "What is the best shoe technology for the athlete?" to "How do we design a great shoe that is appealing enough for people to want to buy?" The Nike Air Revolution was about to begin.

Prosperity and a New Chief Operating Officer

By 1989, Nike's revenue had doubled and profits had quadrupled (**Exhibit 1**, lines 15 and 26). The company was ready for a new chief operating officer, and Phil Knight was ready to start building a new corporate headquarters in Beaverton—including a 5-acre lake, running trails, and a huge fitness center for Nike's employees.

In 1990, Nike drew even with Reebok in total revenue and passed Reebok in total profits (**Exhibit 2**). Phil Knight commented, "Our goal is simple: to be the market share leader and the most profitable brand in all 39 footwear apparel and accessory lines in which we compete." Reebok's

¹ Three years later Strasser was named VP Worldwide Product Marketing for Adidas, AG. This was the ultimate slap in the face for his former boss, Phil Knight.

This case was prepared as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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announced goal was “to become the #1 sport and fitness brand worldwide.” The battle was joined anew.

Nike Draws Even with Reebok

Between 1990 and 1992, Nike and Reebok both grew sales from \$2.2 billion to more than \$3.0 billion. Nike edged ahead in *sales* by a little and in total *profitability* by a lot. The years 1992 through 1994 represented a period of revenue and profit stagnation at both Nike and Reebok.

During this period each firm mounted an attack on the other’s main source of strength. In 1992 Nike took aim at Reebok in the fitness market by launching a line of aerobic shoes. Reebok did an about-face and began hero-worship advertising, utilizing Orlando Magic’s basketball star Shaquille O’Neal. Copying Nike’s concept of creating a shoe line named after a marquee athlete, Reebok introduced a sneaker called the “Shaq Attack.” The shoe was a dud. Its introduction also marked the beginning of a long series of failed ad campaigns, poor product designs, overly aggressive pricing, and excessive senior management turnover at Reebok.

In 1994 Nike experienced a year of profit decline for the fourth time since becoming a public company (**Exhibit 1**, line 26). U.S. footwear revenue declined 5% (**Exhibit 1**, line 9) as a result of a 2% decrease in pairs shipped and a 3% decrease in average sales price per pair. Basketball shoe revenue declined 22%. International revenues declined due to poor economic conditions in Europe (**Exhibit 1**, line 16, 19). In spite of declining sales in Europe, Nike continued to invest in international organization infrastructure. As a result, selling, general and administrative expenses rose more than 2 percentage points as a percentage of revenues (**Exhibit 1**, line 40).

Nike Pulls Ahead of Reebok

In 1995, Nike experienced a strong turnaround, while Reebok did not. Nike’s share of the global athletic footwear market began surging to a new level. Reebok began to lose significant share of market (**Exhibit 3**).

Reebok staggered with a somewhat demoralized workforce at the same time that a number of Nike’s young retail marketing representatives were off having their legs tattooed with the Swoosh logo.

Most put the Swoosh on their calf or ankle, though some favored the shoulder. A few “chose the inner thigh . . . so that the Swoosh appears with each stride when they run.”²

In the spring of 1995 Phil Knight himself had a discreet Swoosh tattooed just above the sock line on the outside of his left calf.

Paul Fireman, Reebok’s CEO commented,

I think Nike is more of a cult, where people have to give up their individuality. I want people here to have a balanced life, one that works on various levels.³

² Kenneth Labich, Nike vs. Reebok, *Fortune*, September 18, 1995.

³ Ibid.

Strategic Objectives for the Late 1990s

In the summer of 1995, Phil Knight stated his strategic objectives.

First, make strides toward becoming a global company, not just a company doing business internationally. Make the effort to communicate, internally and externally, on a global basis. And to manage, as one brand around the world, our opportunities:

- To grow and develop the European team
- To establish ourselves as a real apparel company
- To truly get “on the board” in the world’s most international game—soccer
- To establish roots in ice hockey, the fastest growing team sport in North America
- To expand our positioning in women’s sports and fitness.

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As to our major goal of globalization, Director Ken Ohmae said a year ago it would take 10 more years. I said we could do it in 5. A year later, I believe Dr. Ohmae is the better forecaster. It is simply more complicated than I imagined. But one thing is certain, if we do achieve our global goals we will have something of real value. And we are making progress.

Four years ago, . . . we had nary a national as a country manager in Europe. Today, every major country is headed by a citizen of that country. In the process, sales have turned back up in Europe, a contribution far more significant than anyone has noted in writing to date. Asia is on the threshold of the greatest regional growth in industry history. And Latin America has positioned itself where Asia was two years ago.⁴

A Breakthrough in Apparel

The year 1996 was the year of apparel success for Nike. Phil Knight commented:

Our apparel business reminds me of something Shirley MacLaine said of her stardom, “After 18 years of hard work, I’m an overnight sensation.”

U.S. apparel sales were up 99% for the year [Exhibit 1, line 10]. . . . We did it by tying our apparel and shoe designs together and getting our apparel products on the playing fields of the world. As a concept it’s simple; it’s in the execution where we distinguish ourselves.

• • •

[Our management team has] made NIKE a significant player in global sports apparel, and pushed us farther down the road past “shoe company” and beyond “shoes and clothes” into the realm of a total brand.⁵

⁴ Nike Annual Report, 1995.

⁵ Nike Annual Report, 1996.

Nike versus Microsoft

In 1997, Nike's 25th year, Phil Knight delighted in repeating one security analyst's comment comparing Nike with Microsoft (**Exhibits 4 and 5**): "I don't know if Microsoft will be here 25 years from now, but I know Nike will be." To this comment, Phil Knight added, "I consider that a great compliment, and an even better prediction."⁶

By 1998, the contest between Nike and Reebok was pretty much over. Nike's sales had reached almost \$10 billion, while Reebok's sales had been stuck for seven years at \$3+ billion (**Exhibits 2 and 6**).

All was not well in Beaverton, Oregon, however.

The Disaster of 1998

Possibly the worst year in Nike's history as a public company occurred in 1998. Sixteen hundred employees were laid off. Operating profits slid 50%, in spite of a revenue increase of 4% (**Exhibit 1**, lines 32 and 15). Phil Knight commented on the year:

So, what knocked us down in 1998?

Asia . . . brown shoes... labor practices . . . resignations . . . layoffs . . . boring ads.

. . .

. . . 40% of our vice presidents are new.

. . . we will not get over our . . . 1997 profit numbers until Asia comes back for us.

[Nike] products and the way we present them to the world create our greatest asset, our brand name. Not a brand name equivalent yet to Coca-Cola or even Gillette, but we're not "too far" behind. That's one of our big goals as a company – to reach that next level.⁷

An Upstart Enters and a Ghost Returns

While Nike could take some comfort from having vanquished Reebok, as the millennium approached other threats were lurking on Nike's horizon.

Fila, an Italian apparel and footwear manufacturer, had rocketed from less than a 1% market share in athletic footwear in 1991 to about a 6% market share in 1997 (**Exhibits 3 and 7**). Fila centered its footwear product development in the United States, choosing Portland, Oregon, for its advanced products and technologies operation. Like its competitors, Fila used athlete endorsements to promote its products. Indeed expenses for advertising, endorsement contracts, and sporting event sponsorships ranged between 7% and 9% of total sales. While large, Fila's spending in these areas

⁶ Nike Annual Report, 1997.

⁷ Nike Annual Report, 1998.

was dwarfed by that of Nike, Reebok, and Adidas at 11.8% (Exhibit 1, line 42), 11.5% and 12.5% of sales, respectively.

The threat posed by the upstart, Fila, receded a bit in 1998. The firm's sales fell almost 25%, and a net loss of \$133 million was reported.

Adidas represented a more serious threat to Nike. Adidas, which had been unseated by Nike as the world leader in athletic shoes in the 1970s, was making a strong global comeback in both shoes and apparel (Exhibit 8). At the end of 1998 Adidas was the number one athletic footwear brand in Europe, and the number two brand in the United States. In addition, in December 1997 Adidas acquired Salomon, a leader in winter sports equipment. This gave Adidas a third business segment in sports marketing. The segment was larger than either footwear or clothing (Exhibit 9, lines 1-3). Nike had from time to time acquired small sports equipment manufacturers (most recently Bauer, the largest hockey equipment manufacturer). But these businesses had been fairly unsuccessful under Nike's management. In addition, the manufacturers of athletic equipment were generally fairly small and not terribly profitable (Exhibit 10).

Prior to 1993, Adidas had been without effective leadership since the 1987 death of Horst Dassler. The company was taken over from creditors in 1993 by Robert Louis-Dreyfus, a prominent and successful French business executive and Harvard Business School graduate (MBA '67). Louis-Dreyfus acted promptly to stem Adidas's losses. "In a matter of weeks, the entire German senior management of the company had been fired. Louis-Dreyfus installed a French friend from IMS as head of sales. He named a Swede as head of marketing and an Australian as finance director. The official language of the company ...[based in Bavaria] became English"⁸

Dreyfus boosted ad spending from 6% of sales to 12.5% of sales.

"All I did was borrow what Nike and Reebok were doing. It was there for everybody to see." He even hired three of Nike's former senior executives to help his marketing effort.⁹

⁸ Charles P. Wallace, "Adidas Back in the Game," *Fortune*, August 18, 1997.

⁹ Ibid.

Exhibit 1 Nike Historical Financials

Line #	Revenue	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
1	Basketball	14	28	62	106	148	122	125	153	212	177
2	Running	39	81	109	150	240	268	241	163	150	124
3	Fitness	0	0	0	0	0	0	0	14	54	93
4	Children's	2	6	21	65	106	121	97	101	115	77
5	Field sports	1	2	4	9	14	41	42	38	36	
6	Racquet	12	26	47	61	59	62	81	76	69	39
7	Non-Athletic	0	0	0	0	0	0	0	0	0	
8	Other	1	1	2	8	14	52	54	22	14	
9	Total U.S. footwear	69	144	245	399	581	666	640	567	650	510
10	Total U.S. apparel	1	2	8	33	70	107	122	160	165	131
11	Total U.S. athletic equipment	0	0	0	0	0	0	0	2	3	1
12	Non-U.S. footwear										
13	Non-U.S. apparel	1	4	17	26	43	94	158	217	252	235
14	Other & other brands										
15	Total revenue	71	150	270	458	694	867	920	946	1,070	877
	Revenue by Geography										
16	Europe						38	80	109	166	191
17	Asia/Pacific						41	61	64	42	44
18	Canada, Latin America, other						15	17	44	44	
19	Total non-U.S. revenue	1	4	17	26	43	94	158	217	252	235
20	U.S. revenue	70	146	253	432	651	773	762	729	818	642
21	Total revenue	71	150	270	458	694	867	920	946	1,070	877
22	Cost of goods sold	50.6	103.5	196.7	328.1	473.9	590	658.5	697.2	722.9	596.7
23	Selling, general & admin.	11	22.4	39.9	61	95.4	132.4	163.4	204.8	209.2	204.7
24	R&D and prod. Evaluation			2.5							
25	Advertising & promotion	2.6	5.7	11							
26	Net income	3.9	9.7	12.5	26	49	57	40.7	10.3	59.2	35.9
	Operating Income										
27	United States						149.9		43.6	120.8	48.8
28	Europe						0.6		9.1	17.9	27.5
29	Asia/Pacific										
30	Canada, Latin America, other						-32.4		1.9	5.7	2.7
31	Less: Corp. interest & other								-28.7	-33	-5.3
32	Total operating income						118.1		25.9	111.4	73.7
	Location of Assets										
33	United States						424		349	353	289
34	Europe						72		44	80	86
35	Asia/Pacific										
36	Canada, Latin America, other								96	40	25
37	Cash & eliminations						12		15	4	112
38	Total assets						508		504	477	512
39	Cost of goods sold/revenues	0.713	0.690	0.729	0.716	0.683	0.681	0.716	0.737	0.676	0.680
40	SG&A/revenues	0.155	0.149	0.148	0.133	0.137	0.153	0.178	0.216	0.196	0.233
41	R&D and prod. evaluation/rev.			0.009							
42	Advertising & promotion/rev.	0.037	0.038	0.041							
43	Net income/revenues	0.055	0.065	0.046	0.057	0.071	0.066	0.044	0.011	0.055	0.041
44	Total assets	NA	NA	135	230	375	506	559	504	477	512
45	Net worth	6.6	16.3	29	83	132	241	275	272	317	338
46	Revenue/assets	NA	NA	2.00	1.99	1.85	1.71	1.65	1.88	2.24	1.71
47	Net income/revenues	0.055	0.065	0.046	0.057	0.071	0.066	0.044	0.011	0.055	0.041
48	Assets/net worth	NA	NA	4.66	2.77	2.84	2.10	2.03	1.85	1.50	1.51
49	Net income/net worth	0.59	0.60	0.43	0.31	0.37	0.24	0.15	0.04	0.19	0.11
50	Employees at year end	720	1,600	2,300	2,700	3,600	4,300	4,100	4,100	3,400	3,000

Exhibit 1 (continued) Nike Historical Data

Line #	Revenue	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
1	Basketball	287	410									
2	Running	178	201									
3	Fitness	129	236									
4	Children's	103	153									
5	Field sports											
6	Racquet	61	58									
7	Non-Athletic		0									
8	Other											
9	Total U.S. footwear	758	1,058	1,369	1,680	1,744	1,969	1,869	2,309	2,772	3,754	3,499
10	Total U.S. apparel	143	208	266	327	369	361	339	424	831	1,407	1,556
11	Total U.S. athletic equipment	0	0									
12	Non-U.S. footwear				652	868	1,049	998	1,244	1,682	2,391	2,460
13	Non-U.S. apparel				210	268	353	359	473	651	1,087	1,436
14	Other & other brands		96	121	135	157	199	223	312	534	548	602
15	Total revenue	1,204	1,710	2,235	3,004	3,406	3,931	3,788	4,762	6,470	9,187	9,553
Revenue by Geography												
16	Europe	233	241	334	665	920	1,086	927	980	1,334	1,834	2,143
17	Asia/Pacific	70	75	116	141	139	138	146	267	437	579	701
18	Canada, Latin America, other		32	29	56	76	178	283	517	735	1,245	1,256
19	Total non-U.S. revenue	303	348	479	862	1,135	1,402	1,356	1,764	2,506	3,658	4,100
20	U.S. revenue	901	1,362	1,756	2,142	2,271	2,529	2,432	2,998	3,964	5,529	5,453
21	Total revenue	1,204	1,710	2,235	3,004	3,406	3,931	3,788	4,762	6,470	9,187	9,553
22	Cost of goods sold	803.4	1,074.8	1,384.2	1,850.5	2,089.1	2,387	2,301	2,865	3,907	5,503	6,066
23	Selling, general & admin.	246.6	354.8	454.5	664.1	761.5	922.3	974.1	1,209.8	1,589	2,304	2,624
24	R&D and prod. Evaluation	5.3	7.3	8.4	9.7	19.8	22.6	24.6	22.8	46.8	73.2	106.7
25	Advertising & promotion	85.3	135.2	190.7	286.7	320.7	383.5	373.1	495	642.5	978.3	1,130
26	Net income	101.7	167.4	243	287	329.2	365.1	298.8	399.7	555.3	795.8	399.6
Operating Income												
27	United States	114	230.2	315.2	235.3	356.6	401.1	344.6	501.7	687.1	969	598.3
28	Europe	37	35.4	55.1	134.1	173.1	177.7	124.2	113.8	145.7	170.6	186.5
29	Asia/Pacific						36.6	46.7	64.2	123.6	175	-34.6
30	Canada, Latin America, other	13.1	30.1	42.9	51.7	51.6	28.6	19.1	37.7	55.9	71.3	140.5
31	Less: Corp. interest & other	2	-25.1	-19.9	-49.3	-59.5	-49.5	-44.2	-67.5	-123.2	-90.7	-236.8
32	Total operating income	166.1	270.6	393.3	461.8	521.8	594.5	490.4	649.9	889.1	1,295.2	653.9
Location of Assets												
33	United States	500	601	787	1,156	1,095	1,348	1,172	1,426	2,372	2,994	3,115
34	Europe	95	103	162	370	454	430	487	832	942	1,273	1,409
35	Asia/Pacific						68	197	306	387	666	481
36	Canada, Latin America, other	52	51	74	94	80	60	80	383	189	329	373
37	Cash & eliminations	63	71	71	88	244	282	438	196	63	99	19
38	Total assets	710	826	1,094	1,708	1,873	2,188	2,374	3,143	3,953	5,361	5,397
39	Cost of goods sold/revenues	0.667	0.629	0.619	0.616	0.613	0.607	0.607	0.602	0.604	0.599	0.635
40	SG&A/revenues	0.205	0.207	0.203	0.221	0.224	0.235	0.257	0.254	0.246	0.251	0.275
41	R&D and prod. evaluation/rev.	0.004	0.004	0.004	0.003	0.006	0.006	0.006	0.006	0.007	0.008	0.011
42	Advertising & promotion/rev.	0.071	0.079	0.085	0.095	0.094	0.098	0.098	0.104	0.099	0.106	0.118
43	Net income/revenues	0.084	0.098	0.109	0.096	0.097	0.093	0.079	0.084	0.086	0.087	0.042
44	Total assets	709	825	1,094	1,708	1,873	2,187	2,374	3,143	3,952	5,361	5,397
45	Net worth	411	562	784	1,033	1,332	1,646	1,741	1,965	2,431	3,156	3,262
46	Revenue/assets	1.70	2.07	2.04	1.76	1.82	1.80	1.60	1.52	1.64	1.71	1.77
47	Net income/revenues	0.084	0.098	0.109	0.096	0.097	0.093	0.079	0.084	0.086	0.087	0.042
48	Assets/net worth	1.73	1.47	1.40	1.65	1.41	1.33	1.36	1.60	1.63	1.70	1.65
49	Net income/net worth	0.25	0.30	0.31	0.28	0.25	0.22	0.17	0.20	0.23	0.25	0.12
50	Employees at year end	3,450	4,070	4,515	5,500	6,500	9,600	9,500	14,200	17,200	21,800	22,800

Exhibit 2 Nike and Reebok Sales and Profit Performance: 1983 to 1998

Year	Sales \$ millions		Profit After Tax \$ millions		ROE	
	Nike	Reebok	Nike	Reebok	Nike	Reebok
1983	867	13	57	1	.24	.83
1984	920	66	41	6	.15	.90
1985	946	307	10	39	.04	.44
1986	1,070	919	59	132	.19	.44
1987	877	1,389	36	165	.11	.28
1988	1,204	1,786	102	137	.25	.20
1989	1,710	1,822	167	175	.30	.21
1990	2,235	2,159	243	177	.31	.18
1991	3,004	2,735	287	235	.28	.29
1992	3,406	3,022	329	115	.25	.14
1993	3,931	2,894	365	223	.22	.27
1994	3,788	3,280	299	254	.17	.26
1995	4,762	3,482	400	165	.20	.18
1996	6,470	3,479	553	139	.23	.36
1997	9,187	3,644	796	135	.25	.27
1998	9,553	3,224	400	24	.12	.05

Source: Compustat, Lexis-Nexis

Exhibit 3 International Branded Athletic Footwear

	1991	1992	1993	1994	1995	1996	1997
Market Shares %							
Nike	22.5	25.4	24.4	22.7	27.1	32.1	35.3
Reebok	18.8	20.0	18.9	18.3	17.4	14.7	14.5
Adidas	13.6	10.0	9.3	10.3	9.9	10.2	10.3
Fila	0.9	2.1	2.7	3.0	4.1	6.0	5.7
Converse	3.4	3.5	4.0	4.2	3.3	2.7	3.2
New Balance	1.8	1.8	2.1	2.2	2.5	2.9	3.1
ASICS	4.7	5.4	5.2	4.7	4.2	3.5	3.0
Puma	4.6	3.8	4.3	3.1	2.4	2.4	2.1
Keds/ProKeds	3.0	3.9	3.9	3.0	2.4	1.9	1.5
Airwalk	0.0	0.0	0.4	1.1	1.2	1.4	1.1
Top 10	73.3	75.9	75.2	72.6	74.5	77.8	79.8
Others	26.7	24.1	24.8	27.4	25.5	22.2	20.2
Totals	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Wholesale Revenue (\$ millions)							
United States	5,665	6,018	6,142	6,593	6,825	7,261	8,135
International	4,369	4,875	4,777	5,996	6,645	7,611	8,455
Licensed	1,820	1,632	1,574	1,554	1,438	1,540	1,633
Total	11,854	12,525	12,493	14,143	14,908	16,412	18,223
Growth in Total Revenue (%)							
United States		6.2	2.1	7.3	3.5	6.4	12.0
International		11.6	-2.0	25.5	10.8	14.5	11.1
Licensed		-10.3	-3.6	-1.3	-7.5	7.1	6.0
Total		5.7	-0.3	13.2	5.4	10.1	11.0

Exhibit 4 Nike Inc. Selected Financial Data (\$ millions except per share data)

Line #	CEO—Philip Knight										
	May 1988	May 1989	May 1990	May 1991	May 1992	May 1993	May 1994	May 1995	May 1996	May 1997	May 1998
1. Sales	1,203.4	1,710.8	2,235.2	3,003.6	3,405.2	3,931.0	3,789.7	4,760.8	6,470.6	9,186.5	9,553.1
2. Inventory	198.5	222.9	309.5	586.6	471.2	593.0	470.0	629.7	931.2	1,338.6	1,396.6
3. Cash & marketable securities	75.4	85.7	90.4	119.8	260.0	291.3	518.8	216.1	262.1	445.4	108.6
4. Research & development	5.3	7.3	8.4	9.7	19.8	22.6	24.6	28.8	46.8	73.2	106.7
5. Advertising & promotional	85.3	135.2	190.7	286.7	190.7	383.5	373.1	495.0	642.5	978.3	1,130.0
6. Sales—United States	901.0	1,362.0	1,756.0	2,142.0	2,271.0	2,528.8	2,432.7	2,997.9	3,964.7	5,529.1	5,452.5
7. Sales—outside United States	303.0	348.0	479.0	862.0	1,135.0	1,402.1	1,357.0	1,763.0	2,506.0	3,657.4	4,100.6
8. Cost of goods sold	792.4	1,064.8	1,373.7	1,823.9	2,050.2	2,336.9	2,245.4	2,805.4	3,825.1	5,365.0	5,881.0
9. Total debt	167.1	75.1	65.8	330.9	178.8	176.2	143.6	439.6	461.9	851.4	861.2
10. Net worth	412.1	562.1	784.5	1,033.1	1,332.0	1,646.3	1,741.2	1,965.0	2,431.7	3,156.1	3,261.9
11. Total assets	709.1	825.4	1,094.6	1,708.4	1,872.9	2,187.5	2,373.8	3,142.7	3,951.6	5,361.2	5,397.4
12. Earnings before interest and taxes	174.4	285.1	407.6	492.5	553.1	621.0	506.1	674.3	939.4	1,350.3	719.5
13. Interest expense	8.2	14.5	14.2	30.8	31.3	26.5	15.6	24.5	40.4	55.1	66.5
14. Net income	101.7	167.0	243.0	287.0	329.2	365.0	298.8	399.7	553.2	795.8	399.6
15. EPS including extraordinary items (diluted)	0.34	0.56	0.80	0.94	1.08	1.18	0.99	1.36	1.88	2.68	1.35
16. EPS excluding extraordinary items (diluted)	0.34	0.56	0.80	0.94	1.08	1.18	0.99	1.36	1.88	2.68	1.35
Summary Data											
17. Annual growth in sales	0.37	0.42	0.31	0.34	0.13	0.15	-0.04	0.26	0.36	0.42	0.04
18. Annual growth in EPS	1.90	0.65	0.44	0.17	0.14	0.10	-0.16	0.37	0.39	0.42	-0.50
19. Dividend per share (\$)	0.05	0.06	0.09	0.12	0.14	0.17	0.20	0.22	0.28	0.35	0.44
20. Dividend payout ratio (%)	14.6	12.3	11.6	13.6	13.5	15.6	19.9	17.2	14.9	13.6	33.3
21. Sales/assets	1.70	2.07	20.4	1.76	1.82	1.80	1.60	1.51	1.64	1.71	1.77
22. Profit/sales	0.08	0.10	0.11	0.10	0.10	0.09	0.08	0.08	0.09	0.09	0.04
23. Assets/equity	1.72	1.47	1.40	1.65	1.41	1.33	1.36	1.60	1.63	1.70	1.65
24. Return on equity (%)	24.7	29.7	31.0	27.8	24.7	22.2	17.2	20.3	22.7	25.2	12.3
25. Gross margin (%)	34.2	37.8	38.5	39.3	39.8	40.6	40.7	41.1	40.9	41.6	38.4
26. EBIT/sales (%)	0.14	0.17	0.18	0.16	0.16	0.16	0.13	0.14	0.15	0.15	0.08
27. Inventory/cost of goods sold	0.25	0.21	0.23	0.32	0.23	0.25	0.21	0.22	0.24	0.25	0.24
28. Common stock price (\$/share)	3.0	4.8	9.8	9.9	14.5	18.1	14.8	19.7	50.2	57.5	46.0
29. Common shares outstanding ^a (millions)	296.8	298.4	299.9	301.2	302.0	303.4	292.8	285.8	287.3	289.3	287.0
30. Market value of common stock (\$millions)	900	1,417	2,943	2,993	4,380	5,499	4,319	5,635	14,417	16,633	13,202
31. Market value/book value of common stock	2.2	2.5	3.8	2.9	3.3	3.3	2.5	2.9	5.9	5.3	4.0
32. EBIT/interest expense	21.3	19.7	28.6	16.0	17.7	23.4	32.5	27.6	23.3	24.5	10.8
33. Net debt/capitalization ^b	0.16	-0.02	-0.03	0.15	-0.05	-0.06	-0.20	0.09	0.07	0.10	0.18
34. Employees (000s)	3.5	4.1	4.5	5.5	6.5	9.6	9.5	14.2	17.2	21.8	22.8

^aAll share data adjusted for stock splits

^bNet debt/capitalization is defined as [Total Borrowed Money - Cash - MS] / [Total Borrowed Money + Equity].

Exhibit 5 Microsoft Corp. Selected Financial Data (\$ millions except per share data)

		CEO—William H. Gates										
Line #		June 1988	June 1989	June 1990	June 1991	June 1992	June 1993	June 1994	June 1995	June 1996	June 1997	June 1998
1.	Sales	590.8	803.5	1,183.4	1,843.4	2,758.7	3,753.0	4,649.0	5,937.0	8,671.0	11,358.0	14,484.0
2.	Inventory	53.5	37.8	55.6	47.1	85.9	127.0	102.0	88.0	0.0	0.0	0.0
3.	Cash & marketable securities	183.2	320.7	469.1	686.3	1,344.9	2,290.0	3,614.0	4,750.0	6,940.0	8,966.0	13,927.0
4.	Research & development	69.8	110.2	180.6	235.4	352.2	470.0	610.0	860.0	1,432.0	1,925.0	2,502.0
5.	Advertising & promotional	65.9	22.5	34.8	52.8	86.9	101.0	107.0	NA	NA	NA	NA
6.	Sales—United States	399.1	519.1	717.6	974.4	1,492.6	2,069.0	2,873.0	3,804.0	5,465.0	6,831.0	8,989.0
7.	Sales—outside United States	191.7	284.5	465.8	869.1	1,266.1	1,684.0	1,776.0	2,133.0	3,206.0	4,527.0	5,495.0
8.	Cost of goods sold	130.7	178.7	206.4	295.1	365.5	495.0	526.0	650.0	825.0	732.0	669.0
9.	Total debt	20.3	25.4	6.5	19.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10.	Net worth	375.5	561.8	918.6	1,350.8	2,193.0	3,242.0	4,450.0	5,738.0	7,543.0	10,777.0	16,627.0
11.	Total assets	493.0	720.6	1,105.3	1,644.2	2,639.9	3,805.0	5,363.0	7,310.0	10,093.0	14,387.0	22,357.0
12.	Earnings before interest and taxes	185.2	253.1	414.2	675.2	1,043.3	1,402.0	1,724.0	2,169.0	3,379.0	5,314.0	7,117.0
13.	Interest expense	1.5	2.3	3.6	4.5	2.0	1.0	2.0	2.0	0.0	0.0	0.0
14.	Net income	123.9	170.5	279.2	462.7	708.1	953.0	1,146.0	1,453.0	2,195.0	3,454.0	4,490.0
15.	EPS including extraordinary items (diluted)	0.06	0.08	0.13	0.21	0.30	0.39	0.47	0.58	0.86	1.32	1.67
16.	EPS excluding extraordinary items (diluted)	0.06	0.08	0.13	0.21	0.30	0.39	0.47	0.58	0.86	1.32	1.67
Summary Data												
17.	Annual growth in sales	0.71	0.36	0.47	0.56	0.50	0.36	0.24	0.28	0.46	0.31	0.28
18.	Annual growth in EPS	0.71	0.36	0.54	0.58	0.46	0.31	0.19	0.23	0.48	0.53	0.27
19.	Dividend per share (\$)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
20.	Dividend payout ratio (%)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
21.	Sales/assets	1.20	1.12	1.07	1.12	1.05	0.99	0.87	0.82	0.86	0.79	0.65
22.	Profit/sales	0.210	0.212	0.236	0.251	0.257	0.254	0.247	0.245	0.253	0.304	0.310
23.	Assets/equity	1.31	1.28	1.20	1.22	1.20	1.17	1.21	1.26	1.34	1.33	1.34
24.	Return on equity (%)	33.0	30.4	30.4	34.3	32.3	29.4	25.8	25.3	29.1	32.0	27.0
25.	Gross margin (%)	77.9	77.8	82.6	84.0	86.8	86.8	88.7	89.1	90.5	93.6	95.4
26.	EBIT/sales (%)	0.314	0.315	0.350	0.366	0.378	0.374	0.371	0.365	0.390	0.468	0.491
27.	Inventory/cost of goods sold	0.410	0.211	0.269	0.160	0.235	0.257	0.194	0.135	0.000	0.000	0.000
28.	Common stock price (\$/share)	1.9	1.5	4.2	5.7	8.8	11.0	12.9	22.6	30.0	63.2	108.4
29.	Common shares outstanding ^a (millions)	1,931.9	1,965.1	2,046.6	2,090.8	2,177.1	2,256.0	2,324.0	2,352.0	2,388.0	2,408.0	2,470.0
30.	Market value of common stock (\$millions)	3,595	2,893	8,641	11,870	19,050	24,816	29,994	53,141	71,715	152,116	267,686
31.	Market value/book value of common stock	9.6	5.1	9.4	8.8	8.7	7.7	6.7	10.0	10.4	15.5	17.1
32.	EBIT/interest expense	124.5	108.1	115.4	149.5	524.8	1,402.0	862.0	1,084.5	@NC	@NC	@NC
33.	Net debt/capitalization ^b	-0.41	-0.47	-0.48	-0.49	-0.61	-0.71	-0.81	-0.83	-0.92	-0.83	-0.84
34.	Employees (000s)	2.8	4.0	5.6	8.2	11.5	14.4	15.3	17.8	20.6	22.2	27.1

^aAll share data adjusted for stock splits

^bNet debt/capitalization is defined as [Total Borrowed Money - Cash - MS] / [Total Borrowed Money + Equity].

Source: Company Annual Report and 10K Report to SEC.

Exhibit 6 Reebok International Ltd. Selected Financial Data (\$ millions except per share data)

		CEO—Paul Fireman									
Line #		Dec. 1988	Dec. 1989	Dec. 1990	Dec. 1991	Dec. 1992	Dec. 1993	Dec. 1994	Dec. 1995	Dec. 1996	Dec. 1997
1.	Sales	1,785.9	1,822.1	2,159.2	2,734.5	3,022.6	2,893.9	3,280.4	3,481.4	3,478.6	3,643.6
2.	Inventory	301.9	276.9	367.2	436.6	434.2	514.0	624.6	635.0	544.5	563.7
3.	Cash & marketable securities	99.3	171.4	227.1	84.7	105.4	79.3	83.9	80.4	232.4	209.8
4.	Research & development	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
5.	Advertising & promotional	73.9	80.8	87.6	122.4	159.0	125.0	133.0	157.6	201.6	164.9
6.	Sales—United States	1586.6	1584.2	1655.1	1,882.6	1,982.2	1,775.5	1,974.9	2,027.1	1,935.7	2,000.9
7.	Sales—outside United States	199.3	237.9	504.1	851.8	1,040.5	1,118.4	1,305.5	1,454.4	1,542.9	1,642.7
8.	Cost of goods sold	1,119.0	1,072.3	1,282.3	1,638.9	1,798.7	1,694.7	1,938.3	2,083.6	2,108.3	2,254.9
9.	Total debt	188.3	112.6	175.8	210.8	124.2	161.1	200.8	321.8	939.8	801.0
10.	Net worth	690.7	844.3	996.7	823.5	838.7	846.6	990.5	934.4	381.2	507.2
11.	Total assets	1,063.4	1,166.4	1,403.2	1,430.8	1,345.3	1,391.7	1,649.5	1,656.2	1,786.2	1,756.1
12.	Earnings before interest and taxes	253.3	306.7	315.2	419.3	278.0	396.5	433.9	301.7	279.9	222.5
13.	Interest expense	22.8	15.9	20.4	29.4	20.1	25.0	16.5	25.7	42.2	64.4
14.	Net income	137.0	175.0	176.6	234.7	114.8	223.4	254.5	164.8	138.9	135.1
15.	EPS including extraordinary items (diluted)	1.20	1.53	1.54	2.35	1.23	2.53	3.02	2.07	2.00	2.32
16.	EPS excluding extraordinary items (diluted)	1.20	1.53	1.54	2.35	1.23	2.53	3.02	2.07	2.00	2.32
Summary Data											
17.	Annual growth in sales	0.29	0.02	0.19	0.27	0.11	-0.04	0.13	0.06	0.00	0.05
18.	Annual growth in EPS	-0.19	0.27	0.01	0.53	-0.48	1.06	0.19	-0.31	-0.03	0.16
19.	Dividend per share (\$)	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.22	0.00
20.	Dividend payout ratio (%)	24.73	19.44	19.40	12.37	23.69	11.57	9.67	14.17	10.92	0.00
21.	Sales/assets	1.68	1.56	1.54	1.91	2.25	2.08	1.99	2.10	1.95	2.07
22.	Profit/sales	0.077	0.096	0.082	0.086	0.038	0.077	0.078	0.047	0.040	0.037
23.	Assets/equity	1.54	1.38	1.41	1.74	1.60	1.64	1.67	1.77	4.69	3.46
24.	Return on equity (%)	19.8	20.7	17.7	28.5	13.7	26.4	25.7	17.6	36.4	26.6
25.	Gross margin (%)	37.3	41.1	40.6	40.1	40.5	41.4	40.9	40.2	39.4	38.1
26.	EBIT/sales (%)	0.14	0.17	0.15	0.15	0.09	0.14	0.13	0.09	0.08	0.06
27.	Inventory/cost of goods sold	0.27	0.26	0.29	0.27	0.24	0.30	0.32	0.30	0.26	0.25
28.	Common stock price (\$/share)	12.25	19.00	11.50	33.13	34.00	30.00	39.50	28.25	42.00	28.81
29.	Common shares outstanding ^a (millions)	113.0	113.9	114.4	91.0	89.4	83.7	80.9	74.8	55.8	56.4
30.	Market value of common stock (\$millions)	1,384	2,163	1,316	3,014	3,038	2,511	3,197	2,113	2,345	1,625
31.	Market value/book value of common stock	2.0	2.6	1.3	3.7	3.6	3.0	3.2	2.4	6.2	3.2
32.	EBIT/interest expense	11.1	19.3	15.5	14.3	13.8	15.8	26.3	11.7	6.6	3.5
33.	Net debt/capitalization ^b	0.10	-0.06	-0.04	0.12	0.02	0.08	0.10	0.19	0.54	0.45
34.	Employees (000s)	2.25	3.00	3.80	4.22	4.70	4.70	6.50	7.00	6.90	6.95

^aAll share data adjusted for stock splits

^bNet debt/capitalization is defined as [Total Borrowed Money - Cash - MS] / [Total Borrowed Money + Equity].

Source: Company Annual Report and 10K Report to SEC.

Exhibit 7 Fila Holdings SPA - Selected Financial Data (\$ millions except per share data)

Line #		CEO—Enrico Frachey				
		Dec. 1992	Dec. 1993	Dec. 1994	Dec. 1995	Dec. 1996
1.	Sales	349.1	441.3	617.5	934.1	1,406.7
2.	Inventory	94.1	100.7	134.1	203.0	287.6
3.	Cash & marketable securities	19.9	18.3	74.4	50.2	58.2
4.	Research & development			9.3	15.5	27.2
5.	Advertising & promotional					94.5
6.	Sales—United States				544.6	780.7
7.	Sales—outside United States				389.5	626.0
8.	Cost of goods sold	196.5	256.1	351.9	525.3	778.8
9.	Total debt	92.8	92.8	143.7	111.2	136.0
10.	Net worth	94.8	115.8	156.4	268.1	376.5
11.	Total assets	259.3	285.9	405.5	559.6	766.8
12.	Earnings before interest and taxes	45.1	46.8	70.5	108.6	192.7
13.	Interest expense	6.4	5.9	6.7	12.8	8.9
14.	Net income	20.9	30.1	42.0	62.9	117.0
15.	EPS including extraordinary items (diluted)	1.10	1.20	1.70	2.49	4.41
16.	EPS excluding extraordinary items (diluted)	1.10	1.05	1.70	2.49	4.41
Summary Data						
17.	Annual growth in sales		0.26	0.40	0.51	0.51
18.	Annual Growth in EPS		-0.05	0.62	0.46	0.77
19.	Dividend per share	0.00	0.00	0.19	0.22	0.29
20.	Dividend payout ratio (%)	21.3	13.9	11.0	9.0	6.7
21.	Sales/assets	1.35	1.54	1.52	1.67	1.83
22.	Profit/sales//pretax In./sales	0.060	0.068	0.068	0.067	0.083
23.	Assets/equity	2.73	2.47	2.59	2.09	2.04
24.	Return on equity (%)	22.0	22.7	26.9	23.5	31.1
25.	Gross margin (%)	43.7	42.0	43.0	43.8	44.6
26.	EBIT/sales (%)	0.13	0.11	0.11	0.12	0.14
27.	Inventory/cost of goods sold	0.48	0.39	0.38	0.39	0.37
28.	Common stock price (\$/share)		15.5	19.8	45.5	58.0
29.	Common shares outstanding ^a (millions)	25.0	25.0	25.0	26.5	26.7
30.	Market value of common stock (\$millions)		387.5	493.8	1,205.8	1,550.5
31.	Market value/book value of common stock		3.3	3.2	4.5	4.1
32.	EBIT/interest expense	7.1	7.9	10.5	8.5	21.7
33.	Net debt/capitalization ^b	0.39	0.36	0.23	0.16	0.15
34.	Employees (000s)	0.7	1.0	1.3	2.0	2.8

^aAll share data adjusted for stock splits

^bNet debt/capitalization is defined as [Total Borrowed Money - Cash - MS] / [Total Borrowed Money + Equity].

Source: Company Annual Report and Form 20-F Report to SEC.

Exhibit 8 Adidas AG - Selected Financial Data (\$ millions except per share data)

CEO—		Rene Jaeggi	G. Beaux			Robert Louis-Dreyfus			
Line #		Dec. 1990	Dec. 1991	Dec. 1992	Dec. 1993	Dec. 1994	Dec. 1995	Dec. 1996	Dec. 1997
\$ millions except per share data									
1.	Sales	2,073.3	2,029.7	1,765.3	1,591.7	2,034.6	2,445.8	3,131.3	3,869.1
2.	Inventory	586.3	546.9	392.5	348.3	443.2	589.0	706.0	893.2
3.	Cash & marketable securities	39.1	33.7	37.4	24.2	25.0	28.5	54.5	35.4
4.	Research & development						24.6	24.1	27.4
5.	Advertising & promotional								
6.	Sales—United States								
7.	Sales—outside United States								
8.	Cost of goods sold	0.0	0.0	0.0	0.0	0.0	1,475.0	1,883.5	2,246.2
9.	Total debt	499.7	396.6	247.9	219.2	200.4	313.0	305.5	848.0
10.	Net worth	166.3	175.8	164.9	171.6	260.0	402.8	586.8	751.8
11.	Total assets	1,154.6	1,024.2	811.3	745.6	926.5	1,241.8	1,593.4	2,388.3
12.	Earnings before interest and taxes	123.4	87.0	-29.2	45.8	126.8	239.9	324.1	418.6
13.	Interest expense	56.8	50.7	47.8	25.1	23.6	33.0	28.7	27.5
14.	Net income				8.1	75.7	170.8	202.0	259.4
15.	EPS including extraordinary items (diluted)				0.27	2.56	3.77	4.45	5.72
16.	EPS excluding extraordinary items (diluted)				0.27	2.56	3.77	4.45	5.72
Summary Data									
17.	Annual growth in sales	NA	-0.02	-0.13	-0.10	0.28	0.20	0.28	0.24
18.	Dividend per share (\$)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
19.	Annual Growth in EPS	nmf	-14.42	-51.85	nmf	32.41	1.79	8.31	-40.13
20.	Dividend payout ratio (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2
21.	Sales/assets	1.80	1.98	2.18	2.13	2.20	1.97	1.97	1.62
22.	Profit/sales//pretax In./sales				0.013	0.051	0.085	0.094	0.101
23.	Assets/equity	6.94	5.83	4.92	4.34	3.56	3.08	2.72	3.18
24.	Return on equity (%)	33.5	6.3	-66.3	5.3	40.8	54.0	42.2	40.1
25.	Gross margin (%)	100.0	100.0	100.0	100.0	100.0	39.7	39.8	41.9
26.	EBIT/sales (%)	0.06	0.04	-0.02	0.03	0.06	0.10	0.10	0.11
27.	Inventory/cost of goods sold	NC	NC	NC	NC	NC	0.40	0.37	0.40
28.	Common stock price (\$/share)	NC	NC	NC	NC	NC	38.6	68.0	118.9
29.	Common shares outstanding ^a (millions)	NC	NC	NC	29.6	29.6	45.4	45.4	45.4
30.	Market value of common stock (\$millions)	NC	NC	NC	NC	NC	240.5	391.4	5,967.4
31.	Market value/book value of common stock	NC	NC	NC	NC	NC	0.5	1.0	1.0
32.	EBIT/interest expense	2.2	1.7	-0.6	1.8	5.4	7.3	11.3	15.2
33.	Net debt/capitalization ^b	0.69	0.63	0.51	0.50	0.38	0.40	0.28	0.51
34.	Employees (000s)	9.4	8.7	7.1	5.1	5.1	5.7	7.0	8.0

^aAll share data adjusted for stock splits

^bNet debt/capitalization is defined as [Total Borrowed Money - Cash - MS] / [Total Borrowed Money + Equity].

Source: Company Annual Report.

Exhibit 9 Sales of Sporting Goods 1991 to 1998 (\$ millions)

Line #		1991	1992	1993	1994	1995	1996	1997	1998 ^b	1991-1998 Compound Annual Growth Rate
1.	Equipment	13,441	14,157	15,415	16,732	17,536	17,443	17,697	18,225	4.5%
2.	Footwear	11,787	11,733	11,084	11,120	11,415	12,816	13,319	13,687	2.2%
3.	Clothing	<u>10,731</u>	<u>8,990</u>	<u>9,096</u>	<u>9,521</u>	<u>10,311</u>	<u>11,127</u>	<u>11,935</u>	<u>12,412</u>	2.1%
4.	Subtotal	35,959	34,880	35,595	37,373	39,362	41,386	42,951	44,324	3.1%
5.	Recreational transport ^a	<u>12,524</u>	<u>13,541</u>	<u>15,069</u>	<u>17,555</u>	<u>19,259</u>	<u>19,888</u>	<u>21,158</u>	<u>22,171</u>	8.5%
6.	Total	48,483	48,421	50,664	54,928	58,621	61,274	64,109	66,495	4.7%

Source: National Sporting Goods Association

^aBicycles, pleasure boats, RVs, and snowmobiles; projections provided by other associations.^bProjected.

Exhibit 10 Selected Financial Data for Major Publicly-Traded Athletic Equipment Manufacturers

Company	Brands	Products	Sales (\$US Millions)			Profits (\$US Millions)			ROE	Market Value of Common Shares
			1995	1996	1997	1995	1996	1997	(%)	(\$millions)
MIZUNO CORP	Mizuno	Skiing, golf, baseball equipment	1997	1743	1556	19	13	8	1.1	416
POLARIS INDS INC	Polaris	Snowmobiles, All-Terrain vehicles, Jet skis	1114	1192	1048	61	62	65	38.6	795
AMER GROUP	Wilson, Atomic, Oxygen	Skiing, baseball, basketball equipment	1414	1080	906	17	-38	-14	-3.4	467
CALLAWAY GOLF CO	Big Bertha, S2H2	Golf equipment and clothing	553	679	843	98	122	133	27.6	2121
HUFFY CORP	Huffy	Bicycles, Lawn and Garden equipment	685	702	694	-10	6	10	9.2	172
K2 INC	K2	Skiing equipment, skates, fishing	544	603	647	15	25	22	10.8	380
DAIWA SEIKO INC	Daiwa Seiko	Fishing, golf, tennis equipment, bicycles	791	668	602	-10	20	13	6.5	204
ARCTIC CAT INC	Arctic Cat, Tigershark	Snowmobiles, All-Terrain vehicles, Jet skis	405	469	504	17	23	25	14.3	280
SKIS ROSSIGNOL SA	Rossignol, Lange, Skis Dynastar	Ski and tennis equipment	428	451	389	23	14	-1	-6	222
CML GROUP	NordicTrack	Exercise equipment	713	545	341	-19	-100	-40	-87.9	165
JOHNSON WORLDWIDE	Eureka! Tents, ScubaPro, Old Town Canoes	Camping and recreation products	347	344	303	10	-11	2	1.8	143
BELL SPORTS CORP	Bell	Bicycle equipment	103	262	260	-3	-12	-18	-15.3	117
COASTCAST CORP	Coastcast	Golf equipment and clothing	76	148	150	3	15	11	13.9	123
RAWLINGS SPORTING GOODS INC	Rawlings	Team sports equipment	144	150	148	5	5	5	13.6	92
RIDDELL SPORTS INC	Macgregor, Riddell	Football equipment	67	72	138	0	3	-1	-1.8	45
SLM INTL INC	CCM	Ice hockey equipment	161	140	124	-77	-19	52	-9.9	52
MARKER INTERNATIONAL	Marker	Ski bindings	88	126	94	3	5	-17	-139.7	45

Source: Company Annual Report.