

Nike

# 3Q preview: Searching for a catalyst to kickstart a revision cycle

Reiterate Rating: NEUTRAL | PO: 120.00 USD | Price: 99.64 USD

## We think F24 guidance will be reaffirmed

We forecast 3Q EPS of \$0.50, which includes a 23c cost from the previously discussed restructuring charges, relative to consensus \$0.74 estimates (which we think mostly excludes the charges). We model total sales in 3Q down 1.6%, in line with the “slightly negative” guidance. We are trimming our F25E EPS by 4% to \$4.12 to reflect lower sales growth in China; our PO moves to \$120 (from \$125) on our lower estimates (still based on 29x P/E). We remain Neutral-rated and think momentum with innovation, wholesale, and China are needed to spark a positive earnings revisions cycle.

## Looking for signs of innovation

In our view, a key catalyst to jumpstart the stock would be proof that Nike is launching innovation sufficient to drive a sales inflection. We expect to hear updates on growth strategies around key initiatives including running, Jordan, and Women’s. While we think the Summer Olympics in Paris could be a catalyst for product launches, we are more interested in gauging whether NKE can bring innovation that resonates with the everyday customer, not necessarily innovation for the highest performing athlete (which we view as already strong).

## Gross margin story remains intact

We think NKE is on the right trajectory to reach its F24 GM target of 45% this year as it benefits from lower freight costs and lower markdowns. The level of recapture beyond F24 will depend on Nike’s ability to control promotions and deliver outsized growth in China (both remain key questions). We think the GM guide this year is safe and forecast 3Q GM of 45% (+170bp y/y) with some opportunity for upside.

## China profitability unlock key to company margins

Nike sales on Taobao and Tmall (including the Jordan brand) were down 12% in F3Q (Dec-Feb), compared to +4% for the overall sportswear industry (see Exhibit 7). Pou Sheng (China’s second-largest sportswear retailer) reported retail sales of +16% in Dec, -26% in Jan and 35% in Feb (monthly volatility attributable to Chinese New Year falling in Feb this year and Jan last year). We have less visibility on when the promotional environment will ease, specifically across digital channels. This would be an important catalyst to spark an improved margin trajectory in China, in our view.

Estimates (May) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	3.75	3.23	3.43	4.12	4.77
EPS Change (YoY)	5.3%	-13.9%	6.2%	20.1%	15.8%
Consensus EPS (Bloomberg)			3.60	4.23	4.86
DPS	1.19	1.33	1.45	1.48	1.48
Valuation (May)					
P/E	26.6x	30.8x	29.0x	24.2x	20.9x
Dividend Yield	1.2%	1.3%	1.5%	1.5%	1.5%
EV / EBITDA*	16.5x	18.2x	18.1x	15.4x	13.5x
Free Cash Flow Yield*	3.7%	4.0%	3.7%	4.9%	5.5%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 9.

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Timestamp: 18 March 2024 05:00AM EDT

18 March 2024

Equity

### Key Changes

(US\$)	Previous	Current
Price Obj.	125.00	120.00
2024E Rev (m)	51,610.8	51,600.9
2025E Rev (m)	55,288.1	54,464.7
2026E Rev (m)	58,967.8	58,056.8
2024E EPS	3.48	3.43
2025E EPS	4.28	4.12
2026E EPS	4.95	4.77

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### Stock Data

Price	99.64 USD
Price Objective	120.00 USD
Date Established	17-Mar-2024
Investment Opinion	B-2-7
52-Week Range	88.66 USD - 128.68 USD
Mrkt Val (mn) / Shares Out (mn)	121,284 USD / 1,217.2
Free Float	98.6%
Average Daily Value (mn)	834.07 USD
BofA Ticker / Exchange	NKE / NYS
Bloomberg / Reuters	NKE US / NKE.N
ROE (2024E)	37.3%
Net Dbt to Eqty (May-2023A)	10.6%

See [BofA on USA report](#) for methodology, limitations, and disclaimers related to BAC aggregated credit and debit card data, and commentary on broader retail trends from BofA Global Research's Economics team.

# iQprofile<sup>SM</sup> Nike

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	21.2%	17.4%	18.5%	21.1%	22.5%
Return on Equity	43.1%	34.6%	37.3%	41.2%	40.9%
Operating Margin	14.7%	11.5%	11.8%	13.5%	14.6%
Free Cash Flow	4,430	4,872	4,459	5,992	6,691

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.9x	1.2x	1.0x	1.1x	1.1x
Asset Replacement Ratio	1.1x	1.4x	1.2x	1.2x	1.3x
Tax Rate	9.1%	18.2%	16.4%	16.5%	16.5%
Net Debt-to-Equity Ratio	5.5%	10.6%	10.4%	4.4%	-4.3%
Interest Cover	33.4x	NA	NA	NA	NM

## Income Statement Data (May)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	46,710	51,217	51,601	54,465	58,057
% Change	4.9%	9.6%	0.7%	5.5%	6.6%
Gross Profit	21,479	22,292	23,218	25,124	27,362
% Change	7.6%	3.8%	4.2%	8.2%	8.9%
EBITDA	7,573	6,898	6,922	8,124	9,299
% Change	-1.2%	-8.9%	0.3%	17.4%	14.5%
Net Interest & Other Income	(205)	6	126	88	(32)
<b>Net Income (Adjusted)</b>	<b>6,046</b>	<b>5,070</b>	<b>5,255</b>	<b>6,194</b>	<b>7,050</b>
<b>% Change</b>	<b>5.6%</b>	<b>-16.1%</b>	<b>3.6%</b>	<b>17.9%</b>	<b>13.8%</b>

## Free Cash Flow Data (May)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	6,046	5,070	5,255	6,194	7,050
Depreciation & Amortization	717	703	762	789	819
Change in Working Capital	861	264	(381)	(94)	(120)
Deferred Taxation Charge	(650)	(117)	71	0	0
Other Adjustments, Net	(1,786)	(79)	(320)	83	(14)
Capital Expenditure	(758)	(969)	(929)	(980)	(1,044)
<b>Free Cash Flow</b>	<b>4,430</b>	<b>4,872</b>	<b>4,459</b>	<b>5,992</b>	<b>6,691</b>
<b>% Change</b>	<b>-25.7%</b>	<b>10.0%</b>	<b>-8.5%</b>	<b>34.4%</b>	<b>11.7%</b>
Share / Issue Repurchase	(4,014)	(5,480)	(3,831)	(3,000)	(3,000)
Cost of Dividends Paid	(1,837)	(2,012)	(2,174)	(2,226)	(2,189)
Change in Debt	15	(504)	4	0	0

## Balance Sheet Data (May)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	8,574	7,441	7,462	8,228	9,729
Trade Receivables	4,667	4,131	4,162	4,393	4,683
Other Current Assets	14,972	13,630	13,087	13,796	14,604
Property, Plant & Equipment	4,791	5,081	5,244	5,435	5,660
Other Non-Current Assets	7,317	7,248	7,419	7,419	7,419
<b>Total Assets</b>	<b>40,321</b>	<b>37,531</b>	<b>37,373</b>	<b>39,271</b>	<b>42,095</b>
Short-Term Debt	500	0	0	0	0
Other Current Liabilities	10,230	9,256	8,959	9,096	9,266
Long-Term Debt	8,920	8,927	8,934	8,934	8,934
Other Non-Current Liabilities	2,613	2,558	2,558	2,558	2,558
<b>Total Liabilities</b>	<b>25,040</b>	<b>23,527</b>	<b>23,236</b>	<b>23,373</b>	<b>23,543</b>
<b>Total Equity</b>	<b>15,281</b>	<b>14,004</b>	<b>14,137</b>	<b>15,898</b>	<b>18,552</b>
<b>Total Equity &amp; Liabilities</b>	<b>40,321</b>	<b>37,531</b>	<b>37,373</b>	<b>39,271</b>	<b>42,095</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 9.

## Company Sector

Footwear

## Company Description

Nike is the premier global athletic footwear and apparel company with roughly 40% global athletic footwear market share. It also sells brand Jordan, Converse, and Nike golf shoes and athletic apparel. It produces through independent contracts and sourcing abroad.

## Investment Rationale

We rate Nike shares Neutral. While we are bullish on the long-term prospects for Nike's accelerated innovation and digital strategy, we see risks from a difficult North American retail environment and margin weakness in China that balance the risk/reward.

## Stock Data

Average Daily Volume

8,370,845

## Quarterly Earnings Estimates

	2023	2024
Q1	0.93A	0.94A
Q2	0.85A	1.03A
Q3	0.79A	0.50E
Q4	0.66A	0.97E

# 3Q24 earnings preview

## Exhibit 1: We forecast 3Q EPS of \$0.50

NKE 3Q estimates compared to Visible Alpha consensus

	3Q 23 Actual	3Q 24E	VA Consensus	BofA vs Cons.	BofA est Y/Y	Cons est Y/Y
Net Sales	12,390.0	12,191.3	12,272.1	-0.7%	-2%	-1%
Cost of sales	7,019.0	6,699.2	6,696.4	0.0%	-5%	-5%
Gross profit	5,371.0	5,492.1	5,541.1	-0.9%	2%	3%
Demand Creation expense	923.0	969.2	964.0	0.5%	5%	4%
Operating overhead expense	3,036.0	3,631.6	3,284.9	10.6%	20%	8%
Total SG&A	3,959.0	4,600.7	4,246.7	8.3%	16%	7%
Operating profit	1,470.0	891.4	1,294.4	-31.1%	-39%	-12%
Interest expense/(income)	(7.0)	(35.0)	(33.2)	5.5%	400%	374%
Other (income) expense	(58.0)	(35.0)	(58.0)	-39.7%	NM	NM
Pretax income	1,477.0	926.4	1,376.5	-32.7%	-37%	-7%
Income tax expense	237.0	166.8	266.3	-37.4%	-30%	12%
Tax rate	16.0%	18.0%	19.3%	-7.0%	195 bp	330 bp
Net Income	1,240.0	759.7	1,047.6	-27.5%	-39%	-16%
<b>Earnings per share</b>	<b>\$0.79</b>	<b>\$0.50</b>	<b>\$0.73</b>	<b>-31.6%</b>	<b>-37%</b>	<b>-8%</b>
Average shares outs.	1,564.8	1,525.9	1,525.7	0.0%	-2%	-2%
<b>Margins</b>						
Gross profit margin	43.3%	45.0%	45.2%	10 bp	170 bp	180 bp
SG&A expense	32.0%	37.7%	34.6%	-313 bp	578 bp	265 bp
Operating margin	11.9%	7.3%	10.5%	324 bp	-455 bp	-132 bp
<b>Sales by Geography</b>						
N. America	4,913.0	4,765.6	4,780.6	-0.3%	-3%	-3%
Europe, Middle East & Africa	3,246.0	3,225.9	3,179.5	1.5%	-1%	-2%
Greater China	1,994.0	2,007.8	2,044.0	-1.8%	1%	3%
Asia Pacific & Latin America	1,601.0	1,616.6	1,675.0	-3.5%	1%	5%
Converse	612.0	550.8	580.4	-5.1%	-10%	-5%
<b>EBIT margins by Geography</b>						
N. America	24.2%	25.2%	25.3%	-3 bp	100 bp	103 bp
Europe, Middle East & Africa	24.2%	21.2%	23.8%	-259 bp	-300 bp	-41 bp
Greater China	35.2%	34.2%	35.7%	-153 bp	-100 bp	53 bp
Asia Pacific & Latin America	30.3%	30.3%	30.3%	3 bp	0 bp	-3 bp
Converse	26.8%	26.8%	18.1%	874 bp	0 bp	-874 bp

Source: BofA Global Research estimates, company reports, Visible Alpha

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Management's F24 outlook includes sales up 1%, GM up 140-160bp reported and SG&A growth up LSD excluding the restructuring charges.

**Exhibit 2: Guidance includes slightly negative sales in 3Q and sales up LSD in 4Q**

NKE F24 guidance

Date and Source	Period	Metric	Guidance
12/21/2023	3Q24	Revenue	Slightly negative
	3Q24	Gross margin	Up 160-180bp
	3Q24	SG&A	Dollars up modestly compared to 1H run rate (ex restructuring)
	4Q24	Revenue	up LSD
	4Q24	Gross margin	225-250bp
	4Q24	SG&A	Dollars up modestly compared to 1H run rate (ex restructuring)
F2024	Revenue		Up 1% (includes 4% wholesale headwind)
F2024	Gross margin		up 140-160bp reported (includes 60bp FX headwind)
F2024	SG&A		LSD ex restructuring charge (MSD reported)
F2024	Effective tax rate		high teens
F2024	Other		\$275-325mn
F2024	Restructuring charge		\$400-450mn

Source: Company reports

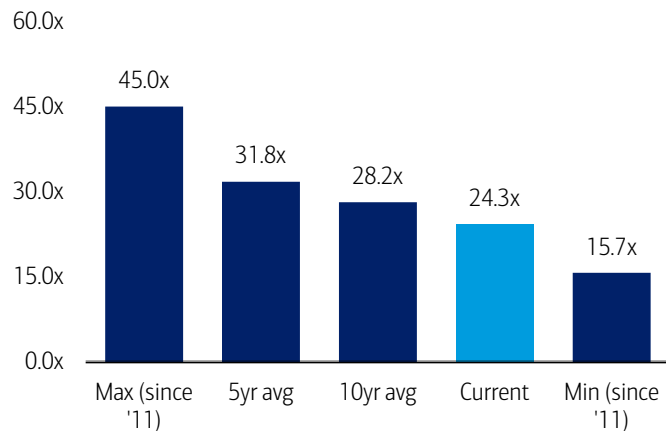
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## Valuation

NKE forward P/E (consensus) has remained relatively constant at 24.3x compared to 24.1x before last quarter's print and its 28.2x historical average. NKE's P/E multiple relative to the S&P is near a historic low since '11.

**Exhibit 3: NKE 1yr forward P/E**

Shares are trading at 24.3x P/E or a 7.5x discount to the 5yr historical avg

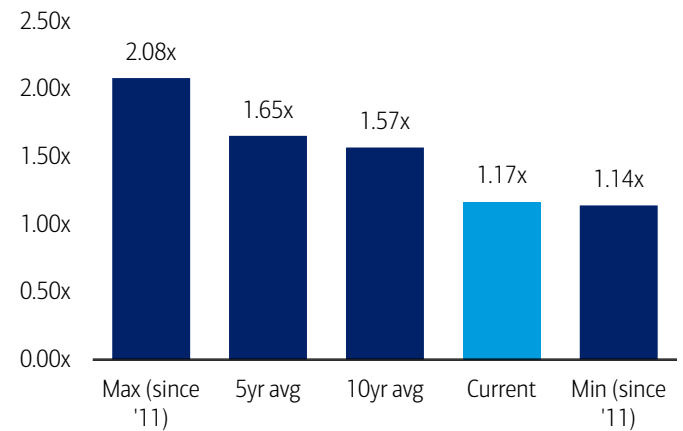


Source: Bloomberg

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**Exhibit 4: NKE relative valuation vs SPX (1yr forward P/E)**

... and trading at a 1.17x premium to the S&amp;P, a near trough since '11



Source: Bloomberg

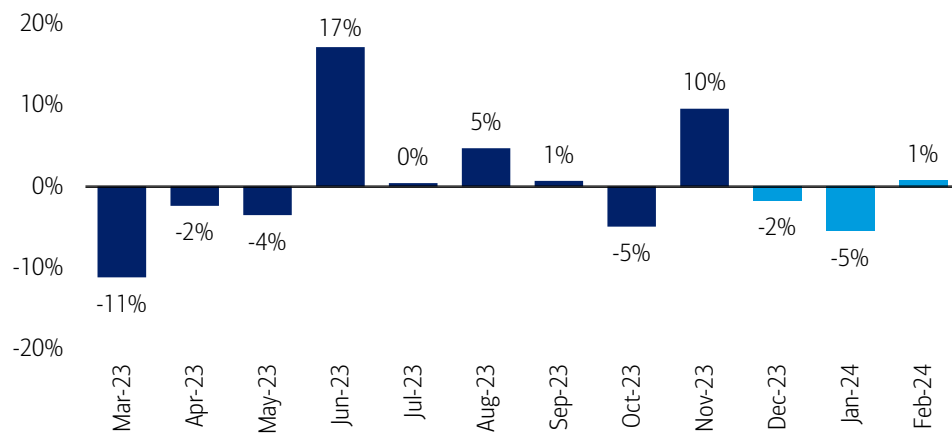
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## North America update

BAC aggregated credit and debit card spending in the athletic footwear and apparel category was -2%, -5%, 1% in Dec, Jan, and Feb, respectively (-2.0% in F3Q). We forecast a -3% y/y in North America (NA) sales in F3Q.

### Exhibit 5: Monthly card spending on athletic footwear & apparel, based on BAC aggregated card data (y/y)

Dec, Jan, Feb spend was -2%, -5%, and 1% respectively



Source: BAC internal data

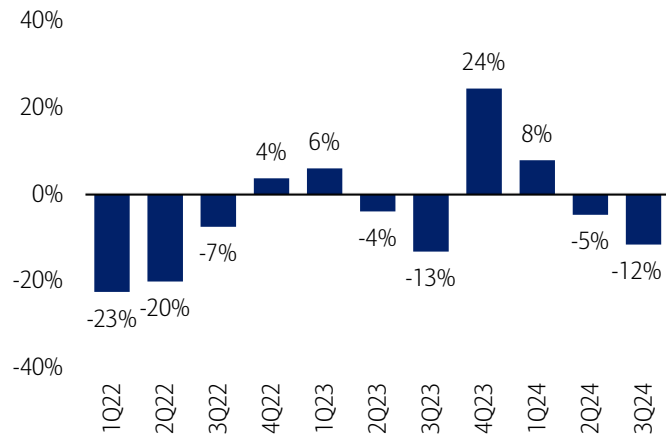
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## China update

**Nike total sportswear and footwear Taobao/Tmall results:** Nike sales on Taobao and Tmall (including the Jordan brand) were down 12% in F3Q (Dec-Feb); Dec -14% y/y, Jan -5% and Feb -14%. This compares to the sportswear industry Dec +6%, Jan +17%, and Feb -12%.

**Exhibit 6: NKE Moojing quarterly sales data**

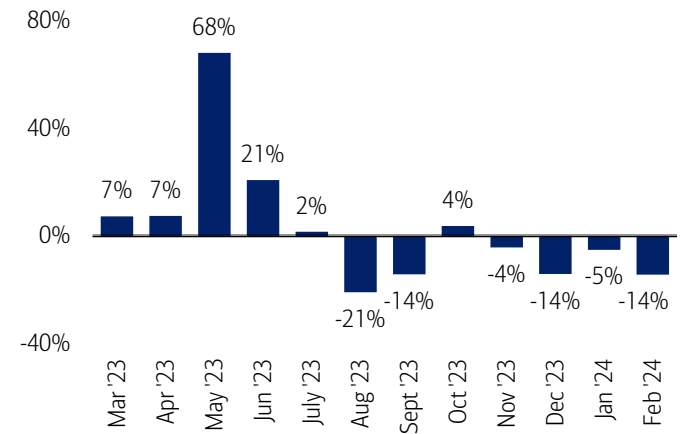
Nike sales on Tmall and Taobao declined 12% in 3Q24 (Dec-Feb)



Source: Moojing database representing Tmall and Taobao data

Note: Nike data represents both Nike and Jordan brands, quarters correspond to Nike's fiscal year  
BofA GLOBAL RESEARCH**Exhibit 7: NKE Moojing monthly sales data**

Nike sales on Tmall and Taobao decelerated in February



Source: Moojing database representing Tmall and Taobao data

Note: Nike data represents both Nike and Jordan brands, quarters correspond to Nike's fiscal year  
BofA GLOBAL RESEARCH**Exhibit 8: Taobao/Tmall data: Total sportswear and footwear growth y/y**

Nike and Jordan brand sales were -14%, -5%, -14% in Dec, Jan, Feb

	Industry	Nike	Under Armour	Adidas	Puma	Li Ning	Anta	Fila
Jun '21	14%	-14%	-2%	-22%	-10%	61%	39%	61%
Jul '21	1%	-24%	-6%	-56%	-46%	40%	12%	12%
Aug '21	-5%	-34%	-33%	-53%	-47%	6%	24%	56%
Sept '21	-17%	-41%	-14%	-49%	-52%	18%	-7%	-1%
Oct '21	-4%	-35%	-9%	-44%	-49%	38%	12%	75%
Nov '21	4%	-7%	-22%	-45%	-15%	38%	55%	34%
Dec '21	-11%	-14%	-17%	-64%	-42%	37%	26%	7%
Jan '22	21%	8%	76%	-45%	-11%	72%	60%	55%
Feb '22	-3%	-14%	-1%	-25%	-48%	26%	46%	0%
Mar '22	-10%	-18%	-15%	-35%	-19%	-6%	19%	-3%
Apr '22	-4%	34%	-18%	-16%	-29%	-16%	-7%	0%
May '22	1%	18%	-13%	-13%	-38%	-2%	-16%	-17%
Jun '22	12%	22%	-6%	1%	-11%	30%	33%	41%
Jul '22	-11%	-9%	6%	-17%	-13%	20%	-19%	18%
Aug '22	-6%	-11%	-16%	18%	-23%	24%	-6%	2%
Sept '22	2%	-9%	0%	-28%	-12%	16%	9%	35%
Oct '22	-21%	-27%	-20%	-26%	-52%	-18%	-23%	-60%
Nov '22	-4%	3%	-10%	10%	-18%	-7%	-5%	19%
Dec '22	-13%	-16%	-31%	31%	-30%	-10%	-22%	2%
Jan '23	-29%	-23%	-32%	-13%	-23%	-34%	-44%	-17%
Feb '23	12%	3%	42%	-9%	50%	15%	-8%	28%
Mar '23	2%	7%	8%	-16%	34%	13%	-13%	27%
Apr '23	13%	7%	26%	15%	68%	5%	0%	56%
May '23	9%	68%	2%	2%	25%	-2%	3%	25%
Jun '23	9%	21%	0%	-17%	72%	13%	-1%	48%
July '23	-7%	2%	-2%	-10%	-3%	2%	-3%	18%
Aug '23	-16%	-21%	-18%	-44%	36%	-9%	-7%	16%
Sept '23	-18%	-14%	2%	4%	14%	-22%	-16%	-15%
Oct '23	2%	4%	-6%	-10%	25%	8%	-4%	14%
Nov '23	-6%	-4%	-7%	-33%	-12%	-10%	-16%	24%
Dec '23	6%	-14%	-5%	-29%	10%	-12%	5%	17%
Jan '24	17%	-5%	38%	-18%	-12%	-5%	38%	41%
Feb '24	-12%	-14%	-17%	27%	-17%	-10%	-4%	20%

Source: Moojing database representing Tmall and Taobao data

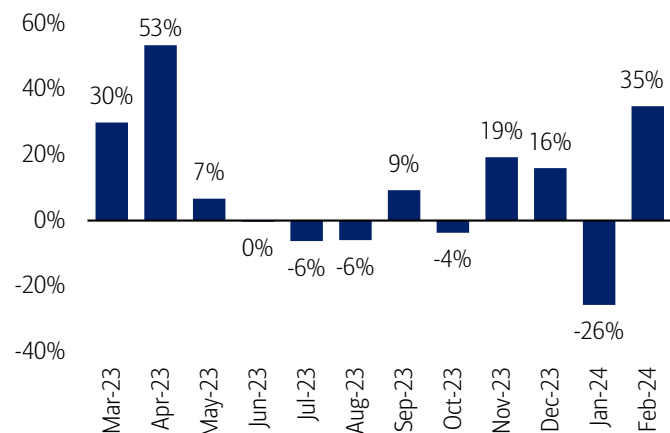
Note: Nike data represents both Nike and Jordan brands

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Pou Sheng is China's second largest sportswear retailer and a major wholesale partner for NKE. Dec sales were +16% y/y, Jan sales were down 26% and Feb sales were up 35%.

#### Exhibit 9: Pou Sheng monthly sales (y/y)

Pou Sheng sales were up down 26% and up 35% in Jan/Feb respectively

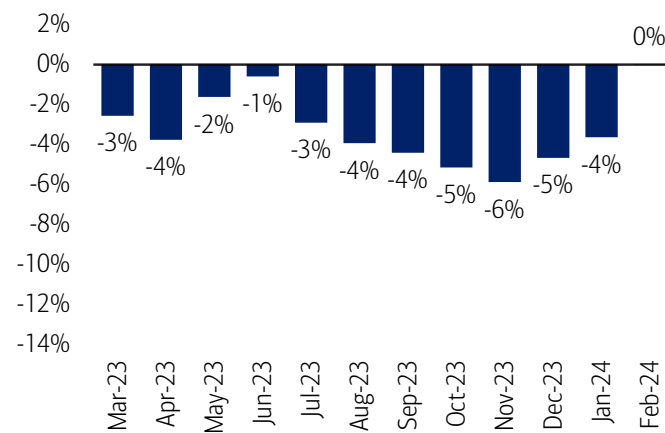


Source: Hkex News

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#### Exhibit 10: Pou Sheng monthly sales (5yr CAGR)

Pou Sheng sales on a 5yr CAGR basis during F3Q



Source: Hkex News

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## Price objective basis & risk

### Nike (NKE)

Our \$120 price objective is based on 29x our F2025 EPS estimate, slightly below Nike's historical forward P/E average as we expect investors will assign a discount to the uncertainty in China and US wholesale.

Upside risks to our PO are faster-than-expected recovery in China and better-than-expected margin improvement from the company's shift away from undifferentiated wholesale channels.

Downside risks to our PO are a worse-than-expected sales and margin recovery from China, the rising cost of shifting to a more digital-centric business model and a continued promotional retail environment hurting the margin recovery.

## Analyst Certification

I, Lorraine Hutchinson, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Softline Retailing and Dept Stores Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Amer Sports Inc	AS	AS US	Lorraine Hutchinson, CFA
	Bath & Body Works Inc	BBWI	BBWI US	Lorraine Hutchinson, CFA
	Burlington Stores	BURL	BURL US	Lorraine Hutchinson, CFA
	Crocs, Inc.	CROX	CROX US	Christopher Nardone
	Deckers Outdoor Corp	DECK	DECK US	Christopher Nardone
	European Wax Center	EW CZ	EW CZ US	Lorraine Hutchinson, CFA
	lululemon athletica Inc	LULU	LULU US	Lorraine Hutchinson, CFA
	Oddity Tech	ODD	ODD US	Lorraine Hutchinson, CFA
	PVH Corp	PVH	PVH US	Christopher Nardone
	Ralph Lauren	RL	RL US	Christopher Nardone
	Ross Stores Inc	ROST	ROST US	Lorraine Hutchinson, CFA
	Tapestry Inc.	TPR	TPR US	Lorraine Hutchinson, CFA
	TJX Companies	TJX	TJX US	Lorraine Hutchinson, CFA
	Urban Outfitters	URBN	URBN US	Lorraine Hutchinson, CFA
<b>NEUTRAL</b>				
	American Eagle	AEO	AEO US	Christopher Nardone
	Birkenstock	BIRK	BIRK US	Lorraine Hutchinson, CFA
	FIGS, Inc.	FIGS	FIGS US	Lorraine Hutchinson, CFA
	Foot Locker	FL	FL US	Lorraine Hutchinson, CFA
	Levi Strauss & Co.	LEVI	LEVI US	Christopher Nardone
	Nike	NKE	NKE US	Lorraine Hutchinson, CFA
	Signet Jewelers	SIG	SIG US	Lorraine Hutchinson, CFA
	Skechers USA Inc	SKX	SKX US	Christopher Nardone
	Ulta Beauty	ULTA	ULTA US	Lorraine Hutchinson, CFA
	Under Armour Inc	UAA	UAA US	Lorraine Hutchinson, CFA
<b>UNDERPERFORM</b>				
	Carter's Inc	CRI	CRI US	Christopher Nardone
	Gap Inc.	GPS	GPS US	Lorraine Hutchinson, CFA
	Kohl's	KSS	KSS US	Lorraine Hutchinson, CFA
	Nordstrom	JWN	JWN US	Lorraine Hutchinson, CFA
	Revolve	RVLV	RVLV US	Lorraine Hutchinson, CFA
	V F Corp	VFC	VFC US	Lorraine Hutchinson, CFA
	Victoria's Secret & Co	VSCO	VSCO US	Lorraine Hutchinson, CFA



## US - Softline Retailing and Dept Stores Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>RSTR</b>	Macy's	M	M US	Lorraine Hutchinson, CFA

**iQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

**Quality of Earnings**

Cash Realization Ratio  
Asset Replacement Ratio  
Tax Rate  
Net Debt-To-Equity Ratio  
Interest Cover

**Valuation Toolkit**

Price / Earnings Ratio  
Price / Book Value  
Dividend Yield  
Free Cash Flow Yield  
Enterprise Value / Sales

EV / EBITDA

**Numerator**

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$   
Net Income  
Operating Profit  
Expected 5 Year CAGR From Latest Actual  
Cash Flow From Operations – Total Capex

**Numerator**

Cash Flow From Operations  
Capex  
Tax Charge  
Net Debt = Total Debt – Cash & Equivalents  
EBIT

**Numerator**

Current Share Price  
Current Share Price  
Annualised Declared Cash Dividend  
Cash Flow From Operations – Total Capex  
 $\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Other LT Liabilities}$   
Enterprise Value

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill  
Amortization  
Shareholders' Equity  
Sales  
N/A  
N/A

**Denominator**

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

**Denominator**

Diluted Earnings Per Share (Basis As Specified)  
Shareholders' Equity / Current Basic Shares  
Current Share Price  
Market Cap = Current Share Price × Current Basic Shares  
Sales

Basic EBIT + Depreciation + Amortization

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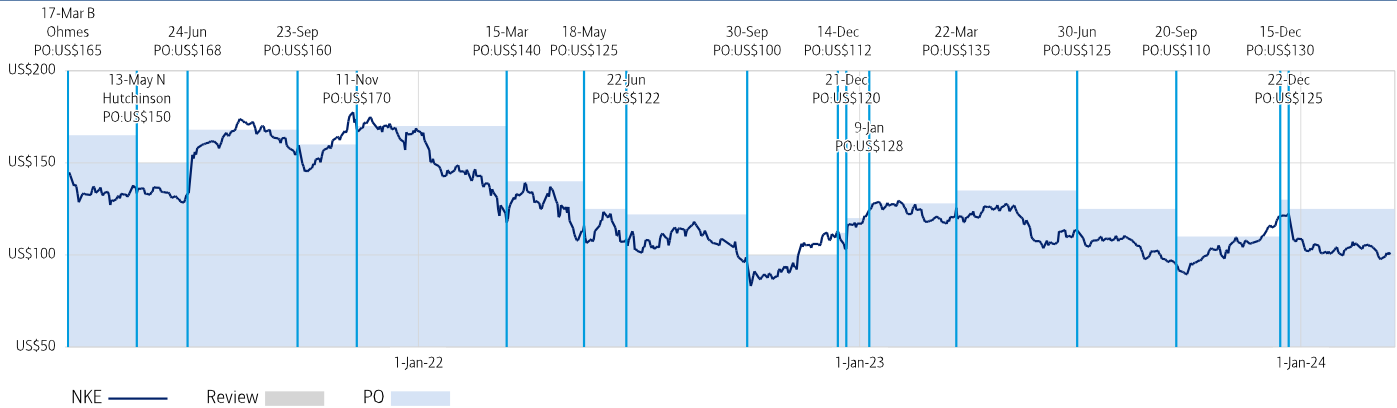
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B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Equity Investment Rating Distribution: Textiles/Apparel Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	13	52.00%	Buy	8	61.54%
Hold	6	24.00%	Hold	3	50.00%
Sell	6	24.00%	Sell	2	33.33%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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