NIKE INC.

Michael and Yen

Market Cap (05/13/25): $92.41 B
Share Price (04/04/25): $62.53

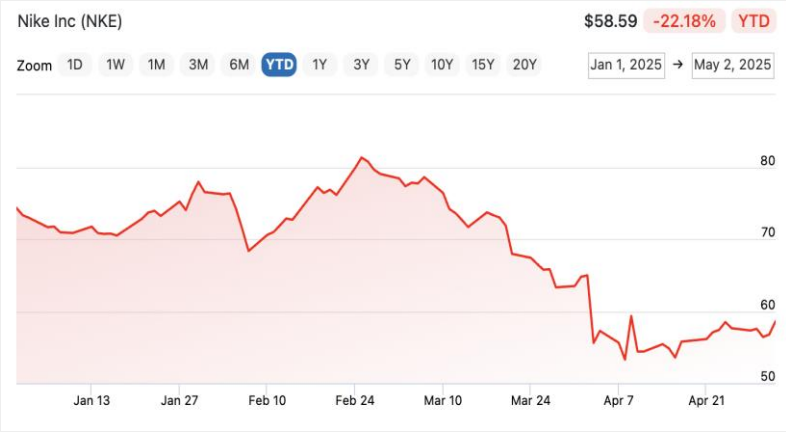
Nike Inc. Analysis - An Introduction

Profile:

- NYSE: NKE
- Headquartered in Oregon, USA
- World's largest supplier and manufacturer of athletic footwear, apparel, and equipment.
- Footwear accounts for ~65% of revenue; apparel accounts for ~30%

Information:

- 2024 full year revenues were $51.4bn, up 1%on a currency-neutral basis
- Net income was $5.7 billion, up 12 %
- Recent highlights includes: recovery of supply chain challenges and new CEO Elliot Hill



Key Metrics

P/S	2.45
P/B	8.37
P/E	32.47
EV/EBITDA	20.70

Nike, Inc.: Company Overview Analysis

		Market and Financial Data				Valuation Multiple
Company Name	**Ticker**	**Price Close (04/27)**	**Market Cap ($B)**	**EV ($B)**	**LTM EBITDA ($B)**	**EV/LTM EBITDA**
Adidas	ADDYY	$125.16	$45.58	$41.80	$2.14	19.5x
Puma	PUMSY	$2.67	$3.68	$9.01	$0.75	12.0x
Nike	NKE	$62.49	$92.25	$119.79	$5.78	20.7x
Under Armour	UAA	$6.21	$2.61	$2.99	$0.37	8.0x
Lululemon	LULU	$311.10	$37.37	$50.77	$2.95	17.2x
Skechers USA Inc	SKX	$62.16	$9.30	$9.24	$1.09	8.5x
Maximum						20.7x
75th Percentile						19.5x
Average						15.5x
Median						**17.2x**
25th Percentile						12.0x
Minimum						8.0x

Industry Overview

Footwear Market Trends

In 2025, the global footwear market is predicted to generate revenue of $500.55bn USD, and the US accounts for $101.34bn, making it the largest revenue market

Global industry is expected to have a CAGR of 3.68%, and the US is expected to have a 3.58% CAGR during 2025-2030

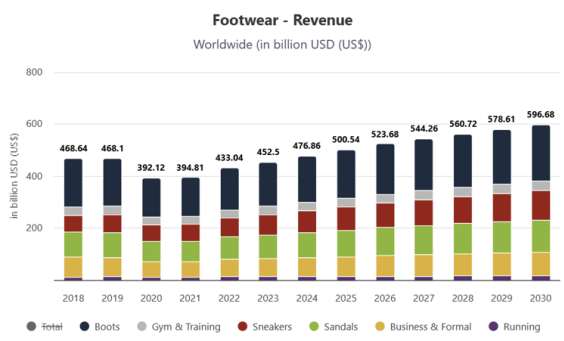
Globally, nonluxury footwear will contribute 92% of sales and 90% of US sales in 2025

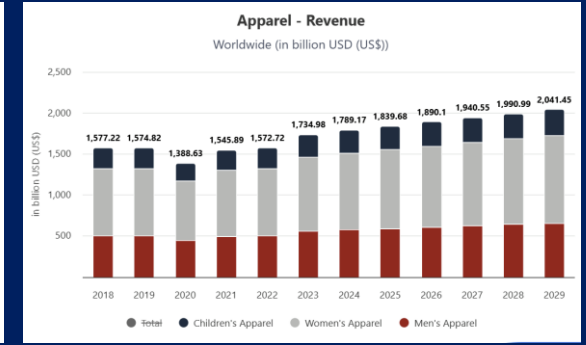
Apparel Market Trends

In 2025, the global revenue for apparel is estimated to generate $1.84tn USD, and the US accounts for $365.70bn, also the largest revenue market

Global market is projected to have a CAGR of 2.64%, and the US is projected to have a 1.84% CAGR in 2025-2029

Globally, nonluxury apparel will contribute to 94% of sales, 93% of sales in the US in 2025





Growth Drivers

Footwear: Increase preference for casual and versatile footwear. Increasing popularity in athleisure and a healthy lifestyle

Apparel: Rise of fast fashion. Emerging markets are leading to an increase in disposable income.

Situation Overview

Strategic Decisions

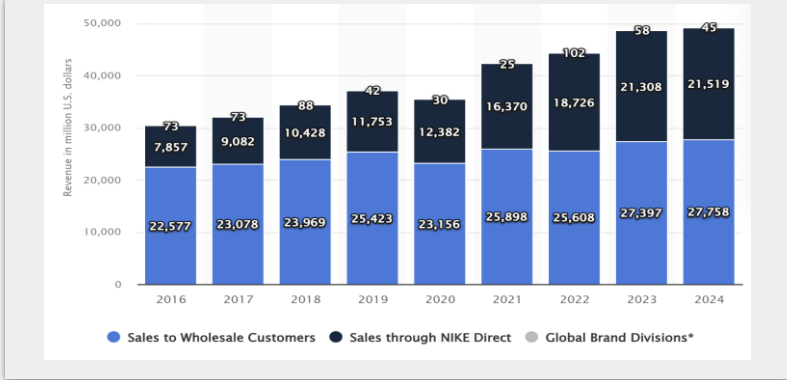
- 2017: Nike started a shift toward DTC strategy to drive digital revenue under ex CEO John Donahoe (ex–eBay & ServiceNow CEO)
- Scales back wholesale and slashed relationship with major retailers like Footlocker, Dick's, etc.
- Digital sales spike during COVID-19

Market Impact

- Loss of shelf space across these key retailers
- Consumers return to physical stores post-COVID. Without Nike on shelves, retailers filled this gap with other brands (ON, Hoka), and they sold well
- Nike loses leverage with wholesalers in renegotiating wholesale placements

After years of product-centric innovation, Nike's shift in focus caused a slowdown.

Moved from pull model (create demand) to push model (predict demand) – smaller brands thrive in this, but Nike doesn't



Thesis #1: Brand Resilience and Strategic Reset Under New Leadership

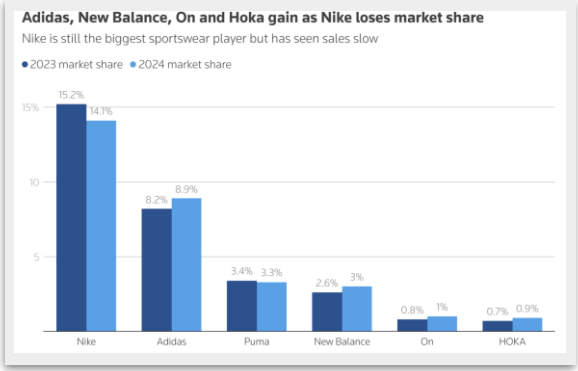
Brand Strength + Marketing + Innovative Product Portfolio + Lifelong Niker = Revenue Growth

Brand Strength

Nike remains as the Global #1 Sports Brand with 60% market share in performance footwear (vs. Adidas ~20%)
It retains a loyal customer base that is willing to pay a premium for Air Max, Jordan etc

Elliot Hill as Nike's CEO

With 30+ years at Nike, his deep understanding of Nike's brand and products will help the company regain dominance.
Hill wishes to re-prioritize sports and athletes at the core of Nike's products and branding.

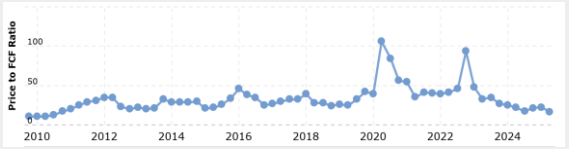


Accelerate a complete product portfolio

Nike is focused on nimble, sport-specific teams to drive innovation through athlete insights, accelerating product creation in key categories like running, training, and Jordan Brand. Ex. 24.7 collection, NikeSKIMS

Marketing

Nike just ran its first Super Bowl ad since 1998, spending 16 million. They signed Caitlin Clark, the biggest name in women's basketball, to a $28 million deal, and signed a $700 million sponsorship deal with the German national football team, ending a 70-year partnership with Adidas



Thesis #2: Channel Realignment

Rebuilding Trust with Retailers
Hill has been on the road nonstop visiting wholesalers, factories, and athletes with the message "we have to earn our way back on the shelves"
Changing its organizational structure so teams are separated by sport and subcategory, helping with wholesale relationships.

Unified Omnichannel Strategy
Nike is now treating DTC & wholesale as a unified consumer-led marketplace. Building back this relationship with these retailers is a main focus. Now with this balanced approach Nike will be able to benefit from its original wholesale presence alongside its DTC

Glimpse of Results
Jefferies said a recent visit to a Nike outlet store outside of NYC revealed insane traffic flipping positive in March, up 0.5% after declines of 15.3% in Feb and 5.2% in Jan Nike SF has also had its best day in 10 years in Q3 F25

Inventory and Heavy Discounting
Nike's DTC model led to excess inventory without accurate demand signals. Fixing this hurt in the short term was necessary for long-term growth.
This led to Nike discounting heavily which hurts margins, dilutes brand and strains wholesale relationships.

Renewed Brand Image
Nike is looking to reestablish itself as a premium destination. It isn't a luxury brand, but it has always carried a premium image, and the only way to carry on with this goal was to fix and undergo the brand dilution

Market Perception Vs. Our Perception

What the market believes

- Nike’s best days are behind it
- The DTC strategy failed causing the brand to be diluted
- Inventory struggles signal a deeper demand problem
- Challengers like Adidas, ON, Hoka, are quickly gaining market share
- EPS misses show systmeic weakness

What we believe

- Brand equity is still unmatched and is currently going through a turnaround plan
- New strategy pivot to Omni channel fixing margins and visibility issues
- The inventory was a strategic mistake that has been fixed
- Nike still has scale, athlete portfolio, and pricing power
- Execution drag is temporary, but the margins are set to recover

Potential Risks and Mitigations

	Risks	Mitigations
Tariffs Uncertainty	Other sports footwear firms, rivals of Nike, have held back from raising their 2025 AY forecasts, citing uncertainty around the Trump tariffs.	Nike currently contracts with 700+ factories (eg. in Vietnam, Indonesia) who bid for orders from Nike rather than owning them. As such, Nike's agile model allows them to explore other countries for production that are less impacted.
Competitive Pressures	Younger brands like HOKA and On Running are threatening to overtake Nike in the performance wear industry as it attempts to recover from its previous mistakes.	Nike's existing brand equity and supply chain is still stronger and it's ability to to release product collaboration (ie. Skims) can allow it to survive these new brands as it did Under Armour years ago.
Dependency on North America	Nike still derives a significant portion of its revenue from the North American market. This dependence can make the company vulnerable to economic fluctuations or changing consumer trends in this region.	Under Elliot Hill's leadership, Nike is working towards breaking even more into Asian markets which will help to diversify it's income streams.

Valuation – Base Case

	HISTORICAL FINANCIALS				PROJECTION PERIOD					CAGR	
All figures in millions USD	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2021-2024	2025-2029
REVENUE	**44,538**	**46,710**	**51,217**	**51,362**	**51,465**	**54,553**	**57,989**	**61,825**	**66,120**	***4.9%***	***6.5%***
Growth, %		4.9%	9.6%	*0.3%*	*0.2%*	*6.0%*	*6.3%*	*6.6%*	*6.9%*		
COGS	23,744	24,391	28,066	27,631	27,550	27,742	29,343	31,127	33,123		
% of Sales	53.3%	52.2%	54.8%	53.8%	54%	51%	51%	50%	50%		
GROSS PROFIT	**20,794**	**22,319**	**23,151**	**23,731**	**23,915**	**26,810**	**28,647**	**30,698**	**32,997**	***4.5%***	***8.4%***
Gross Margin, %	46.7%	47.8%	45.2%	*46.2%*	*46.5%*	*49.1%*	*49.4%*	*49.7%*	*49.9%*		
Growth, %		2.3%	-5.4%	2.2%	0.6%	5.8%	0.5%	0.5%	0.5%		
SG&A & Non Recurring Expenses	13,608	15,644	17,236	17,041	16,839	19,093	20,195	21,423	22,796		
% of Sales	*30.6%*	*33.5%*	*33.7%*	*33.2%*	*32.7%*	*35.0%*	*34.8%*	*34.7%*	*34.5%*		
TOTAL COSTS	**37,352**	**40,035**	**45,302**	**44,672**	**44,388**	**46,836**	**49,538**	**52,550**	**55,920**	***6.1%***	***5.9%***
Growth, %		7.2%	13.2%	*-1.4%*	*-0.6%*	*5.5%*	*5.8%*	*6.1%*	*6.4%*		
EBIT	**7,186**	**6,675**	**5,915**	**6,690**	**7,076**	**7,717**	**8,452**	**9,275**	**10,200**	***-2.4%***	***9.6%***
Margin, %	16.1%	14.3%	11.5%	*13.0%*	*13.7%*	*14.1%*	*14.6%*	*15.0%*	*15.4%*		
Tax	306	222	240	534	1,004	1,095	1,199	1,316	1,448		
EBITDA	**6,880**	**6,453**	**5,675**	**6,156**	**6,072**	**6,622**	**7,252**	**7,959**	**8,753**	***-3.6%***	***9.6%***
D&A	-797	-840	-859	-844	-829	-815	-801	-787	-774		
% of Sales	*-1.8%*	*-1.8%*	*-1.7%*	*-1.6%*	*-1.7%*	*-1.7%*	*-1.7%*	*-1.7%*	*-1.7%*		
Capex	-695	-758	-969	-812	-856	-908	-965	-1,029	-1,100		
% of Sales	*-1.6%*	*-1.6%*	*-1.9%*	*-1.6%*	*-1.7%*	*-1.7%*	*-1.7%*	*-1.7%*	*-1.7%*		
Net Working Capital (exc Cash)	8,481	9,729	9,723	9,095	8,749	9,274	9,858	10,510	11,240		
% of Sales	*19.0%*	*20.8%*	*19.0%*	*17.7%*	*17%*	*17.0%*	*17.0%*	*17.0%*	*17.0%*		
Change in NWC		1,248	-6	-628	-346	525	584	652	730		
UNLEVERED FREE CASH FLOW		**5,123**	**5,791**	**6,752**	**6,445**	**6,189**	**6,832**	**7,548**	**8,349**	***9.6%***	***6.7%***
WACC					7.1%	7.1%	7.1%	7.1%	7.1%		
Discount Period					1.0	2.0	3.0	4.0	5.0		
Discount Factor					0.93	0.87	0.81	0.76	0.71		
PV OF FREE CASH FLOW					**6,018**	**5,396**	**5,562**	**5,738**	**5,926**		

TERMINAL VALUE	
Terminal Year Free Cash Flow	8,349
Perpetuity Growth Rate	2.0%
Terminal Value	167,087
Implied Exit Multiple	16.38
Discount Period	5
Discount Factor	0.71
PV OF TERMINAL VALUE	**118,593**

VALUATION	
ENTERPRISE VALUE	**147,233**
(+) Cash	8,601
(-) Debt	11,911
MARKET CAP	**143,923**
Outstanding Shares	1,476
IMPLIED PRICE	**$97.51**
Current Price	$62.51
Implied Upside/Downside	**56.0%**

Valuation – Bear Case

	HISTORICAL FINANCIALS				PROJECTION PERIOD					CAGR	
All figures in millions USD	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2021-2024	2025-2029
REVENUE	**44,538**	**46,710**	**51,217**	**51,362**	**51,362**	**53,930**	**56,734**	**59,803**	**63,166**	***4.9%***	***5.3%***
Growth, %		4.9%	9.6%	*0.3%*	*0.0%*	*5.0%*	*5.2%*	*5.4%*	*5.6%*		
COGS	23,744	24,391	28,066	27,631	28,045	27,974	29,282	30,711	32,179		
% of Sales	53.3%	52.2%	54.8%	53.8%	55%	52%	52%	51%	51%		
GROSS PROFIT	**20,794**	**22,319**	**23,151**	**23,731**	**23,317**	**25,956**	**27,453**	**29,091**	**30,987**	***4.5%***	***7.4%***
Gross Margin, %	46.7%	47.8%	45.2%	*46.2%*	*45.4%*	*48.1%*	*48.4%*	*48.6%*	*49.1%*		
Growth, %		2.3%	-5.4%	2.2%	-1.7%	6.0%	0.5%	0.5%	0.8%		
SG&A & Non Recurring Expenses	13,608	15,644	17,236	17,041	16,805	19,415	20,343	21,357	22,468		
% of Sales	*30.6%*	*33.5%*	*33.7%*	*33.2%*	*32.7%*	*36.0%*	*35.9%*	*35.7%*	*35.6%*		
TOTAL COSTS	**37,352**	**40,035**	**45,302**	**44,672**	**44,850**	**47,389**	**49,625**	**52,068**	**54,647**	***6.1%***	***5.1%***
Growth, %		7.2%	13.2%	*-1.4%*	*0.4%*	*5.7%*	*4.7%*	*4.9%*	*5.0%*		
EBIT	**7,186**	**6,675**	**5,915**	**6,690**	**6,512**	**6,541**	**7,110**	**7,734**	**8,519**	***-2.4%***	***6.9%***
Margin, %	16.1%	14.3%	11.5%	*13.0%*	*12.7%*	*12.1%*	*12.5%*	*12.9%*	*13.5%*		
Tax	306	222	240	534	924	928	1,009	1,098	1,209		
EBITDA	**6,880**	**6,453**	**5,675**	**6,156**	**5,588**	**5,613**	**6,101**	**6,637**	**7,310**	***-3.6%***	***6.9%***
D&A	-797	-840	-859	-844	-829	-815	-801	-787	-774		
% of Sales	*-1.8%*	*-1.8%*	*-1.7%*	*-1.6%*	*-1.7%*	*-1.7%*	*-1.7%*	*-1.7%*	*-1.7%*		
Capex	-695	-758	-969	-812	-855	-897	-944	-995	-1,051		
% of Sales	*-1.6%*	*-1.6%*	*-1.9%*	*-1.6%*	*-1.7%*	*-1.7%*	*-1.7%*	*-1.7%*	*-1.7%*		
Net Working Capital (exc Cash)	8,481	9,729	9,723	9,095	8,732	9,168	9,645	10,166	10,738		
% of Sales	*19.0%*	*20.8%*	*19.0%*	*17.7%*	*17%*	*17.0%*	*17.0%*	*17.0%*	*17.0%*		
Change in NWC		1,248	-6	-628	-363	437	477	522	572		
UNLEVERED FREE CASH FLOW		**5,123**	**5,791**	**6,752**	**5,977**	**5,258**	**5,767**	**6,323**	**7,016**	***9.6%***	***4.1%***
WACC					7.1%	7.1%	7.1%	7.1%	7.1%		
Discount Period					1.0	2.0	3.0	4.0	5.0		
Discount Factor					0.93	0.87	0.81	0.76	0.71		
PV OF FREE CASH FLOW					**5,581**	**4,585**	**4,695**	**4,806**	**4,980**		

TERMINAL VALUE	
Terminal Year Free Cash Flow	7,016
Perpetuity Growth Rate	2.0%
Terminal Value	140,403
Implied Exit Multiple	16.48
Discount Period	5
Discount Factor	0.71
PV OF TERMINAL VALUE	**99,654**

VALUATION	
ENTERPRISE VALUE	**124,300**
(+) Cash	8,601
(-) Debt	11,911
MARKET CAP	**120,990**
Outstanding Shares	1,467
IMPLIED PRICE	**$82.47**
Current Price	$62.46
Implied Upside/Downside	**32.0%**

Valuation – Bull Case

	HISTORICAL FINANCIALS				PROJECTION PERIOD					CAGR	
All figures in millions USD	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2021-2024	2025-2029
REVENUE	**44,538**	**46,710**	**51,217**	**51,362**	**51,876**	**55,507**	**59,416**	**63,625**	**68,159**	***4.9%***	***7.1%***
Growth, %		4.9%	9.6%	*0.3%*	*1.0%*	*7.0%*	*7.0%*	*7.1%*	*7.1%*		
COGS	23,744	24,391	28,066	27,631	27,770	27,753	29,470	31,305	33,268		
% of Sales	53.3%	52.2%	54.8%	53.8%	54%	50%	50%	49%	49%		
GROSS PROFIT	**20,794**	**22,319**	**23,151**	**23,731**	**24,106**	**27,753**	**29,946**	**32,319**	**34,891**	***4.5%***	***9.7%***
Gross Margin, %	46.7%	47.8%	45.2%	*46.2%*	*46.5%*	*50.0%*	*50.4%*	*50.8%*	*51.2%*		
Growth, %		2.3%	-5.4%	2.2%	0.6%	7.6%	0.8%	0.8%	0.8%		
SG&A & Non Recurring Expenses	13,608	15,644	17,236	17,041	16,973	18,872	20,060	21,331	22,691		
% of Sales	*30.6%*	*33.5%*	*33.7%*	*33.2%*	*32.7%*	*34.0%*	*33.8%*	*33.5%*	*33.3%*		
TOTAL COSTS	**37,352**	**40,035**	**45,302**	**44,672**	**44,743**	**46,626**	**49,530**	**52,636**	**55,959**	***6.1%***	***5.8%***
Growth, %		7.2%	13.2%	*-1.4%*	*0.2%*	*4.2%*	*6.2%*	*6.3%*	*6.3%*		
EBIT	**7,186**	**6,675**	**5,915**	**6,690**	**7,133**	**8,881**	**9,886**	**10,989**	**12,200**	***-2.4%***	***14.4%***
Margin, %	16.1%	14.3%	11.5%	*13.0%*	*13.7%*	*16.0%*	*16.6%*	*17.3%*	*17.9%*		
Tax	306	222	240	534	1,012	1,260	1,403	1,559	1,731		
EBIAT	**6,880**	**6,453**	**5,675**	**6,156**	**6,121**	**7,621**	**8,483**	**9,429**	**10,469**	***-3.6%***	***14.4%***
D&A	-797	-840	-859	-844	-829	-815	-801	-787	-774		
% of Sales	*-1.8%*	*-1.8%*	*-1.7%*	*-1.6%*	*-1.7%*	*-1.7%*	*-1.7%*	*-1.7%*	*-1.7%*		
Capex	-695	-758	-969	-812	-863	-924	-989	-1,059	-1,134		
% of Sales	*-1.6%*	*-1.6%*	*-1.9%*	*-1.6%*	*-1.7%*	*-1.7%*	*-1.7%*	*-1.7%*	*-1.7%*		
Net Working Capital (exc Cash)	8,481	9,729	9,723	9,095	8,819	9,436	10,101	10,816	11,587		
% of Sales	*19.0%*	*20.8%*	*19.0%*	*17.7%*	*17%*	*17.0%*	*17.0%*	*17.0%*	*17.0%*		
Change in NWC		1,248	-6	-628	-276	617	664	716	771		
UNLEVERED FREE CASH FLOW		**5,123**	**5,791**	**6,752**	**6,430**	**7,112**	**8,006**	**8,985**	**10,058**	***9.6%***	***11.8%***
WACC					7.1%	7.1%	7.1%	7.1%	7.1%		
Discount Period					1.0	2.0	3.0	4.0	5.0		
Discount Factor					0.93	0.87	0.81	0.76	0.71		
PV OF FREE CASH FLOW					**6,004**	**6,201**	**6,517**	**6,830**	**7,139**		

TERMINAL VALUE	
Terminal Year Free Cash Flow	10,058
Perpetuity Growth Rate	2.0%
Terminal Value	201,293
Implied Exit Multiple	16.50
Discount Period	5
Discount Factor	0.71
PV OF TERMINAL VALUE	**142,871**

VALUATION	
ENTERPRISE VALUE	**175,563**
(+) Cash	8,601
(-) Debt	11,911
MARKET CAP	**172,253**
Outstanding Shares	1,476
IMPLIED PRICE	**$116.70**
Current Price	$62.48
Implied Upside/Downside	**86.8%**

Valuation – WACC & Sensitivity Analysis

Base Case

SENSITIVITY ANALYSIS		Perpetuity Growth Rate				
		2.4%	2.2%	2.0%	1.8%	1.6%
WACC	6.7%	$114.87	$110.35	$106.22	$102.42	$98.92
	6.9%	$109.55	$105.45	$101.68	$98.21	$95.00
	7.1%	$104.69	$100.95	$97.51	$94.32	$91.37
	7.3%	$100.23	$96.81	$93.65	$90.72	$87.99
	7.5%	$96.12	$92.98	$90.07	$87.36	$84.84

Bull Case

SENSITIVITY ANALYSIS		Perpetuity Growth Rate				
		2.4%	2.2%	2.0%	1.8%	1.6%
WACC	6.7%	$137.61	$132.17	$127.19	$122.62	$118.40
	6.9%	$131.21	$126.27	$121.73	$117.55	$113.68
	7.1%	$125.36	$120.85	$116.70	$112.87	$109.31
	7.3%	$119.98	$115.86	$112.06	$108.52	$105.24
	7.5%	$115.03	$111.25	$107.75	$104.49	$101.45

Bear Case

SENSITIVITY ANALYSIS		Perpetuity Growth Rate				
		2.4%	2.2%	2.0%	1.8%	1.6%
WACC	6.7%	$97.15	$93.33	$89.84	$86.63	$83.67
	6.9%	$92.66	$89.19	$86.01	$83.07	$80.36
	7.1%	$88.55	$85.39	$82.47	$79.78	$77.28
	7.3%	$84.77	$81.88	$79.21	$76.73	$74.43
	7.5%	$81.30	$78.64	$76.18	$73.90	$71.76

WACC CALCULATION	
Debt	11,911
% Debt	46.0%
COST OF DEBT	**2.2%**
Effective Tax Rate	14.2%
Equity Value	14,007
% Equity	93.2%
COST OF EQUITY	**6.7%**
Risk Free Rate	3.4%
Beta	1.23
Equity Risk Premium	4.9%
WACC	**7.1%**