# Nike Company DCF

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## Situation Overview

### The Bull Case

* **Brand Strength & Global Reach**: Nike’s iconic status and deep-rooted brand equity provide durable pricing power and strong global positioning, particularly in North America and China.
* **Strategic Leadership Direction**: Incoming CEO Elliott Hill is expected to correct previous missteps especially the overly aggressive pivot to direct-to-consumer sales by rebalancing relationships with key retailers like Macy’s, Urban Outfitters, and others. His focus is on tackling the production and distribution issues that have faced Nike resulting in a consistent downfall in share price since its peak in 2021. He ‘prioritized restoring wholesale partnerships and driving innovation’
* **New Campaigns**: As part of its rebound push, Nike this month said it’s working with Kim Kardashian on NikeSkims, a shoe and athletic wear range aimed at women. The company recorded more than $8.5 billion in revenue generated from female apparel in its fiscal year 2024, less than half the $20.8 billion it made off of male apparel

### The Bear Case

* **Policy & Tariff Risk**: U.S.-China trade tensions and shifting tariff policy introduce uncertainty into Nike’s supply chain and cost base. However recent announcement of US-Vietnam trade deal puts a positive outlook on this uncertainty
* **Rising Competitive Pressure**: Despite a booming athletic shoe market, Nike's growth has lagged. Fast-growing competitors like Deckers’ Hoka and On Holding have substantially outperformed Nike’s top line
* **Innovation Slowdown & Operational Missteps**: Reduced product innovation has led to the decline of sales

## DCF

### Obtaining Financial Data

The DCF model follows a Street-based approach, relying on consensus analyst forecasts sourced from FactSet. Revenue projections were taken directly from FactSet’s forecast table, while cash flow values were initially pulled from the historical annual cash flow statement, which reports data on a fiscal-year basis.

To maintain consistency with the calendar-year forecast in the income statement, I began converting fiscal cash flow data to a calendar-year format. However, the absence of FY2025 data meant I could not compute accurate calendar-year 2024 values. To address this, I considered using quarterly CFS data, which covers all of 2024 and allowed for the derivation of D&A, CapEx, and changes in working capital.

That said, the CapEx derived from the quarterly CFS was approximately ~$2,000 million annually from 2019 to 2024 a significant deviation from the consensus CapEx estimate of ~$1,000 million. Given this discrepancy, I reverted to using the fiscal-year cash flow table, which aligned more closely with consensus analyst reported values and therefore provided a more reliable basis for valuation. As FY2025 data was unavailable, I used the full-year FY2024 values from the CFS as a proxy for calendar year 2024.

### Forecasting

Considering Nike is a mature company with predictable revenue streams and relatively stable margins I decided a forecast period of 5 year would be sufficient for this DCF model.

The consensus analyst forecast suggests that Nike’s revenue will grow steadily and peak around 2027. This outlook is supported by recent commentary from industry analysts and news sources (Fellman, 2025), which attribute the expected turnaround to a change in leadership, renewed focus on production efficiency, expansion of Nike’s direct-to-consumer (DTC) strategy, and efforts to grow its share of the women’s apparel market.

However, the consensus implies a revenue growth rate of approximately 9%, which I consider optimistic, especially considering Nike’s reported –5.5% revenue contraction in 2024. As such, I treated the consensus figure as my bull case and applied a more conservative 5% growth rate for the base case in 2027. I maintained the forecasted trend that growth would peak in 2027 and gradually decelerate thereafter.

The EBIT forecast in the model assumes that margins (% of sales) return to the average seen between 2018 and 2023. This seems reasonable, as Nike is working to improve its production and distribution issues, which could help support margin recovery. However, it is still important to stay cautious, as supply chain risks remain especially with the potential return of tariffs under a Trump administration.

For the tax rate, a simple approach was taken by averaging the effective rate over the past three years. The same method was used to estimate D&A, CapEx, and changes in net working capital, as these values have remained relatively stable in recent years.

### WACC

|  |  |  |  |
| --- | --- | --- | --- |
|  | Value | Unit | Source |
| Market Cap | *88,589* | USD Million | Factset |
| US 10 Year Treasury (Risk free rate) | *5.509* | % | CNBC |
| Nike β | *0.71* |  | Factset |
| Market risk premium | *4.41* | % | Damodaran (Country Default Spreads and Risk Premiums, 2025) |
| Debt | *8960* | USD Million | Bamsec Nike 10-Q |
| Cost of Debt | *3* | % | Bamsec Nike 10-k |
| Cost of Equity | *8.65* | % |  |
| Tax Rate | *15.25* | % | Average of past 3 years |
| WACC | *7.21* | % |  |

Table Data Used to compute WACC

### Diluted Share Calculation

|  |  |  |  |
| --- | --- | --- | --- |
|  | Value | Unit | Source |
| Current Price | *60.02* | |  | | --- | |  |   USD/share | Yahoo finance |
| Basic shares outstanding | *1476* | Million shares | Bamsec Nike 10-Q |
| Options Outstanding | *73.7* | Million shares | Bamsec Nike 10-k |
| Options Exercise Price | *98.1* | USD/share | Bamsec Nike 10-k |
| RSU | *9.1* | Million shares | Bamsec Nike 10-k |
| Total Shares | *1485* | Million shares | 1476+9.1 |

Table Data used to compute the diluted share count

Due to the option having an exercise price of $98.10 and the current share price being $60.02 these options are not considered dilutive. Therefore, only the RSU were used to compute the total share count

### Terminal Value

For the terminal value I utilised the Gordon Growth Model assuming the company grows at a constant rate after the forecast period

### Equity Value

|  |  |  |  |
| --- | --- | --- | --- |
|  | Value | Unit | Source |
| Short term Investments | *1792* | USD Million | Bamsec Nike 10-Q |
| Cash & Equivalents | *8601* | USD Million | Bamsec Nike 10-Q |

Table Data used to compute the equity value

## Outcome

|  |  |  |
| --- | --- | --- |
|  | Low End | High End |
| Price Per Share ($) | *56.69* | 87.05 |
| Upside / Downside | *-1%* | 45% |

Table Low and high End estimates for Nike Stock value and their upside/downside on current share price

In our most optimistic scenario, we hold WACC and terminal growth rate at base case levels while increasing the EBIT margin to 13%, consistent with our optimistic assumptions. We also apply the analyst consensus forecast for revenue growth. As shown in Table 4, this scenario yields an implied share price of $87.05, representing a potential 45% upside from the current market price.

Conversely, in the low-end case, which assumes more conservative growth and margin recovery, the model estimates a value of $56.69 per share implying just a 1% downside. This suggests that downside risk is limited, while upside potential is substantial if Nike executes successfully.

Given the company’s prolonged decline since its 2021 share price peak, Nike may be poised for a turnaround under new strategic leadership. If operational efficiency improves, tariffs ease, and historical margin levels are restored, the company could be significantly undervalued, offering an attractive long-term investment opportunity.

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