Cattolica Investment Club

Market Cap	93.415 B
52-Wk High	98.04
52-Wk Low	65.17
P/E Ratio	22.10

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Nike Inc. (NYSE: NKE)

HOLD

25th March 2025

COMPANY DESCRIPTION

NIKE, Inc., headquartered in Beaverton, Oregon, is a global leader in athletic footwear, apparel, equipment and accessories, with a market capitalization of approximately 140.9 billion. The company's mission is to bring inspiration and innovation to every athlete in the world, while remaining committed to creating a more inclusive and sustainable future through sport. Alongside its 79 400 employees worldwide, Nike strives to drive positive change through cutting-edge design, community engagement, and empowering individuals to realize their potential.

The company was founded in 1964 as Blue Ribbon Sports and officially became Nike, Inc. in 1971, named after the Greek goddess of victory. Since then, it has grown into the world's largest seller of athletic footwear and apparel, fueled by its relentless innovation, iconic branding, and partnerships with top athletes and sports teams. Nike has also contributed to global communities through sport-focused initiatives and sustainability efforts that seek to reduce environmental impact.

Today, Nike products are sold in over 170 countries through its NIKE Direct digital platforms and retail stores, and wholesale distribution partners. Its operations span across four main geographic regions—North America, EMEA, Greater China, and APLA—and include its Converse and Jordan brands. The company is structured to deliver premium consumer experiences across three primary categories: Men's, Women's and Kids'. Nike also offers connected digital services and fitness experiences through its apps and retail technologies.

Figure 1: Nike stock performance vs S&P 500 over five years

INDUSTRY OUTLOOK

Nike operates in the highly competitive athletic footwear and apparel industry, a sector driven by innovation, brand identity, and evolving consumer preferences. The revenues' data confirm this: according to Technavio, the global athletic footwear market is expected to grow by USD 103.6 billion from 2025 to 2029. The market is expected to grow at a CAGR of 4.2% in the forecasted period[1]
The increasing trend is due to several factors: rising health and fitness awareness, technology advancement which result in innovation in materials and better performances, leading to product premiumisation, branding and sponsorship used as a strategy from firms to increase consumer awareness and engagement. However there are some negative trends affecting the industry such as rising labour costs and fluctuating raw materials prices, which pose a great challenge.
Nike, one of the dominant players of the industry, is doing very well in keeping up with the new trends, and the reasons are the benefits from its strong global presence, extensive distribution networks, and continuous investment in technology and design, as well as keeping up with the key driving trend of sustainability. The company competes with major brands such as Adidas, Puma, and Under Armour, as well as emerging direct-to-consumer brands that leverage digital platforms to reach customers.

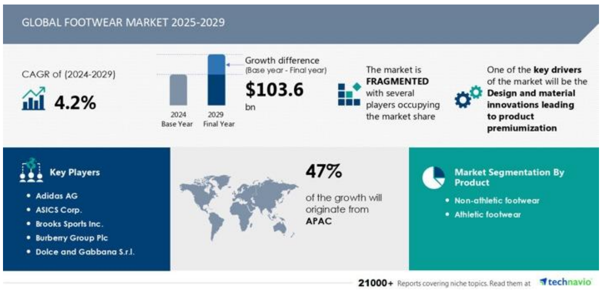

Figure 2: Global footwear market insights 2025-2029

The industry is shaped by several key trends that influence Nike's strategic decisions. One of the most significant is the increasing demand for sustainability. Consumers are becoming more conscious of environmental impact, pushing brands to adopt eco-friendly materials, circular economy initiatives, and transparent supply chains. Nike has responded with innovations such as Flyknit technology, which reduces material waste, and commitments to carbon neutrality. Despite the efforts performed by Nike to augment its sustainability impact, the challenges in aligning its extensive product range with uniform sustainability standards are very present. The materials used in Nike's shoes, chosen for their key attributes such as performance, comfort, and aesthetics, present a notable challenge in achieving a consistent approach to sustainability. Furthermore, the diversity of materials used to produce their wide range of products vast from sustainable to materials that are far from green, such as rubber and leather. However, to try and shift this, they created the project "Move to Zero", an initiative that represents their commitment to sustainability and environmental responsibility across the company's operations. With a core focus on achieving zero carbon and zero waste, Nike is actively working to reduce its environmental impact at every stage of the product lifecycle

For what concerns Nike's competitors, the struggle is fierce: direct rivals like Adidas and Puma have demonstrated significant commitments to sustainability, incorporating recycled materials and environmentally conscious initiatives into their business models. The 2023 Global 100 ranking by Corporate Knights highlights Puma and Adidas as sporting goods companies making strides in sustainability. Both have improved their standings, with Puma moving from 77 to 47 and Adidas from 82 to 66 while Nike was not included in the list[2].

Another defining trend is the rise of digitalization and e-commerce. The shift towards online shopping and direct-to-consumer sales has accelerated, compelling brands to strengthen their digital presence. Nike has heavily invested in its own digital ecosystem, now counting 150 million people signed up to their membership program, including mobile apps, personalized shopping experiences, and exclusive online product releases. This shift not only enhances customer engagement but also allows Nike to collect valuable consumer data to refine its product offerings and marketing strategies, which enhance a quick response to changing trends and consumer preferences. The impact of this shift is clear: in 2023, 44% of Nike's total revenue came from DTC sales[3]. Nike was at the forefront of that DTC push, growing the percentage of direct-to-consumer sales from just 15 percent in 2010 to 32 percent in 2019. The trend was then further accelerated by the Covid-19 pandemic, when store closures forced brands to lean even heavier into direct sales, mostly via their own digital platforms. A few years ago, Nike aimed to reach 50% of its sales to be from DTC, but they recently abandoned this due to the understanding of finding a more balanced approach between direct and wholesale, indeed 2024 was the first year where Nike's DTC didn't show an increasing trend[4].
This was also due to Nike's CEO transition, a testament to that new approach, as the outgoing CEO John Donahoe was a key figure in the company's DTC push.
In September 2024, Nike announced that John Donahoe would step down as CEO, with Elliott Hill, a veteran Nike executive, taking over the role in October. The leadership transition came amid mounting pressures on Nike, including declining sales growth, heightened competition from rivals like Adidas and Lululemon, and challenges in executing its digital transformation and direct-to-consumer strategy. Donahoe, who was brought in largely for his tech background, faced criticism for the company's sluggish response to shifting consumer trends and supply chain disruptions. Elliott Hill, who previously led Nike's Consumer and Marketplace division, is expected to bring a sharper focus on product innovation and reconnecting with wholesale partners, as well as reigniting brand heat in key markets. Analysts anticipate that Hill's deep knowledge of Nike's core business and retail relationships could help stabilize the company's trajectory and revitalize growth.

PORTER FIVE'S FORCES ANALYSIS –

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[1] https://www.prnewswire.com/news-releases/footwear-market-to-grow-by-usd-103-6-billion-2025-2029-driven-by-design--material-innovations-with-ai-redefining-market-landscape---technavio-302372607.html
[2] https://writing.utah.edu/_resources/documents/2024/awards-papers/jacqueline-huynh-paper.pdf
[3] https://www.renascence.io/journal/how-nike-engages-customers-through-digital-innovation-in-customer-experience-cx#:~:text=Nike's%20use%20of%20advanced%20technology,and%20provide%20personalized%20product%20recommendations.
[4] https://www.statista.com/chart/23008/direct-to-consumer-sales-as-a-percentage-of-total-nike-brand-revenue/

APPAREL&SPORT INDUSTRY AND NIKE

1. **Competitive Rivalry**: High

- Aggressive marketing strategies and innovative product launches created by competitors (such as Adidas, Puma, New Balance, Under Armour…) do have an impact on Nike's survival on the market. The trend focused on sustainable materials, online shopping and personalization is now common among firms in the industry, implying a constant adjustment on pricing strategies. Moreover, high exit barriers significantly influence competitive rivalry: struggling firms cannot easily leave, leading to intensified competition and pricing pressures (when discounts increase, profit margins are consequently reduced). Nike operates with reduces fixed costs and higher variable costs: this structure determines flexibility in scaling production based on demand.
- Due to its diverse segments, including athletic shoes, apparel and equipment, the market has experienced a high saturation rate in recent years, which brings along with it a low market growth rate. The product mix is crucial as a way of acting against competitive rivalry (as of 2024, Nike holds a 21,14% global market share and approximately 27% of the global athletic footwear market).

2. **Threat of New Entrants**: Moderate

- The apparel and sports equipment sector shows significant enter barriers, starting from high production costs, established distribution channels and stringent regulations (regarding product safety and flammability standards, environmental regulations, labor and ethical compliance). In addition, the industry requires a high cost of brand development (identity, strategy, marketing, engagement, evolution) and considerable capital requirements, in order to detain powerful brand presence and a solid value chain. Creating profitable economies of scale in sporting goods production really makes the difference, since it allows to produce at lower costs (reducing costs per unit and undergoing bulk purchasing), offer competitive pricing (without sacrificing profit margins) and dominate the market (making it harder for new entrants to compete).
- Apart from these factors, new entrants can opt for alternative distribution channels (such as any online selling platform). Furthermore, strict government regulations on trademarks and intellectual property make the current situation even more complicated.

3. **Bargaining Power of Suppliers**: Low

- An easy availability of materials lowers supplier's power over the company. In this exact moment, access to raw materials seems to be a serious issue, entailing more suppliers having more power. Additionally, supplier concentration is relatively modest, consisting mainly of smaller suppliers in the market: it is possible to leverage large volume purchase to secure favorable terms and pricing.
- The impact of supplier switching costs depends on the strength of the established relationship. A long-term partnership enhances competitive advantage, while raw material suppliers remain relatively easy to replace, allowing for a focus on profitability. For companies with vast supply chains like Nike, the risk of over-reliance on a single supplier is significantly reduced.

4. **Bargaining Power of Buyers**: Moderate

- It is evident that buyers can affect business competitiveness in the industry, as well as pricing strategies, as a consequence of easy access to information and alternatives. Individual buyers have clearly limited influence due to their relatively low purchasing volume and lack of negotiation leverage. However, large wholesale buyers (such as major retail chains) detain higher bargaining power in the industry. Their ability to place bulk orders, demand favorable pricing and influence product placement gives them a strong position in negotiations.
- Low switching costs do have an incredible impact on their purchasing power, since it is easy to buy from Nike's competitors (price sensitivity is crucial in the sportswear industry); however, customers tend to remain loyal to established brands, because of the ongoing brand loyalty. The presence of various alternative products, ranging from non-athletic footwear to sports equipment, implies a moderate bargaining power of buyers.

5. **Threat of Substitutes**: Moderate

- As previously said, surrogates are offered to customers (including mostly casual clothing and non-athletic footwear, as well as fitness app and smartwatches) and this factor has a direct impact on profitability, which can experience a moderate growth.
- Moderate switching costs enlighten the threat of substitutes even more. Pricing strategies have a major role in facing the threat of substitutes. Nike positions itself between high-quality and lower-quality brands, allowing it to justify premium pricing for certain products while still offering promotions and discounts. Although the threat of substitutes remains moderate, competition in the market remains intense.

SWOT ANALYSIS

Strengths

1. **Exceptional Brand Value and Global Recognition** → Nike ranks as the 14th Best Global Brand in 2024 according to Interbrand, with a brand value of $45.4 billion[5]. Its iconic "Swoosh" logo and easily recognizable name contribute to exceptional global brand recall.

2. **Product Design and Innovation** → Nike invests heavily in R&D, resulting in breakthrough products like Dri-Fit technology and Air Max cushioning.

[5] https://interbrand.com/best-global-brands/

Customizable initiatives such as "Nike By You" sneakers boost customer engagement and loyalty thanks to a customer-centric approach.

3. **Strategic Partnerships with High-Profile Athletes** → Long-standing collaborations with sports icons like Michael Jordan and Cristiano Ronaldo elevate Nike's brand image and consistently drive product demand.

4. **Superior Marketing Capabilities** → Nike's "Just Do It" slogan remains iconic for its simplicity, universal appeal, and motivational tone. Its marketing connects deeply with both elite athletes and everyday consumers thanks to a powerful value proposition that inspires a universal desire to push limits and overcome challenges.

Weaknesses

1. **Reputation Risks Due to Labor Conditions** → Nike outsources logistics and manufacturing, however, it has long faced criticism over poor labor practices in factories across China and Vietnam, including low wages, excessive overtime, and unsafe conditions. These issues have led to reputational damage, protests, and boycott movements.
2. **Controversial Workplace Culture**→ Allegations of a toxic workplace, including claims of gender discrimination, bullying, sexual harassment, and violations of the Equal Pay Act, have surfaced from former employees, weakening public perception and affecting talent retention.

3. **Overreliance on the North American Market**→ In 2024, 43% of Nike's total revenue came from the U.S. market[6], exposing the company to risks associated with regional economic downturns and shifts in consumer behavior.

4. **Limited Portfolio Diversification**→ Despite owning Converse and Jordan Brand, Nike's business remains largely concentrated in footwear, which represents 65% of total revenue ($33.4B out of $51.4B)[7]. Previous attempts to diversify into areas like fitness tech (e.g., Nike+ FuelBand) have been unsuccessful, posing challenges against competitors like Lululemon and Adidas that are instead well-performing in the apparel segment.

Opportunities

1. **Expansion in Emerging Markets**→ Markets such as India and Brazil offer strong growth potential, driven by rising middle-class spending, increased health awareness, and expanding e-commerce. Local sponsorships and digital engagement present key entry points.

2. **Collaborations with Premium and Ethical Brands**→ Partnerships with higher-end clothing brands represent an opportunity to diversify Nike's portfolio. Specifically, partnerships with luxury brands, which have proven to be successful on the basis of Nike X Dior, would allow to offer premium pricing, while collaborations with high-end streetwear like Supreme would align with the style of its customer base. Sustainable brands like Patagonia also represent a solution to address Nike's ethic controversies and for brand image.

3. **Metaverse and Digital Product Innovation**→ Nike's acquisition of RTFKT in 2021 marked its entry into the NFT and digital fashion space. Despite announcing plans to wind down RTFKT in 2025, Nike plans on continouing investment as it views the metaverse as a promising long-term play. By leveraging digital experiences, Nike can position itself as an early mover and target younger, digitally savvy-consumers, secure competitive advantage and diversify revenue streams.

Threaths

1. **Counterfeit Goods and Brand Dilution**→ Nike is among the most counterfeited brands globally, particularly in emerging markets and online platforms. These products damage brand equity, reduce legitimate sales, and compromise consumer trust.

2. **Economic Uncertainty and Trade Tensions**→ Nike's performance remains vulnerable to consumer spending and to macroeconomic pressures such as inflation and trade policy shifts. On April 3, 2025, President Trump announced a 10% universal levy and steep country-specific tariffs: 54% on China, 46% on Vietnam, and 32% on Indonesia. Given Nike's heavy reliance on these countries (50% of finished goods production comes from Vietnam, 27% from Indonesia, and 18% from China), the company faces significant supply chain cost increases. Augmented costs of imports could result in a rough estimate of $1.6 billion[8] in added supply chain costs annually, affecting margins, pricing strategy, and consequently consumer demand. Following the announcement, Nike's shares fell over 14%, wiping out $13.9 billion in market value[9].

3. **Legal and Regulatory Exposure**→ External lawsuits stemming from Nike's internal controversies pose a significant threat to the company. Nike has already faced numerous legal challenges, including a 2022 sexual harassment lawsuit that generated over 5,000 pages of documentation[10]. It is also frequently involved in patent disputes (notably with Adidas and Lululemon). According to the Violation Tracker database, Nike has paid over $17.7 million in penalties since 2000[11].

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[6] [7] https://d18rn0p25nwr6d.cloudfront.net/CIK-0000320187/3b853bdf-ecf8-433c-960b-43cf691c5aa2.pdf

[8] The $1.6B annual cost increase was estimated by applying announced reciprocal tariff rates to Nike's FY2024 cost of sales, weighted by sourcing exposure and adjusted to reflect the portion of imports destined for the U.S. (42% of revenue) and realistic mitigation strategies

[9] https://finance.yahoo.com/news/trump-tariffs-wipe-13-billion-133542829.html?

[10] https://www.business-humanrights.org

[11] https://violationtracker.goodjobsfirst.org/parent/nike

FINANCIAL METRICS

Revenues and sales per employee

In this analysis, we take a closer look at Nike's financial standing by placing it within the competitive context of its industry peers. We have selected global athleticwear and footwear companies shown in figure *n.5*. These firms collectively form a representative benchmark for the sector, offering a lens through which we can examine Nike's performance not in isolation, but in direct relation to the standards and averages shaping the broader market. By comparing Nike's key financial ratios to the median values of this peer set, we aim to uncover where Nike is leading, lagging, or simply moving in tandem with industry dynamics.
Nike's revenue growth over the last five years has been volatile, marked by strong post-pandemic recovery followed by a recent deceleration. After peaking at 19.1% growth in FY2021, revenue growth slowed to just 0.3% in FY2024, with the latest 12-month figure showing a decline of -5.0%, signaling the toll of inventory resets and weakening consumer demand. Despite this, Nike has improved operational productivity: sales per employee rose by 27% between FY2019 and FY2024, reaching nearly $647,000, reflecting gains from digital acceleration and streamlined operations, even as top-line momentum softens.

Companies selection
ON HOLDING AG-CLASS A
ASICS CORP
COLUMBIA SPORTSWEAR CO
VF CORP
LULULEMON ATHLETICA INC
UNDER ARMOUR INC-CLASS A
ADIDAS AG
SKECHERS USA INC-CL A
PUMA SE
DECKERS OUTDOOR CORP

Figure 3: Companies selection

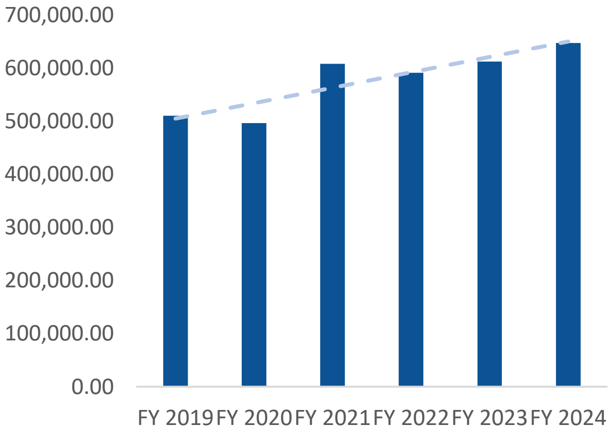

Figure 4: Sales per employee

Profitability

Nike's margin performance in FY2024 reveals a company navigating the complexities of a strategic reset while striving to maintain financial resilience. Gross margin recovered modestly to 44.56%, yet remains meaningfully below the industry median of 52.58%. This shortfall reflects the company's efforts to clear excess inventory through markdowns and promotions, particularly within over-distributed legacy styles like Dunk and Air Force 1. While necessary for long-term brand health, this pressure on pricing has narrowed Nike's historical lead in margin strength.
In contrast, operating margin stood at 12.29%, comfortably above the peer median of 8.585%. This signals the underlying strength of Nike's business model and its ability to manage costs even during a period of demand volatility and investment-heavy restructuring. Higher SG&A tied to marketing, digital infrastructure, and ERP implementation has capped further expansion, but the company's scale and supply chain efficiencies have helped defend profitability better than many rivals, including Adidas, whose operating margin was 5.65%.
At the net level, profit margin landed at 11,1%, again above the industry median of 6.88%, but still down from earlier peaks as Nike absorbed the impact of lower DTC traffic, inventory takebacks from retailers, and the ongoing rebalancing of its channel mix. Nonetheless, the company's ability to retain margin amid top-line declines demonstrates the strength of its global footprint and pricing architecture.
Finally, EBITDA margin over the trailing twelve months rose to 15.87%, slightly below the industry median of 18.04%. Freight costs are easing, full-price sell-through is improving, and Nike's recent product launches in performance categories have begun to offset declines in classics.

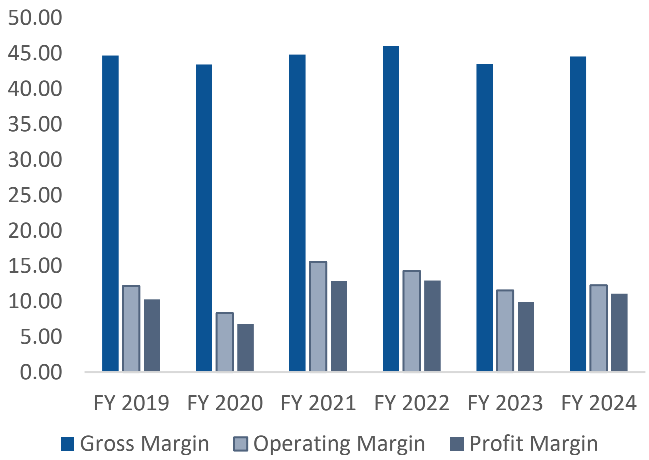

Figure 5: Profitability Margins

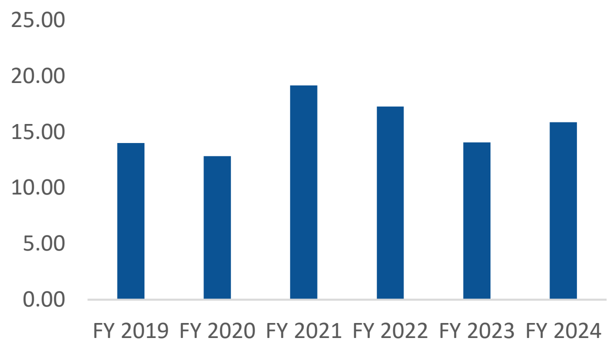

Figure 6: EBITDA (TTM) Margins

Return analysis and Economic value added

In FY2024, Nike delivered a Return on Invested Capital (ROIC) of 22%, nearly double the industry median of 11.4%. This result reflects Nike's consistent capital efficiency, even during a year of modest revenue growth and ongoing strategic reset. The company's ROIC-WACC stood at 12.4%, signaling strong value creation well above the estimated cost of capital. While Nike's WACC was calculated internally by our associates, the WACC values used for industry peers were sourced from Bloomberg Terminal to ensure consistency across the comparison.
Nike also posted a robust Return on Equity (ROE) of 40%, significantly higher than the industry average of 15.42%, illustrating the brand's ability to generate shareholder value despite top-line pressures. Similarly, Return on Assets (ROA) reached 15%, outperforming the peer median of 7.99% and pointing to efficient use of total assets in delivering profitability.

Liquidity ratios

In FY2024, Nike reported a current ratio of 2.40x, above the typical "healthy" range of 1.2x to 2.0x, as defined in financial best practices. At face value, this suggests strong liquidity, but a deeper look reveals concerns beneath the surface. The quick ratio, which excludes inventory from current assets, dropped to 1.69x, revealing a notable gap from the current ratio. This discrepancy reflects the weight of excess inventory, a challenge Nike has struggled to address in recent years. In fact, inventory has grown by 51% over the past 8 years, pointing to structural inefficiencies in supply chain and demand planning.
A current ratio that is too high can also imply underutilized cash, which could otherwise be deployed to reduce debt, invest in innovation, or drive growth. In Nike's case, a 24% increase in cash and equivalents over 8 years signals caution. As Nike embarks on a turnaround under new CEO Elliott Hill, realigning working capital and rebalancing inventory levels will be essential. His ability to transform this liquidity surplus into strategic action, whether through investment, cleaner product pipelines, or more efficient asset utilization will likely determine how quickly Nike can shift from defensive to offensive in a highly competitive industry.

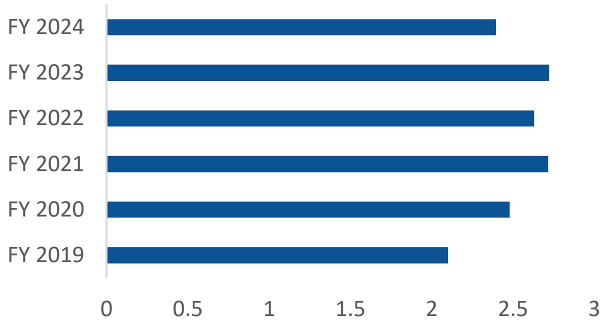

Figure 7: Current ratio

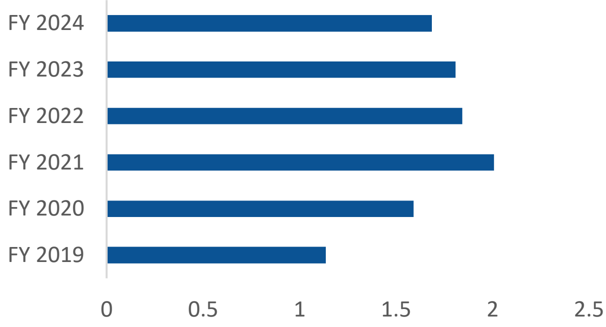

Figure 8: Quick ratio

DSO, DIO, DPO

Nike's 2024 working capital metrics reflect a gradual normalization following pandemic-driven supply chain disruptions and aggressive inventory strategies. Days Sales Outstanding (DSO) improved to 30.49 days, continuing a multi-year downward trend from 36.25 in 2019, indicating stronger cash collection efficiency and healthier receivables management.
Days Inventory Outstanding (DIO), while down slightly to 102.65 days in 2024 from a peak of 112.32 in 2020, remains elevated compared to pre-pandemic levels, but better than the median of the industry which stands at 149.7. This reflects ongoing efforts to digest excess inventory, particularly from legacy products, as highlighted in recent filings issued by the company.

Meanwhile, Days Payable Outstanding (DPO) decreased to 37.70 days, its lowest level in five years. This reduction signals that Nike is accelerating payments to suppliers likely a strategic move to strengthen relationships and support smoother supply chain operations as it shifts toward more responsive, direct channels. Overall, these figures underscore Nike's shift toward operational discipline while still bearing the weight of its inventory reset.

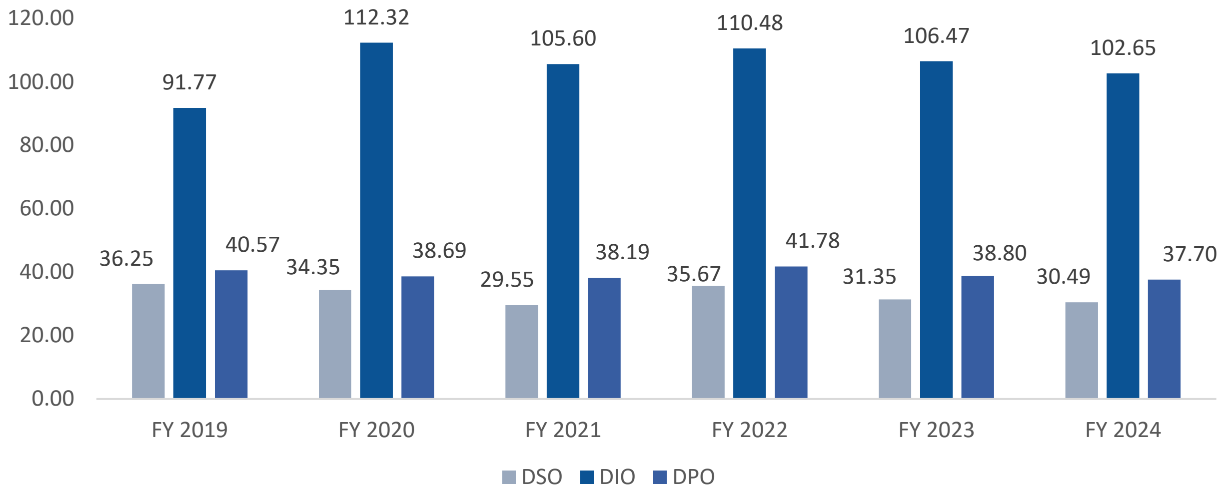

Figure 9: DSO, DIO and DPO

WEIGHTED AVERAGE COST OF CAPITAL

To estimate WACC of Nike Inc. we first needed to estimate the company's Beta, cost of equity and cost of debt.

Beta

To estimate Nike's systematic risk, we performed a regression analysis using five years of daily returns, comparing Nike's stock performance against the S&P 500 index. This provided a raw beta, capturing the historical relationship between the company and the market. To account for potential biases and improve forward-looking accuracy, we adjusted the raw beta using the standard formula developed by Marshall Blume. Additionally, we derived Nike's bottom-up beta, adopting an industry-based approach by estimating the betas of Nike's key business segments: Shoe, Apparel, and Equipment. We first obtained unlevered betas for each industry, corrected for cash, and then weighted them based on Nike's revenue distribution across these segments. The weighted average unlevered beta resulted in 1.23. To reflect Nike's capital structure, we then relevered this industry-derived beta using Nike's debt-to-equity ratio of 10.24% and a tax rate of 14.9%. This process resulted in a final bottom-up beta of 1.34. We calculated two different betas and subsequently applied them to derive two distinct WACC estimates. Using the adjusted regression beta, we obtained the WACC for the base scenario of our DCF valuation, reflecting Nike's historical market risk. In contrast, the bottom-up beta, which results in a higher WACC, was used for the conservative scenario.

Cost of Equity and Cost of Debt

To calculate the cost of equity, we applied the Capital Asset Pricing Model (CAPM). As the risk-free rate, we used the yield on 10-year U.S. government bonds, while the equity risk premium for the U.S. market was based on Professor Damodaran's estimates. As outlined above, we utilized two different Beta values, resulting in two distinct cost of equity calculations. Nike's cost of debt was obtained from Bloomberg Terminal.

By incorporating all the assumptions outlined above and considering Nike's capital structure, we calculated the discount rates using the standard WACC formula. With the adjusted regression beta, we obtained a WACC of 8.33%, while the bottom-up beta resulted in a WACC of 9.41%

Beta Raw	1.0949
Adjusted Beta	1.0636
Bottom up Beta	1.3397

Figure 10: Beta

Industry Name	Unlevered beta corrected for cash	Nike share of Revenue	Unlevered Beta Weighted by Nike Revenue	D/E	Tax Rate	Nike Levered Bottom up Beta
Shoe	1.41	68%	0.9588	10.24%	14.9%	1.0423
Apparel	0.83	28%	0.2324	10.24%	14.9%	0.2526
Equipment	1.03	4%	0.0412	10.24%	14.9%	0.0448
Total		100%	1.23			1.34

Figure 11: Bottop-Up Beta

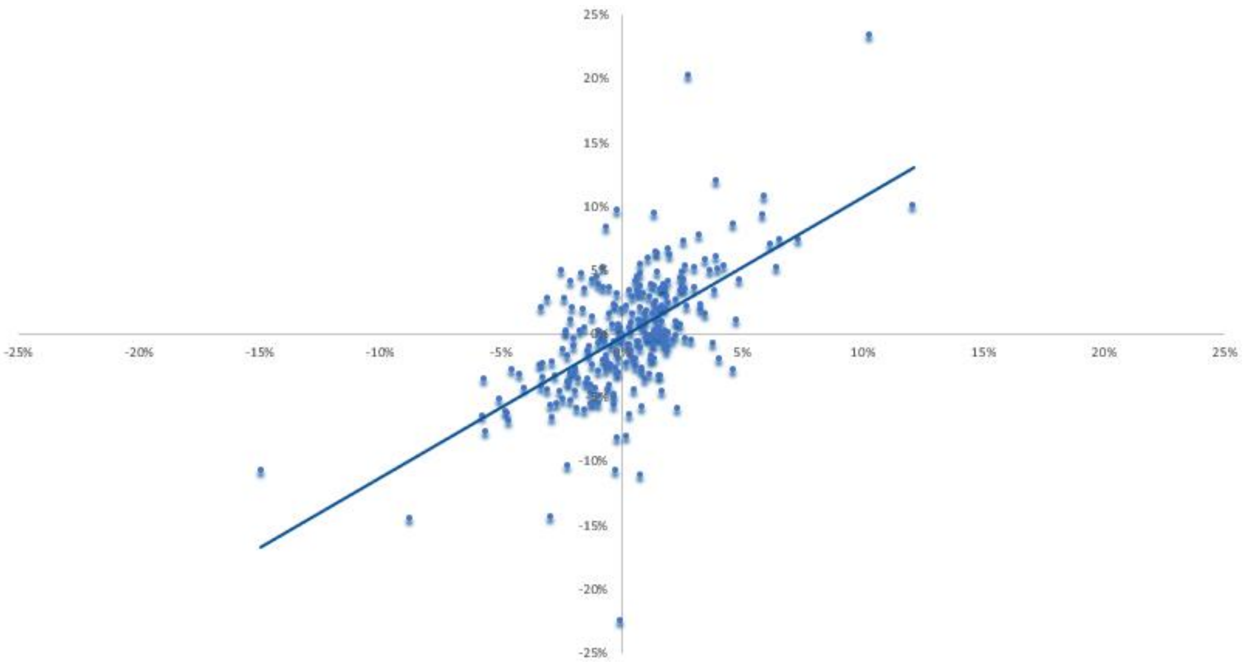

Figure 12: Beta Regression

DISCOUNTED CASH-FLOW MODEL VALUATION

The DCF model for Nike Inc. projects the financial performance of the company from 2025 to 2034 under the assumption of three different possible scenarios: Conservative case, Base case, and Optimistic case.

From the estimations of the growth paths for the Income Statement Items it can be seen that, based on past performance, current market economies, and thorough evaluation of data, we have predicted volatile movements of items like Revenues and EBIT, especially in the short-term, due to shift in company´s strategy and uncertain global macroeconomic environment.

The implied share price varies from 55.02$ in the conservative scenario to 98.03$ in the optimistic one, while 72.96$ represents the base (street) case. Based on our analysis and considering the potential volatility in Nike's financial performance, maintaining a hold stance appears justifiable. This stance reflects the uncertainty in near-term earnings and the market’s current valuation, which could be affected by the unpredictable global economic environment.

Conservative Share Price	$	55.02
Base Share Price	$	72.96
Optimistic Share Price	$	98.03

Figure 13: Implied share prices under 3 scenarios

RELATIVE VALUATION: MULTIPLES

In addition to the DCF valuation, we conducted a valuation based on peer multiples. For peer selection, we considered the companies identified by Nike in its annual report as direct competitors. Our analysis was based on four key multiples: EV/Revenue, EV/EBITDA, P/E, and P/S. Nike’s multiples are at or below the peer average, suggesting a potential undervaluation relative to the market.

(data in Million $, excluding per share items)		Market Data						Financials			Valuation			
Company	Ticker	Share Price	Shares Outstanding	Equity Value	Debt	Cash	Enterprise Value	Revenue	EBITDA	Net Income	EV/Revenue	EV/EBITDA	P/E	P/S
NIKE INC	NKE US	79.43	1 181	93 826	11 952	11 582	94 196	51 362	8 151	6 037	1.8x	11.6x	15.5x	1.8x
ON HOLDING AG	ONON US	48.48	289	14 025	385	1 080	13 330	2 633	359	275	5.1x	37.1x	51.0x	5.3x
ANTA SPORTS PRODUCTS LTD	2020 HK	11.22	2 807	31 510	3 023	5 352	29 181	8 806	2 875	1 446	3.3x	10.2x	21.8x	3.6x
LULULEMON ATHLETICA INC	LULU US	365.61	117	42 655	1 403	2 244	41 814	9 619	2 869	1 598	4.3x	14.6x	26.7x	4.4x
UNDER ARMOUR INC-CLASS A	UAA US	6.81	189	1 286	1 443	859	1 870	5 702	562	251	0.3x	3.3x	5.1x	0.2x
LI NING CO LTD	2331 HK	2.20	2 585	5 676	365	767	5 274	3 897	801	481	1.4x	6.6x	11.8x	1.5x
ADIDAS AG	ADS GR	254.41	180	45 795	5 901	3 276	48 419	25 620	2 810	887	1.9x	17.2x	51.6x	1.8x
DECKERS OUTDOOR CORP	DECK US	139.36	152	21 151	267	1 502	19 916	4 288	1 053	761	4.6x	18.9x	27.8x	4.9x
PUMA SE	PUM GR	29.91	150	4 478	1 780	569	5 689	9 538	1 091	305	0.6x	5.2x	14.7x	0.5x
ASICS CORP	7936 JP	22.17	734	16 285	745	807	16 223	4 483	802	409	3.6x	20.2x	39.8x	3.6x
VF CORP	VFC US	24.93	390	9 712	7 433	675	16 471	10 455	1 327	290	1.6x	12.4x	33.5x	0.9x
High											5.1x	37.1x	51.6x	5.3x
75th Percentile											4.0x	18.1x	36.6x	4.0x
Average											**2.6x**	**14.3x**	**27.2x**	**2.6x**
Median											**1.9x**	**12.4x**	**26.7x**	**1.8x**
25th Percentile											1.5x	8.4x	15.1x	1.2x
Low											0.3x	3.3x	5.1x	0.2x

NIKE INC Valuation						EV/Revenue	EV/EBITDA	P/E	P/S
Implied Enterprise Value	4	1.9	12.4	26.7	1.8	97 070	101 157		
Debt						11 952	11 952		
Cash						11 582	11 582		
Implied Market Value						97 440	100 787	161 134	93 826
Shares Outstanding						1 181	1 181	1 181	1 181
Implied Value Per Share						**82.49**	**85.32**	**136.41**	**79.43**

Figure 14: Multiples Valuation with market median

VALUE AT RISK – HISTORICAL APPROACH

Given the historical Nike stock data over the past five years, we provided measures of various statistical factors, such as Variance (VAR), Value at Risk (VaR), and Expected Shortfall (ES).

It can be observed from the histogram and the table that the higher the confidence level used to describe market conditions, the greater the changes in stock returns over the considered period. This means that at the 0.99 percentile, which encompasses almost all price changes of Nike's stock over the period, there is a greater likelihood that the stock price will fall below the threshold on a daily, weekly, or monthly basis. Consequently, the lower the confidence level taken into consideration, the lower the threshold for expected losses.

The same reasoning applies to Expected Shortfall (ES) as it does to VaR. It can be observed that the average expected loss over the five-year period ranges from -9.68% to -3.82%, depending on the percentile of data considered.

Confidence Level	Daily VaR	Weekly VaR	Monthly VaR
99%	-6.07%	-13.57%	-27.80%
97%	-3.71%	-8.29%	-17.00%
95%	-3.07%	-6.87%	-14.09%
90%	-2.26%	-5.06%	-10.37%

Figure 15: Daily, Weekly, and Monthly VaR for given confidence levels

Confidence Level	Expected Shortfall
99%	-9.68%
97%	-6.24%
95%	-5.07%
90%	-3.82%

Figure 16: Expected Shortfall

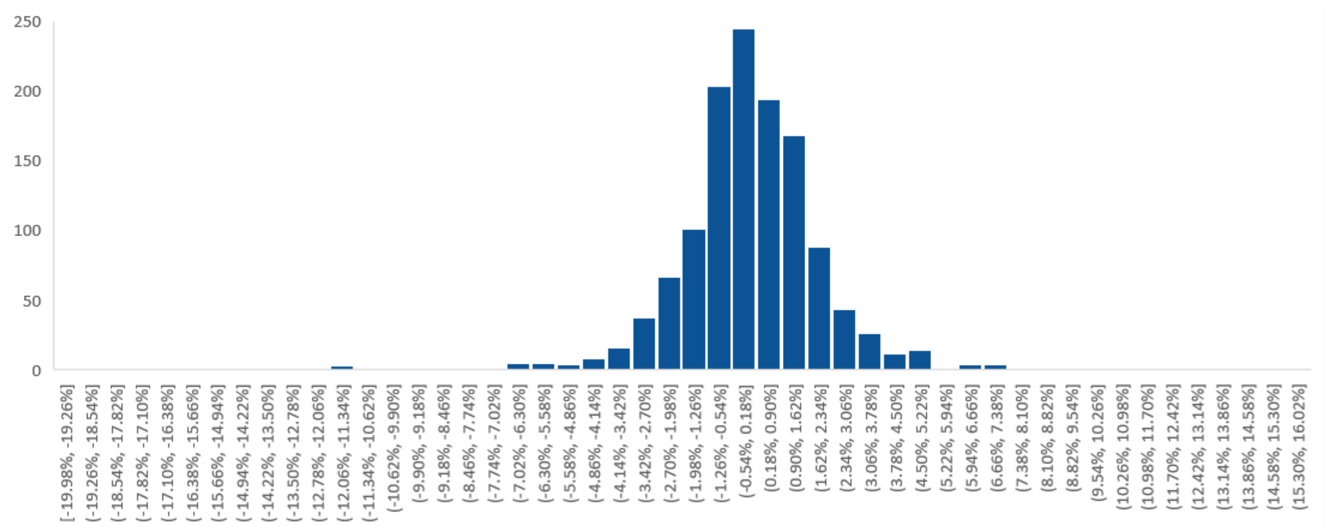

Figure 17: Historical stock return distribution 2020-2025

APPENDIX

Basic Case WACC		
Risk-free rate	4.21%	10Y US Bond
Equity market risk premium	4.33%	Damodaran
Company estimed equity beta	1.0636	5Y Weekly Regression Beta or Bottom/up Beta
Cost of equity	8.82%	
Company estimeted pre-tax cost of debt	4.18%	Bloomberg
E/(E+D)	90.71%	
D/(E+D)	9.29%	
Tax rate	14.93%	Effective Tax Rate FY 2024
WACC	8.33%	

Figure 18: Base Scenario WACC

Assumptions and Switches							
Switches	2	1. Conservative Case		2. Base Case		3. Optimistic Case	
		Decrease compared to Base case Growth				Increase compared to Base case Growth	
Revenue	3.44%	Revenue	-5.00%	Revenue	3.44%	Revenue	5.00%
EBIT	7.59%	EBIT	-5.00%	EBIT	7.59%	EBIT	5.00%
WACC	8.33%	WACC	9.41%	WACC	8.33%	WACC	7.50%
TGR	2.50%	TGR	2.00%	TGR	2.50%	TGR	3.00%

Figure 19: Assumptions and Switches

Income Statement Items	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Revenue	37 403	44 538	46 710	51 217	51 362	45 984	45 916	48 369	51 393	53 731	57 093	61 090	63 944	67 628	71 130
% growth		19.08%	4.88%	9.65%	0.28%	-10.47%	-0.15%	5.34%	6.25%	4.55%	6.26%	7.00%	4.67%	5.76%	5.18%
Conservative Case						-10.47%	-0.16%	5.07%	5.94%	4.32%	5.94%	6.65%	4.44%	5.47%	4.92%
Base Case						-10.47%	-0.15%	5.34%	6.25%	4.55%	6.26%	7.00%	4.67%	5.76%	5.18%
Optimistic Case						-10.47%	-0.14%	5.61%	6.57%	4.78%	6.57%	7.35%	4.91%	6.05%	5.44%
EBIT	3 515	7 197	6 762	5 915	6 737	3 800	3 870	4 986	6 046	6 687	7 586	8 858	9 640	10 498	11 440
% of sales	9.40%	16.16%	14.48%	11.55%	13.12%	8.26%	8.43%	10.31%	11.76%	12.45%	13.29%	14.50%	15.08%	15.52%	16.08%
% growth		104.75%	-6.04%	-12.53%	13.90%	-43.60%	1.86%	28.83%	21.26%	10.61%	13.43%	16.77%	8.83%	8.90%	8.98%
Conservative Case						-43.60%	1.76%	27.38%	20.19%	10.08%	12.76%	15.94%	8.39%	8.45%	8.53%
Base Case						-43.60%	1.86%	28.83%	21.26%	10.61%	13.43%	16.77%	8.83%	8.90%	8.98%
Optimistic Case						-43.60%	1.95%	30.27%	22.32%	11.14%	14.11%	17.61%	9.27%	9.34%	9.43%
Taxes	348	934	605	1 131	1 000	564	574	740	897	993	1 126	1 315	1 431	1 558	1 698
% of EBIT	9.90%	12.98%	8.95%	19.12%	14.84%	14.84%	14.84%	14.84%	14.84%	14.84%	14.84%	14.84%	14.84%	14.84%	14.84%

Cash Flow Items	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
D&A	721	744	717	703	796	683	675	726	764	798	851	909	951	1 007	1 058
% of sales	1.93%	1.67%	1.54%	1.37%	1.55%	1.49%	1.47%	1.50%	1.49%	1.49%	1.49%	1.49%	1.49%	1.49%	1.49%
% growth		3.19%	-3.63%	-1.95%	13.23%	-14.17%	-1.25%	7.66%	5.12%	4.54%	6.64%	6.74%	4.71%	5.82%	5.13%
CapEx	-1 086	-695	-758	-969	-812	-831	-971	-1 057	-1 078	-1 022	-1 112	-1 228	-1 389	-1 473	-1 557
% of sales	2.90%	1.56%	1.62%	1.89%	1.58%	1.81%	2.12%	2.19%	2.10%	1.90%	1.95%	2.01%	2.17%	2.18%	2.19%
% growth		-36.00%	9.06%	27.84%	-16.20%	2.38%	16.83%	8.84%	2.01%	-5.20%	8.77%	10.45%	13.11%	6.07%	5.68%
Change in NWC	-1 245	-1 099	-1 660	-513	716	-824	-681	-623	-429	-430	-708	-690	-677	-685	-745
% of sales	-3.33%	-2.47%	-3.55%	-1.00%	1.39%	-1.79%	-1.48%	-1.29%	-0.83%	-0.80%	-1.24%	-1.13%	-1.06%	-1.01%	-1.05%

Figure 20: Income Statement and Cashflow items

DCF	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Revenue	37 403	44 538	46 710	51 217	51 362	45 984	45 916	48 369	51 393	53 731	57 093	61 090	63 944	67 628	71 130
% growth		19.08%	4.88%	9.65%	0.28%	-10.47%	-0.15%	5.34%	6.25%	4.55%	6.26%	7.00%	4.67%	5.76%	5.18%
EBIT	3 515	7 197	6 762	5 915	6 737	3 800	3 870	4 986	6 046	6 687	7 586	8 858	9 640	10 498	11 440
% of growth		104.75%	-6.04%	-12.53%	13.90%	-43.60%	1.86%	28.83%	21.26%	10.61%	13.43%	16.77%	8.83%	8.90%	8.98%
Taxes	348	934	605	1 131	1 000	564	574	740	897	993	1 126	1 315	1 431	1 558	1 698
% of EBIT	9.90%	12.98%	8.95%	19.12%	14.84%	14.84%	14.84%	14.84%	14.84%	14.84%	14.84%	14.84%	14.84%	14.84%	14.84%
% of growth		168.39%	-35.22%	86.94%	-11.58%	-43.60%	1.86%	28.83%	21.26%	10.61%	13.43%	16.77%	8.83%	8.90%	8.98%
EBIAT or NOPAT	3 167	6 263	6 157	4 784	5 737	3 236	3 296	4 246	5 148	5 695	6 460	7 543	8 209	8 940	9 742
% growth		97.76%	-1.69%	-22.30%	19.92%	-43.60%	1.86%	28.83%	21.26%	10.61%	13.43%	16.77%	8.83%	8.90%	8.98%
D&A	721	744	717	703	796	683	675	726	764	798	851	909	951	1 007	1 058
% of growth		3.19%	-3.63%	-1.95%	13.23%	-14.17%	-1.25%	7.66%	5.12%	4.54%	6.64%	6.74%	4.71%	5.82%	5.13%
CapEx	-1 086	-695	-758	-969	-812	-831	-971	-1 057	-1 078	-1 022	-1 112	-1 228	-1 389	-1 473	-1 557
% of growth		-36.00%	9.06%	27.84%	-16.20%	2.38%	16.83%	8.84%	2.01%	-5.20%	8.77%	10.45%	13.11%	6.07%	5.68%
Change in NWC	-1 245	-1 099	-1 660	-513	716	-824	-681	-623	-429	-430	-708	-690	-677	-685	-745
% of growth		-11.73%	51.05%	-69.10%	-239.57%	-215.06%	-17.28%	-8.62%	-31.16%	0.35%	64.51%	-2.53%	-1.91%	1.18%	8.88%
Unlevered Free Cash Flow						3 911	3 681	4 538	5 262	5 901	6 907	7 914	8 448	9 158	9 989
Discount Factors						0.92	0.85	0.79	0.73	0.67	0.62	0.53	0.49	0.45	0.41
PV of UFCF						3 611	3 137	3 570	3 822	3 956	4 274	4 173	4 113	4 116	4 144
Sum of PV UFCF															38 915
TV															171 432
PV of TV															71 121
Enterprise Value															110 035
(-) Debt															11 952
(-) Minority Interest															0
(-) Convertible Bonds															0
(-) Preferred equity															0
(+) Cash															11 582
Equity Value															109 665
Outstanding Share															1 503
Implied Share Price															72.96

Figure 21: Discounted Cashflow Valuation with Base Case Assumptions

Share Price Sensitivity Analysis

		Step
WACC	*8.33%*	*0.50%*
TGR	*2.50%*	*0.50%*

		WACC						
TGR	$ 72.96	6.83%	7.33%	7.83%	8.33%	8.83%	9.33%	9.83%
	1.00%	$ 83.15	$ 75.43	$ 68.89	$ 63.28	$ 58.42	$ 54.17	$ 50.43
	1.50%	$ 88.32	$ 79.57	$ 72.25	$ 66.03	$ 60.70	$ 56.08	$ 52.04
	2.00%	$ 94.58	$ 84.49	$ 76.18	$ 69.22	$ 63.32	$ 58.25	$ 53.86
	2.50%	$ 102.27	$ 90.43	$ 80.86	$ 72.96	$ 66.35	$ 60.74	$ 55.93
	3.00%	$ 111.98	$ 97.74	$ 86.50	$ 77.41	$ 69.91	$ 63.63	$ 58.29
	3.50%	$ 124.60	$ 106.96	$ 93.44	$ 82.77	$ 74.13	$ 67.01	$ 61.04
	4.00%	$ 141.69	$ 118.95	$ 102.20	$ 89.37	$ 79.23	$ 71.02	$ 64.25

Figure 22: Share Price Sensitivity Analysis in Base Scenario

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